smart **energy** world

edp

smart **energy** world

A smart, efficient world, where nature's energy is our energy.
Where sustainability and competitiveness are at the core
of energy independence and generation. Where leadership
through innovation and technology respect the future of our planet.
That's our world. That's the EDP world.

index

edp

MESSAGE TO SHAREHOLDERS

Dear Shareholders

Imagine for a moment the following.

A world that does not worry. A world that believes oil will exist forever, where climate change is nothing more than a fashionable trend, where value creation is reduced to increasing economic value. Where we choose not to switch off the light even if we do not need it on. A world where our children inherit the problems we were not able to solve.

If we are not to act, this image will inevitably become real. Surely this is not where we want the world to go.

EDP has already chosen another path and 2010 successfully demonstrates the results of this option.

A moment to celebrate the growth and the solid results

2010 results demonstrate the value of the strategy and options followed in terms of growth, asset allocation, geographic diversification, focus on efficiency, financing policy, value of our people. The priority given to maintaining a low risk profile while simultaneously achieving sustainable growth.

This strategy has been particularly important in a sector such as the utilities, capital intensive with a long time to market and where demand destruction (without a similar precedent in the near past) occurred since 2008.

In a very demanding context – low economic growth, increase in sovereign risk, higher regulatory pressure and maintenance of low energy prices – we achieved the best operational results and recurring net profit ever. EBITDA grew 7% for 3.613 million euros and the recurring net profit grew 5% for 1.079 million euros.

Here are some examples of our ability to execute in different areas of the market. The implementation of the largest hydro program in Europe, on time and with lower costs than anticipated. The Company that signed the highest number of Power Purchase Agreements (PPAs) of renewable energy in the US. Improvement, once more, of the service quality in the distribution business in Portugal and delivering the best quality of service ever in Spain. Also in Spain, the capability to maintain a market share in terms of clients which is two times the one in generation. Growth of market share in the gas business in Iberia. In the Brazilian market, 2010 operational results were the best ever.

In what concerns efficiency, we have achieved the goal of reducing the costs 160 million euros two years before scheduled. This constant focus has allowed EDP to become the most efficient utility in Iberia.

Simultaneously, the Group is now more solid. We have maintained the A Rating, ensured financial liquidity until the beginning of 2013 and improved the key debt ratios that put EDP in a better position than the one before starting the execution of the current Strategic Plan.

Without changing the essence of our vision, in 2010 we decreased our investment and announced an average reduction of approximately 600 million euros per year in the 2011 and 2012 investment program. A demonstration of the capability to anticipate and the pragmatic approach to a new world we live in.

These examples translate the value of our strategy. Show the path EDP must follow and provide the strength and flexibility for the Group to adjust to a context where the opportunity cost is increasingly higher.

Leading the new paradigm in the energy sector

In Portugal, EDP is in the peak of the execution phase of the largest hydro program in Europe working in 10 different fronts simultaneously. We have launched the first intelligent city with the InovCity Project in Évora. We have created new structures to support our clients in the energy efficiency and microgeneration areas. We are involved in every stage of the development of electric mobility. We support open innovation, namely with the creation of the first FabLab in Portugal. We are leading the way in offshore wind generation technology in order to seize more of this asset in the Portuguese sea. We have multiplied by 10 the investment in R&D in the last 5 years.

These demonstrate our commitment with the revolution that is occurring in the energy sector and which has an important role in the improvement of the quality of life and the competiveness of the economies where we operate. EDP has been the company that most has invested in Portugal and the largest Portuguese investor in the world. Our intervention has significant impact in the resolution of the largest challenges the country faces: economic growth, creation of employment and reduction of the external deficit.

Globally, 64% of the energy produced was generated through renewable sources, which puts EDP in a unique position to achieve the 70% goal set for 2020.

Our actions have impacted in several other domains. In 2010 we were recognized as the number 1 electric company in the world in the Dow Jones Sustainability Indexes, leading in areas such as risk management, control systems, integrated risk management, involvement with stakeholders, social reporting, development of human capital and biodiversity. This positioning reinforces our commitment to continuously improve upon the 10 Principles of the "Global Compact", an international initiative promoted by the United Nations and which we joined in 2004. Among more than 500 companies, EDP was also the first company globally in terms of transparency in providing financial information.

We have created opportunities to those that need the most. EDP Foundations, in Portugal, Spain and Brazil, are examples of social innovation, which, only in our country have touched the lives of more than 1.7 million people. Besides further developing various initiatives in Portugal, in the refugee camp of Kakuma in Africa, EDP developed with UNHCR a second to none project in the world, that shows how we can be effective in the support to those that need the most.

The challenge continues

2011 will again be a very demanding year. We have created the conditions to succeed in this current economic and energy market context. Our asset portfolio has an average residual life of more than 22 years. We are currently building 3.1 thousand MW which will generate significant cash flow in 2011 and particularly from 2012 onwards. EDP is one of the least exposed companies to the CO2 risk. We are financed for the next two years, with comfortable liquidity position of 5.8 billion euros as of February 2011. We have an investment program adequate to the new market reality. We have an ambitious development program for our people that form a team with distinctive capabilities in the different markets we operate in.

In the beginning of 2011, EDP was included in the Europe Select Dividend index, comprised by the 30 listed companies with higher dividends. This result is due to the sustainable dividend growth policy and within which we shall be proposing in the next General Shareholders Meeting a 17 cents dividend per share which represents a 10% increase versus the previous year.

To the shareholders, clients, suppliers, business partners, governmental entities, regulators and corporate bodies, namely the General and Supervisory Board, thank you for the support and confidence provided to the team throughout the year.

Lastly, a special word for the 12,096 employees from 28 nationalities present in 13 countries that make up EDP. Your energy is decisive for the success achieved.

In 2011 the challenge continues. More demanding. More discipline. More involvement.

I will keep counting with everyone's collaboration and support to continue pursuing this successful path.

We imagine and contribute to building a better world.

António Mexia
Chairman of the Executive Board of Directors

Lisbon, 3 of March of 2011

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VISION, COMMITMENTS AND VALUES

values

Trust
Of shareholders, customers, suppliers and other stakeholders.

Excellence
In the way we implement.

Initiative
Demonstrated through behaviour and attitude of our people.

Innovation
With the objective of creating value within the various areas in which we operate.

Sustainability
Aiming at improving the quality of life of current and future generations.

vision

A global energy providing company, leader in creating value, innovation and sustainability.

commitments

Commitment with Persons
- We join ethical conduct and professional rigour to enthusiasm and initiative, emphasising team work.
- We promote the development of skills and merit.
- We believe that the balance between private and professional life is fundamental in order to be successful.

Commitment with Customer
- We place ourselves in our Customers' shoes whenever a decision has to be made.
- We listen to our Customers and answer in a simple and clear manner.
- We surprise our Customers by anticipating their needs.

Commitment with Sustainability
- We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.
- We reduce, in a sustainable manner, specific greenhouse gas emissions from the energy we produce.
- We actively promote energy efficiency.

Commitment with Results
- We fulfil the commitments that we embraced in the presence of our shareholders.
- We are leaders due to our capacity of anticipating and implementing.
- We demand excellence in everything that we do.

EDP IN THE WORLD

Employees **332**
Installed Capacity (MW)* **3,224**
Net Generation (GWh) **7,689**
Generation from renewable sources** **100%**

edp renováveis

Employees **23**
Installed Capacity (MW)* **341**
Net Generation (GWh) **595**
Generation from renewable sources** **100%**

edp renováveis

Employees **11**

edp renováveis

Employees **32**
Installed Capacity (MW)* **210**
Net Generation (GWh) **209**
Generation from renewable sources** **100%**

edp renováveis

Employees **14**

edp renováveis

Employees **2,430**
Electricity Costumers **2,740,431**
Installed Capacity (MW)* **1,749**
Net Generation (GWh) **7,293**
Generation from renewable sources** **100%**
Electricity Distribution (GWh) **23,749**

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Employees **7,243**
Electricity Costumers **6,105,291**
Gas Costumers **245,335**
Installed Capacity (MW)* **10,781**
Net Generation (GWh) **27,565**
Generation from renewable sources** **60%**
Electricity Distribution (GWh) **47,836**
Gas Distribution (GWh) **6,843**

edp
edp gás
edp renováveis

Employees **2,011**
Electricity Costumers **1,010,005**
Gas Costumers **823,792**
Installed Capacity (MW)* **5,025**
Net Generation (GWh) **16,214**
Generation from renewable sources** **37%**
Electricity Distribution (GWh) **9,320**
Gas Distribution (GWh) **45,644**

hc energía
naturgas energía
edp renováveis

* MW EBITDA
**Inclui hídrica, eólica, biomassa e resíduos

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COMPANY HIGHLIGHTS

13 JAN – EDP signs construction contract for Venda Nova III 736 MW new hydro plant
EDP awarded the construction works for the repowering of the Venda Nova hydro plant, called Venda Nova III, to the consortium MSF/ Somague/Mota-Engil/Spie Batignolles for a total amount of 131 million euros. The plant is scheduled to start operations in the first half of 2015 and the expected total capex is 349 million euros over the period.

26 JAN – EDP is "gold class SAM 2010"
For the third consecutive year, EDP was included in the top 15% of companies with the best performance in terms of sustainability, receiving a Gold Class ranking in "The Sustainability Yearbook 2010" from SAM (Sustainable Asset Management), which evaluates companies in 58 sectors. EDP had ranked in the Silver Class in previous years.

27 JAN – EDP Renováveis enters the Italian wind market through the acquisition of 520 MW to be developed
EDP Renováveis S.A. acquires 85% of Italian Wind srl, from Co-Ver group (an industrial conglomerate from the north of Italy), adding to its portfolio several wind projects in Italy totaling 520 MW. The amount paid for the above mentioned stake is 12 million euros.

10 FEB – Replacement of representative of Sonatrach in the General Supervisory Board - Sonatrach, a member of the General and Supervisory Board, appointed Mr. Farid Boukhalfa as representative to exercise the office in replacement of Mr. Mohamed Meziane, who resigned to such function.

06 APR – EDP presents InovCity's concept - Évora is the first city to feature energy smart grids, enhancing energy efficiency and micro electrical mobility.

16 APR – EDP's Annual General Shareholders Meeting - Approval of the 2009 individual and consolidated financial statements and approval of the proposed distribution of EDP's 2009 net profit for the period.

23 APR – Appointment of representative of Senfora in the General Supervisory Board - Senfora SARL, a member of the General and Supervisory Board, elected in the Annual General Shareholders Meeting held on April 16, 2010, appointed Mr. Mohamed Al Fahim as representative to exercise the office, due to resignation of Mr. Khalifa Abdulla Khamis Al Romaith.

26 APR – EDP Renováveis awards Vestas a procurement contract to deliver up to 2.1 GW of wind capacity

15 JUN – Moody's maintained EDP's long term 'A3'stable credit rating

17 JUN – Fitch maintained EDP's long term 'A-' stable credit rating

jan feb mar apr may jun jul

09 MAR – EDP issues EUR1bn 5 year bond
EDP Finance BV issued and priced today a Eurobond in the total amount of EUR 1 billion maturing in March 2015 with a coupon of 3.25%.

13 MAY – Payment of gross dividend of EUR 0.155 per share for the 2009 financial year (net dividend of EUR 0.124)

28 JUL – EDP reinforces control over Naturgas - Within the scope of the privatization process of Naturgas which occurred in 2003, HC Energía (96,86% owned by EDP) acquired a controlling stake in Naturgas and closed with Ente Vasco De La Energia ("EVE"), a shareholder agreement valid until July 30th, 2010, which included a put option for part or the whole of EVE's stake in Naturgas, to be exercised at market value until July 30th, 2010. Following EVE's decision to exercise the above mentioned put option, an agreement was signed between EVE and HC that sets up the purchase by HC from EVE of 29.43% of the share capital of Naturgas for €617 million.

29 JUL – EDP sells electricity transmission assets in Spain to REE - In accordance with Law 17/2007 of July 4th, distribution companies have to sell their transmission assets to Red Eléctrica de España, S.A.U. Hidrocantábrico Distribución Eléctrica, S.A.U., EDP Group's subsidiary for the electricity distribution business in Spain, signed an agreement for the sale of its transmission assets to REE for €58million. This operation is subject to approval by the competent authorities.

04 AGO – Aneel approves the 2010 tariff reset for EDP Escelsa - The Brazilian electricity regulator, ANEEL, approved a 7.19% tariff reset index for EDP Escelsa, for the period from August 7th 2010 to August 6th 2011.

23 AGO – Attribution of capacity payment for electricity generation in Portugal - Ordinance no. 765/2010 was published and establishes, while implementing the provisions of article 33-A of Decree-Law no. 172/2006 of 23 August, a capacity payment regime applicable to power plants located in Portugal that operate in the liberalized market, thus promoting the harmonization of the capacity payment conditions at the Iberian level. The investment incentive to be used in generating capacity will be set according to a methodology established in the ordinance, although it is established that, until its approval, the amount attributed is of 20,000€ per MW installed in respect of either the new power plants or those power plants that have come into operation less than 10 years ago.

09 SEP – Changes in the Brazilian social tariff - New Aneel Resolution 414/2010 consolidates the regulations on the conditions of electricity supply and consumers' rights and duties.

20 SEP – EDP is featured in Carbon Disclosure Leadership Index - EDP is the 2nd best utilitie concerning The Carbon Disclosure Project. For the first time, EDP features CDLI - Carbon Disclosure Leadership Index – which highlights the companies with the best carbon report, worldwide. For the first year, CDP launched its new performance scoring pilot, EDP was considered B class.

03 NOV – EDP signed credit facility of €2,000,000,000 - EDP has signed a five year revolving credit facility in the amount of €2,000,000,000. This revolving credit facility replaces the €1,600,000,000 RCF signed in 2009 that was due to mature in March 2012, keeping the same purpose: backup credit facility.

04 NOV – EDP is the world leader of the electric sector on Dow Jones Sustainability Index 2010/2011- For the third year running, EDP was in the DJSI World and DJSI Europe indexes and was considered leader of the electric sector, in the SAM sustainability references for the first time. EDP is featured, in DJSI Enlarged Index, created in 2010, by SAM.

07 NOV – EDP and CPI sign memorandum of understanding for a possible partnership - EDP and China Power International Holding Ltd reached an agreement for a possible partnership regarding Companhia de Electricidade de Macau and to take advantage of business opportunities for both companies within the scope of the energy business, both in the Asian markets and in the markets where EDP currently operates.

29 NOV – For the fifth year running, EDP in Brazil, integrated the Corporate Sustainability Index - EDP is one of the 38 companies within this index, which totalizes R$ 1.17 trillions in market value and corresponds to 46.1% of the total value of the companies which stocks are traded in BM&FBovespa.

ago

sep

nov

oct

dec

2011

07 OCT – Aneel approves a 10.70% tariff increase at EDP Bandeirante's annual tariff readjustment process - The Brazilian electricity regulator, ANEEL, approved a 10.70% annual tariff readjustment index for EDP Bandeirante, for the period from October 23th 2010 to October 22th 2011.

21 OCT – EDP sells its stake in DECA II - EDP signed with Empresas Públicas de Medellín, a Colombian public utility, a Stock Purchase Agreement for the sale of its 21% stake in the share capital of Distribución Eléctrica CentroAmérica Dos ("DECA II"). DECA II is a Guatemalan holding company which operates, through its subsidiary companies, on the distribution, transmission and commercialization of electricity in that country. The price paid for 21% of the equity of DECA II was $127 million.

29 OCT – Standard & Poor's affirms EDP's long term 'A-' stable credit rating

03 DEC – Standard & Poor's placed EDP on creditwatch negative after similar action on Portugal

15 DEC – ERSE sets electricity tariffs in Portugal for 2011, establishing a 3,8% average increase in the sales tariffs for the low voltage final costumers in Portugal.

21 DEC – Moody's placed EDP on review for possible downgrade after similar action on Portugal

27 DEC – Resignation of member of the General and Supervisory Board - Mr. Vasco Maria Guimarães José de Mello has presented, due to professional reasons, his resignation from the General and Supervisory Board.

29 DEC – Fitch considers that EDP's ratings is not affected by Portugal's downgrade

01 JAN – New Rules for the applicability of the social tariff in Portugal - Social benefit designed to economically vulnerable customers, which guarantees access for all consumers to the essential service of electricity supply, in accordance with Decree-Law No. 138-A/2010, December 28th.

13 JAN – EDP receives first tranche of electricity deficit amortisation fund in Spain - On January 11th, 2011, FADE, the Spanish Electricity Deficit Amortisation Fund, launched its inaugural bond issuance explicitly guaranteed by the Kingdom of Spain. This first tranche which amounts to €2 billion pays a coupon of 4.80%. EDP, through its 96.86% held Spanish subsidiary Hidroeléctrica Del Cantábrico S.A. ("HC Energía"), shall receive around €102.5 million.

25 JAN – EDP issues EUR 750 million 5 year bond - EDP Finance BV issued and priced today a Eurobond in the total amount of EUR 750,000,000 maturing in January 2016 with a coupon of 5.875%.

31 JAN – EDP issues CHF 200 million 3 year bond - EDP Finance BV issued and priced a Swiss Franc bond in the total amount of CHF 200,000,000 maturing in February 2014 with a coupon of 3.5%.

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EDP CORPORATE BODIES

BOARD OF THE GENERAL MEETING

Rui Eduardo Ferreira Rodrigues Pena, Charmain
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, Certified Auditor, Permanent Statutory Auditor
Vítor Manuel da Cunha Ribeirinho, Certified Auditor, Deputy Statutory Auditor

GENERAL SUPERVISORY BOARD

António de Almeida, CHAIRMAN He was born on 16th March 1937. He has a degree in Economics from the School of Economics of Universidade do Porto (1961). In Mozambique, he was Supervisor of Planning (1963-65); Financial Director and Secretary General of Maragra – Marracuene Agrícola Açucareira (1966-71); and Director and Vice-Chairman of the Instituto de Crédito de Moçambique (1971-74). In Portugal, he was Governor and President of Banco de Angola (1974-78); Secretary of State of Treasury (1978-80 and 1983-85); Chairman of the União de Bancos Portugueses (until 1991); consultant to Banco de Portugal (until 1992); consultant to Associação Industrial Portuense (1991-96); Chairman of the EDP Board of Directors (1996-98); Board Director of the European Bank for Reconstruction and Development (1998-2004); Chairman of the EDP Audit Committee (2003-04) and Chairman of OMIP and OMIClear (2004-06). In terms of academic activities, he was an invited lecturer to Universidade de Lourenço Marques (1971-74) and Universidade Autónoma de Lisboa (1992-99). Since 2009, he is President of the ISEG School Council. He was designated for the first time Chairman of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

Alberto João Coraceiro de Castro, VICE-CHAIRMAN He was born on 15th June 1952. He has a degree in Economics from the School of Economics of Porto and a PhD in Economics from the University of South Carolina. He has published papers in different areas of expertise, including industrial economics, business economics and strategy, labor and international economics. He lectures at Universidade Católica Portuguesa, where he is head of the Centre for Applied Research in Economics and Management. He serves as President of the Audit Committee of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). He is also a member of the General Board of Associação Empresarial de Portugal and of the Board of Associação Comercial do Porto, Vice-Chairman of the Board of Directors of Associação para o Museu dos Transportes e Comunicações.He was designated for the first time Vice-Chairman of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

António Sarmento Gomes Mota He was born on 10th June 1958. He has a degree in Management by ISCTE, (1981), an MBA by the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management by ISCTE. He is a Full Professor and the head of ISCTE Business School (since 2003). He is also the head of INDEG/ISCTE (since 2005); Chairman of the General Board of the Fundo de Contragarantia Mútua (1999-) and a non-executive member of the Board of CIMPOR (2009-). Member of the Direction Board of the Portuguese Corporate Governance Institute (2010-). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School (2001-2003); Chairman of the Board of CEMAF – Centro de Investigação de Mercados e Activos Financeiros of ISCTE (1995-2003); member of the Investment Committee of FINPRO-SGPS (2002-2004); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-1997); Consultant of PME Investimentos 1998-2000). Co-founder and first director of the "Management Revue", he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring.
He was designated Member of the EDP General and Supervisory Board on 15th April 2009.

Carlos Jorge Ramalho dos Santos Ferreira He was born on 23rd February 1949. He has a degree in Law by the School of Law of Universidade Clássica de Lisboa (1971). He was a member of the Tax Reform Commission (1984-88); a Member of Parliament and Vice-Chairman of the Parliamentary Commission for Health and Social Security (1976); member of the Management Board of ANA (1977-1987); Chairman of the Board of Fundição de Oeiras (1987-89) and Chairman of the Companhia do Aeroporto de Macau (1989-91). He was a director of the Champalimaud Group (1992-99) and Chairman of the Board of Mundial Confiança and of the General Meeting of Banco Pinto & Sotto Mayor. Between 1999 and 2003, he served as Director of Servibanca, and as Vice-Chairman and member of the Board of Directors of Seguros e Pensões Gere, part of the BCP Group. He also acted as Director and Chairman of the Board of Directors of Império Bonança, the insurance companies Ocidental and Ocidental Vida, Seguro Directo, Império Comércio e Indústria (ICI), Companhia Portuguesa de Seguros de Saúde, Autogere and Corretoresgest, and he was also Director of Eureko B.V. He was Vice-Chairman of Estoril Sol and Finansol, non-Executive Chairman of Willis Portugal-Corretores de Seguros (2003-05) and Director of the Board of Seng Heng Bank. From 2005 until 2007 he was Chairman of the Board of Caixa Geral de Depósitos. He is currently Chairman of the Board of Banco Comercial Português; member of the General and Supervisory Board of Millenniumbank, in Poland, member of the Board of Directors of BancSabadell, in Spain and Chairman of the Board of Banco Millennium Angola, S.A..He was designated for the first time Member of the EDP General and Supervisory Board on 10th April 2008 and he was reappointed on 15th April 2009.

Diogo Campos Barradas de Lacerda Machado He was born on 17th May 1961. He has a degree in Law. He was management trainee at FIMA-LEVERIGLO (1986); a legal consultant to the Tourism Fund (1986-88); an advisor to the Government of Macao's Deputy Secretary for Administration and Justice (1988-90); a senior legal consultant of the Tourism Fund (1990-92) and Director of Interfina and several of its subsidiary companies (1992-95). From 1995 to 1999 he was a lawyer and a partner of the firm Sampaio Caramelo, Fonseca Santos & Lacerda Machado and a member of the Superior Judicial Council (1997-99). He served as Legal Director for the Parque Expo'98 Group and as Director of its associated companies (1999). He was Secretary of State for Justice (1999-2002). He is currently a lawyer working off-counsel with the Barrocas, Sarmento e Neves law firm; member of the Committee for Access to Government Documents (CADA); non-executive Board Member of BAO – Banco da África Ocidental (Guinea-Bissau) and Moza Banco (Mozambique). Since February 2010, he is Vice-Chairman of Caixa Económica de Cabo Verde (Cape Verde). He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

Eduardo de Almeida Catroga He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa and a post-graduate degree from Harvard Business School. He served as Minister of Finance of the Portuguese government from 1994 to 1995. He is a guest senior lecturer in business strategy for the ISEG MBA program. He has focused his career on corporate management and administration, specifically within CUF and in SAPEC, where he was CFO (1974) and General Director, respectively. Currently, he is Chairman of the Board of Directors of the SAPEC Group, Member of the Board of Nutrinveste, Member of the Board of Banco Finantia and President of the Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

Farid Boukhalfa Born on 22nd of February 1953. He has a bachelor degree in Accountability (National Institute of Hydrocarbons Bourmerdes), a degree in Finances (INPED Bourmerdes) and a post-degree in Auditing (Alger University). He started working in Sonatrach in 1975. He began his activity developing technical-economical studies on Sonatrach projects defined on the company quinquennial plans. From 1992 to 1999, he has head of the Coordination and Syntheses department. In 1999, he became sub-director of the Budget and Management Control department and in 2000 he has appointed as Director of Sonatrach's Management Control Department. In 2007, he became Director of the Consolidation Accountability Department. Since 2008, he is the Sonatrach Chief Financial Officer. He was designated Member of the EDP General and Supervisory Board, representing Sonatrach, on 4th February 2010.

Fernando Manuel Barbosa Faria de Oliveira He was born on 10th October 1941. He has a degree in Mechanical Engineering from IST. He was Secretary of State for Foreign Trade (1980-83), Assistant Secretary of State to the Deputy Prime Minister (1985), Secretary of State of Finance and Treasury (1988-89), Assistant Secretary of State for Finance (1989-90) and Minister for Trade and Tourism (1990-1995). He was a Member of the Board of Directors of Siderurgia Nacional (1980-83); of IPE – Investimentos e Participações Empresariais, SA (1983-2002); of BFE – Banco de Fomento Exterior (1990); of HPP – Hospitais Privados de Portugal, SGPS, SA (2003-05); of Carlton Life (2003-05); of Banco Caixa Geral, Spain (CEO from 2005-07). Since 2008, he is Chairman of the Board of Directors and CEO of the Caixa Geral de Depósitos and PARCAIXA SGPS. He was also a non-executive Member of the Board of EGF - Empresa Geral de Fomento (1988), of CELBI - Celulose da Beira Industrial (1987-88); of ICEP (Portuguese Institute for Foreign Trade) (1986-88); and of TAP (1998-2006). He was Member of the Advisory Board of the National Administration Institute and of APAD – Portuguese Development Aid Agency (2000-02); Member of the Executive Board of UCCLA (Union of Portuguese-speaking Capital Cities) (2000-02); and Chairman of the Advisory Board of ELO – the Portuguese Association for Economic Development and Cooperation (2001-05). He was designated for the first time Member of the EDP General and Supervisory Board on 10th April 2008 and he was reappointed on 15th April 2009.

José Manuel dos Santos Fernandes He was born on 23rd September 1945. He has a degree in Mechanical Engineering by the Engineering School of Universidade do Porto. He is the Chairman of the Board of FREZIGEST, SGPS, since 2005. He was a Board Member of AFICOR (1983-2007); General Director of MIDA (1974-1990); Director (1972-74) and Member of the Board of Metalúrgica Costa Nêry S.A. (1974-75); Head of Production of CERLEI (1960-1972). He is also President of PRODUTECH (2009); Vice-president of the General Meeting of the AEP (2008); Vice-president of the General Meeting of Manufuture Portugal (2005). He was Executive Vice-president (2001-04) and President of the General Meeting of CIP (2004-07). He was also CIP's representative at the National Counsel for Environment and Sustainable Development (2000-02). He was Vice-president of the AIP (1984-98) and represented this association in the National Quality Counsel (1988-98) and Science Counsel (1996). He was President of the Portuguese Metal Industry Association (1998-2004). He is the Portuguese representative at the European Tools Committee (since 1998). He was a Member of the Executive Board (1987-90) and Member of the General Assembly of EXPONOR (1998-2009). He is Vice-president of AEP's General Meeting (since 2008) and he coordinated an official national business mission to Venezuela in 2008. He is the President of the General Assembly of AIMMAP (since 2010). He was designated Member of the EDP General and Supervisory Board on 15th April 2009.

José Maria Espírito Santo Silva Ricciardi He was born on 27th October 1954. He has a degree in Applied Economic Sciences by the Administration and Management Institute of the School of Economic, Political and Social Sciences of Université Catholique de Louvain, in Belgium. He served as Financial Controller at the European headquarters of the Espírito Santo Group (GES) from 1981 to 1983, assisting the group's General Financial Controller at a global level. He was an Assistant Director of the Bank Espírito Santo International Ltd. from June 1983 and in 1987 he was appointed Director of Merchant Banking at Banco Internacional de Crédito (BIC). In 1990, he worked at BIC, as Deputy Director-General and Director of the Capital Markets Department. He was appointed Director of Espírito Santo Sociedade de Investimentos in 1992 and Vice-Chairman of the Board of Directors of Banco Espírito Santo de Investimento in 1995. Since 1999 he has served as Executive Director of the Board of Banco Espírito Santo and CEO of Banco Espírito Santo de Investimento. He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

José Maria Freire Brandão de Brito He was born on 10 January 1947. He has a degree and a PhD on Economics by ISCEF/ISEG. He is a senior professor and head of ISEG's Economics department He was an expert at INII (1968-75); Vice-president of IAPMEI's Consultative Council (1975-80); Executive Vice-president of TAP (1996-98); CEO of RTP (1999-2001); Vice-president and General Manager of Portugal Global SGPS (2001-02); Commissioner of the exhibition "Engenho e Obra – Engenharia em Portugal no Séc. XX" (2003). He is currently also Board Member of IDEFE/ISEG (since 2007) and of the UTL General Counsel (since 2009). He is a member of several scientific institutions and has participated in more than fifty national and international seminars. He has published several books and papers on applied economics and writes opinion articles on a regular basis. He was designated Member of the EDP General and Supervisory Board, representing Cajastur Inversiones, on 2nd June 2008 and he was reappointed on 15th April 2009.

Mohamed Ali Al-Fahim He was born on 4h March 1976. He has a degree in Finance by the University of Suffolk, Boston (1999). He has started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused in the identification and in the definition of investment strategies for a balanced investment portfolio of ADNOC, which could be able to meet the Groups requirements for cash flow and returns. During that time, he also had working experience as Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager at the Finance & Accounts Department of International Petroleum Investment Company (IPIC). In May 2010, he has been appointed as member of the Board of Directors at Aabar Investments PJS. He was designated Member of the EDP General and Supervisory Board, representing Senfora, on 16th April 2010.

Manuel Fernando de Macedo Alves Monteiro He was born on 12th April 1957. He has a degree in Law and is a Board Director of CIN, Novabase, Douro Azul and AICEP (Business Development Agency). He acts as President of Remunerations Committees of AICEP – Global Parques S.A., AICEP Capital, Douro Azul SGPS and Sardinha & Leite SGPS. He is a member of the School of Economics and Management Advisory Board (Universidade Católica do Porto); and a member of the Advisory Board of Porto Vivo - Sociedade de Reabilitação Urbana do Porto. He was a non-executive board member of Jerónimo Martins, SGPS; served as Chairman of Euronext Lisbon and was a member of the Board of Directors of the Paris, Brussels and Amsterdam stock exchanges and Euronext NV. He was CEO of the Lisbon and Porto Stock Exchanges and Interbolsa; Director of the Portuguese Corporate Governance Institute; Chairman of the Portuguese Association of Financial Analysts; member of the CMVM Advisory Board and Chairman of Casa da Música/Porto 2001, S.A. He has also held executive positions in international organizations related to capital markets: Executive Board of the Ibero-American Stock Exchange Federation (FIABV); the European Committee of Futures and Options Exchanges (ECOFEX); the International Finance and Commodities Institute (IFCI) and the European Capital Markets Institute (ECMI).

He was awarded the title of Chevalier de L´Ordre Nationale de la Légion d´Honneur by recommendation of the President of the French Republic. He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

Ricardo José Minotti da Cruz Filipe He was born on 19th February 1934. He has a degree in Civil Engineering by Instituto Superior Técnico (1957). He was an assistant lecturer at IST responsible for descriptive geometry (1958-68). He is President of the Specialized Section for Reprivatizations (SER) within the Ministry of Finance (since 1988) and Chairman of the Supervisory Board of CIMPOR (since 1992). He was a Member of the Board of Directors of EDP, responsible for strategic planning (1976-1988). During this period he has actively participated on the reorganization and consolidation of EDP, in optimizing the Generation National System, in the procurement for large electricity projects and in negotiating with the World Bank for the expansion of generation and transmission infrastructures. He was a member of the National Energy Plan Commission and a representative of CPE and EDP at the Executive Committee and at the General Assembly of the Union for the Coordination of the Production and Transport of Electric Power (1971-88). He was a member of the Board of Companhia Elécrtica do Alentejo e Algarve (1975-76). Between 1957 and 1975 he developed work on hydropower generation as part of the Zêzere Hydroelectric and CPE. He was designated Member of the EDP General and Supervisory Board on 15th April 2009.

Rui Eduardo Ferreira Rodrigues Pena He was born on 25th December 1939. He has a degree in Law from the Universidade de Lisboa. He works as a lawyer and his professional activity has focus on areas of administrative, trade, financial and business law, with a particular emphasis on the so-called regulated markets. He is a founding member and senior partner at the law firm Rui Pena, Arnaut & Associados. From 1973 to 2007, he was Chairman of the Board of Directors, Executive Director and Non-Executive Director of various Portuguese and international companies. He served as Minister of National Defense from 2001 to 2002 and was a member of the General Council of the Portuguese Bar Association from 1987 to 1989. He was a lecturer in Administrative Law at Universidade Autónoma de Lisboa (1983-1987) and a member of the Lisbon Municipal Assembly (1986). He is part of the arbitration and reconciliation body of the International Centre for Settlement of Investment Disputes (ICSID). He served as President of the Inter-Parliamentary Union's Portuguese group (1980-1982) and was an assistant lecturer at the School of Law at Universidade de Lisboa (1977-1980), professor of Administrative Law at Universidade Livre de Lisboa from (1978-1981) and a member of the governing board at the Universidade de Lisboa (1977-1980). In 1978 he served as Minister of Administrative Reform and was also a Member of Parliament (1976-83). From 1964 to 1975 he was a legal consultant and director of various companies within the SACOR Group. He was designated for the first time Member of the EDP General and Supervisory Board on 12th April 2007 and he was reappointed on 15th April 2009.

Vítor Fernando da Conceição Gonçalves He was born on 16th April 1955. He has a degree in Business Administration and Management from ISEG (1978) and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG (since 1994) as well as Vice-Rector at Universidade Técnica de Lisboa (since 2007). He is a Member of the Economic and Social Council (since 2007) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (since 2005). He served as Chairman of the ISEG Directive Council (2003-06) and Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programs for executives and was a guest lecturer at several universities in Portugal and abroad. He is a Member of the Assessment Committee for doctoral, post-doctoral and research candidates at the Fundação para a Ciência e Tecnologia (since 1997). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-02). Member of the Executive Council of Economics and Business Management Specialization at the Portuguese Economists' Association (1999-2001) and member of the Professional Council. He is a non-executive Director of ZON Multimedia and Chairman of its Audit Committee (since 2007). He is currently Chairman of the Gaptec / UTL Department (since 2007) and was Director of Promindústria – Sociedade de Investimento SA (1994-96). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-07). From 2001 to 2002, he chaired the group of "high-level experts" at the European Commission that evaluated the program on European competitiveness – European Research Area. He is the author of several articles on management for national and international publications. He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

EXECUTIVE BOARD OF DIRECTORS

António Mexia, CHAIRMAN He was born on July 12th, 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was also a member of the governing boards of Universidade Nova de Lisboa and of Universidade Católica, where he was Director from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004, he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairman of the Portuguese Industrial Association (AIP) and Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. He was appointed on 30th March 2006 as Chairman of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

Ana Maria Fernandes She was born on 1st November 1962. She graduated in Economics from the Faculty of Economics at Oporto (1986). She received a postgraduate degree in Finance from the Faculty of Economics of Universidade do Porto and an MBA from the Escola de Gestão do Porto (1989). She lectured at the Faculty of Economics of Universidade do Porto from 1989 until 1991. She began her professional career in 1986 at Conselho – Gestão e Investimentos, a company of the Banco Português do Atlântico Group, in the capital markets, investments and business restructuring field. In 1989 she began working at Efisa, Sociedade de Investimentos, in the area of corporate finance, and was later made a director of Banco Efisa. In 1992 she joined the Grupo Banco de Fomento e Exterior as director in the area of investment banking and was Head "Corporate Finance" at BPI between 1996 and 1998. In 1998 she joined Gás de Portugal as Director of Strategic Planning and M&A and, in 2000, became Director of Strategy and Portfolio Management of Galp Business. She later became President of Galp Power and Director of Transgás. From 2004 until 2006 she was director of the Board of Galp Energia. She was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

António Martins da Costa He was born on December 13th, 1954. He holds a degree in Civil Engineering and an MBA from the University of Oporto (1976) and an MBA from the Escola de Gestão of OPorto, and has also completed executive education studies at INSEAD (Fontainebleau, França - 1995), PADE from AESE (Lisbon 2000) and the AMP of the Wharton School (Philadelphia, EUA - 2003). From 1976 until 1989 he lectured at the Superior Engineering Institute of Porto.
He joined hydraulic generation at EDP in 1981. From 1989 to 2003 he was General Manager of Millennium bcp Bank and Executive Board Member on several companies for insurance, pensions and asset management of BCP Group. He was also Director of Eureko BV (Netherlands), Chairman of Eureko Polska and Executive Vice- Chairman of PZU (Poland) between 1999 and 2002. From 2003 to 2007, he was the CEO and Vice-Chairman of the Board of Directors of Energias do Brazil. During this period he was also Vice-Chairman of Portuguese Chamber of Commerce in Brazil and Chairman of ABRADEE. He is a member of the Executive Board of Directors of EDP since 2006. In 2007, he became Chairman and CEO of Horizon Wind Energy, in the USA, and a Member of the Executive Commission of EDP Renováveis since 2008. In 2009 he was appointed Chairman of the Board of Directors of EDP Internacional and EDP Soluções Comerciais. On the Executive Board of Directors of EDP he is responsible for the management area of distribution. He is a founding member of the Portuguese Institute of Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

António Pita de Abreu He was born on March 17th, 1950. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as an assistant lecturer and guest lecturer in the Department of Electrotechnical Engineering and Computers. Since 1977 he has worked in the electricity sector, where until 2006 he occupied the following positions: executive member of the EDP Board of Directors. Chairman of the Board of Directors of REN (Portuguese National Electricity Grid), EDP Produção, CPPE (Portuguese Electricity Generation Company), EDP Cogeração and of Termoeléctrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição – Energia, member of the Board of Directors of EDP Energia and of EDP Brasil; executive member of the Board of Directors of REN; Chairman of the Board of OniTelecom and Edinfor; Vice-Chairman of the Board of Turbogás and a voting member of the Board of Directors of EDA (Electricidade dos Açores). Currently, he is Director-Chairman of the Board of EDP – Energias do Brasil and member of FIESP. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

João Manso Neto He was born on April 2nd, 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the master's degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1988 to 1995 he worked at Banco Português do Atlântico, occupying the positions of Supervisor for the International Credit Division, Head of the International Credit Division, Department Director, Deputy Central Director for International Management and Central Director of Financial Management and Retail Commerce South. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Director of Financial Management, General Manager of Large Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk. From 2002 to 2003, in Banco Português de Negócios, he was the Chairman of BPN Serviços ACE, Director of BPN SGPS, Director of Sociedade Lusa de Negócios and a member of the Board of Banco Efisa. He is still a voting Member of the OMEL Board of Directors. From 2003 to 2005 he worked at EDP as Director-General and Administrator of EDP Produção. In 2005 he was named Appointed Adviser at HC Energía, Chairman of Genesa and Director of Naturgas Energia and OMEL. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

Jorge Cruz Morais He was born on October 17th, 1957. He was awarded a degree in Electrotechnical Engineering from Instituto Superior Técnico in 1980 and an MBA from Universidade Nova de Lisboa in 1989. He began his career at EDP, in 1983, in transport network planning. From 1991 to 1994 he served as Adviser to the EDP Board of Directors, coordinating the restructuring process that culminated in the creation of the EDP Group in 1994. He was appointed Director of Strategic Planning and was responsible for coordinating the Group's privatisation (first and second phases of the IPO process). He was also a non-executive member of the Turbogás Board of Directors (1998-2000), non-executive member of the Board of Electricidade dos Açores (1999-2000) and Director of the Centro para a Conservação de Energia (1993-1996). From 2000 to 2004, he was the Executive Director of Oni SGPS and other Oni Group companies, acting as CFO from 2002 to 2004. From 2005 until March 2006 he served as Executive Director, fulfilling the roles of CFO of HC Energía and Naturgas Energia, the Spanish companies of EDP Group. Currently he is the Chairman of APE – Associação Portuguesa de Energia. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

Nuno Alves He was born on April 1st, 1958. He received an undergraduate degree in Engineering and Naval Construction in 1980 and an MBA in 1985 from the University of Michigan. He began his professional career in 1988 as Supervisor in the Studies and Planning Directorate at Banco Comercial Português, where he took on the role of Sub-Director of Financial Investment in 1990. In 1991, he became Director of Investor Relations. In 1994, he became the Director of Private Retail Coordination. In 1996, he served as Director of Capital Markets for Banco CISF, the investment bank of Banco Comercial Português, and was promoted to Director of Investment Banking in 1997. In 1999, he became Chairman of the Board of Directors of CISF Dealer, where he remained until 2000, when he became Director of Milleniumbcp Investimento (formerly Banco CISF), responsible for Capital Markets and Treasury of the BCP Group. He has served as Director-General of BCP from 2000 to 2006. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

edp

SUMMARY OF KEY METRICS

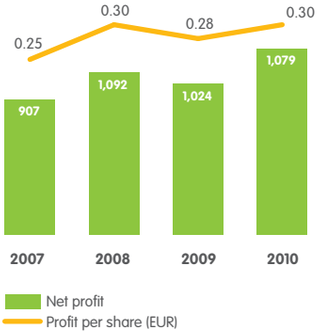
FINANCIAL INDICATORS

EUR thousands	2010	2009	2008	2007
EDP Group				
Turnover	14,170,742	12,198,183	13,894,063	11,010,778
EBITDA	3,612,810	3,362,948	3,154,936	2,628,275
Operating profit	2,062,509	1,969,567	1,929,994	1,560,329
Net profit *	1,078,925	1,023,845	1,091,529	907,252
Operating Cash-flow	1,852,312	3,921,669	1,744,507	2,270,151
Net operating investment	2,667,341	3,234,740	3,618,187	2,700,166
Financial Investment /(Divestiture)	184,265	-132,549	-1,362,987	-1,792,915
Net assets	40,488,853	40,261,557	35,744,969	31,526,717
Equity **	7,854,558	7,291,151	6,366,820	6,264,146
Net debt ***	16,344,678	14,006,568	13,889,511	11,692,247
Net debt/Gross operating profit (x)	4.5	4.2	4.4	4.4
Financial liabilities/Equity	227.8%	223.3%	230.7%	201.2%
Profit per share (EUR)	0.30	0.28	0.30	0.25
Dividend Yield	6.8%	5.0%	5.2%	2.8%
Market capitalization	9,108,435	11,364,519	9,854,369	16,344,724
Electricity Generation - Iberia (excluding EDP Renováveis)				
Turnover	4,131,681	3,708,759	4,095,750	2,859,052
Gross operating profit	1,235,098	1,374,936	1,172,169	1,167,982
Operating profit	785,170	908,560	738,921	783,467
Net profit *	460,353	636,639	523,465	540,564
Operating Investment	556,033	879,579	685,688	739,940
Electricity Distribution - Iberia				
Turnover	5,282,933	4,987,805	6,213,227	4,797,443
Gross operating profit	697,758	694,041	769,809	455,482
Operating profit	415,516	391,292	496,768	183,795
Net profit *	309,132	272,166	304,116	108,772
Operating Investment	279,300	280,645	283,893	253,741
Electricity Supply - Iberia				
Turnover	2,775,362	1,784,816	1,129,950	1,181,280
Gross operating profit	58,180	31,590	33,855	58,398
Operating profit	13,060	8,726	26,414	37,294
Net profit *	3,315	909	3,728	2,580
Operating Investment	6,055	8,148	6,246	3,536
EDP Renováveis				
Turnover	845,056	648,242	532,429	296,485
Gross operating profit	712,749	542,549	437,877	213,863
Operating profit	289,907	230,785	231,615	102,337
Net profit *	80,203	114,349	104,364	43,250
Operating Investment	1,231,711	1,690,384	2,090,862	1,388,603
Gas - Iberia				
Turnover	1,686,786	1,189,024	1,442,422	994,200
Gross operating profit	272,959	217,518	208,518	188,470
Operating profit	163,236	171,021	165,462	145,049
Net profit *	100,216	121,625	127,979	103,353
Operating Investment	92,218	79,536	78,804	72,301
EDP in Brazil				
Turnover	2,147,630	1,680,006	1,844,908	1,854,529
Gross operating profit	674,000	550,221	562,277	586,091
Operating profit	505,116	419,233	379,558	456,416
Net profit *	246,933	240,786	149,684	253,058
Operating Investment	427,336	258,512	428,926	209,303

Note: 100% of the displayed figures are included under Operating Investment (Net of contributions).
* Net Profit tributable to EDP Equity holders
**Does not include Minority Interests
*** Includes Debt, Cash and cash equivalents and short-term assets at fair value

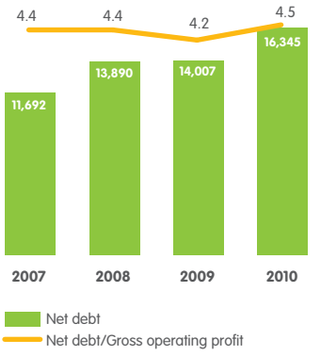
EBITDA (EUR millions)

Net Profit* (EUR millions)



Operating Investment (EUR millions)

Net debt (EUR million)

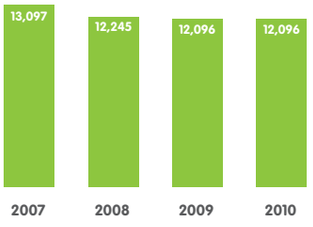


OPERATING INDICATORS

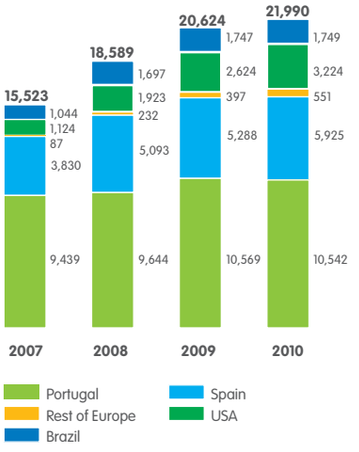
	2010	2009	2008	2007
Number of Employees *	**12,096**	**12,096**	**12,245**	**13,097**
Electricity business (excl. Brazil)	7,315	7,289	7,511	7,669
Electricity generation (excluding EDP Renováveis)	2,172	2,210	2,339	2,326
EDP Renováveis	833	721	627	532
Electricity distribution	4,056	4,163	4,378	4,647
Electricity supply	254	195	167	164
Gas business	519	537	422	411
Electricity business in Brazil	2,325	2,291	2,278	2,980
Generation	262	260	231	231
Distribution	2,040	2,014	2,033	2,734
Supply	23	17	14	15
Support services	1,346	1,383	1,450	1,562
Other	591	596	584	475
Electricity Generation - Iberia (excluding EDP Renováveis)**				
Installed Capacity (MW)	**13,818**	**13,401**	**12,491**	**11,580**
Portugal	9,943	9,974	9,091	9,015
Spain	3,875	3,427	3,401	2,565
Net electricity generation (GWh)	**37,951**	**36,978**	**35,627**	**40,115**
Portugal	26,093	24,736	22,511	25,625
Spain **	11,858	12,242	13,117	14,489
Electricity Generation - EDP Renováveis				
Installed Capacity (MW EBITDA)	**6,437**	**5,490**	**4,400**	**2,900**
Portugal	599	595	553	424
Spain	2,050	1,861	1,692	1,265
Rest of Europe	551	397	232	87
USA	3,224	2,624	1,923	1,124
Brazil	14	14	0	0
Net electricity generation (GWh)	**14,352**	**10,907**	**7,807**	**3,777**
Portugal	1,472	1,275	1,028	735
Spain	4,355	3,275	2,634	2,056
Rest of Europe	805	426	238	119
USA	7,689	5,905	3,907	866
Brazil	31	26	0	0
Electricity Distribution - Iberia				
Distribution outlets	**6,800,047**	**6,764,329**	**6,716,520**	**6,670,452**
Portugal	6,149,046	6,119,805	6,088,179	6,053,875
Spain	651,001	644,524	628,341	616,577
Electricity sales (GWh)	**57,156**	**55,277**	**56,147**	**56,541**
Portugal	47,836	46,146	46,468	46,919
Spain	9,320	9,131	9,679	9,622
Electricity Supply - Iberia***				
Number of costumers	**7,115,296**	**7,055,525**	**6,754,151**	**6,705,615**
Portugal	6,105,291	6,102,495	6,087,578	6,051,114
Spain	1,010,005	953,030	666,573	654,501
Electricity sales (GWh)	**60,816**	**62,522**	**65,983**	**63,831**
Portugal	39,375	43,154	46,236	44,556
Spain	21,441	19,367	19,747	19,275
Gas business				
Gas Distribution - Portugal				
Distribution outlets	245,347	221,388	200,988	179,802
Gas sales (GWh)	6,843	6,133	5,952	2,554
Gas Distribution - Spain				
Distribution outlets	983,873	963,837	690,032	665,092
Gas sales (GWh)	45,644	18,968	20,688	20,237
Gas supply - Spain				
Number of costumers	823,792	833,450	628,294	415,288
Gas sales (GWh)	29,809	21,261	24,750	18,203
Electricity business in Brazil				
Installed Capacity (MW)	**1,735**	**1,733**	**1,697**	**1,044**
Electricity sales (GWh)				
Generation	7,263	6,893	5,473	4,704
Distribution	23,749	21,313	24,408	25,029
Supply	8,061	8,586	7,282	7,188
Number of costumers	**2,740,431**	**2,667,731**	**2,582,636**	**3,206,624**

Note: 100% of the displayed figures for all companies are considered, regardless of the EDP Group shareholding.
*Includes Corporate Bodies (107 at YE2010)
** In 2010 include 284GWh generated during tests in Soto 5
***Includes last resort supply

Number of employees*



Installed capacity (MW)



Net Generation (GWh)***

Electricity Distributed (GWh)

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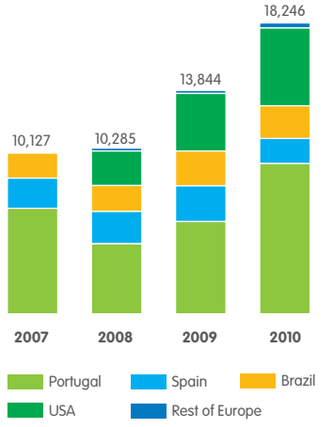
ENVIRONMENTAL INDICATORS

	2010	2009	2008	2007
Primary Energy Consumption (TJ)				
Total for generation	176,519	242,878	237,259	261,157
Coal	81,816	132,628	121,423	166,152
Fuel oil	1,566	6,105	11,292	15,117
Natural Gas	78,581	89,051	90,180	63,503
Other fuels	10,996	10,618	13,411	14,669
Forest waste	3,280	4,227	676	1,443
Fuel for vehicle fleet	281	249	277	270
Electricity Consumption (MWh)				
Generation internal consumption	1,815,385	2,429,843	2,244,466	1,457,748
Administrative services	36,370	33,256	31,138	33,411
Grid losses (%)	8.6	8.3	8.4	7.2
Environmental Certification (ISO 14001)				
Environmental Certification (MW)	15,103	12,633	11,424	10,343
Net maximum installed capacity certified (%)	69	62	61	67
Gas distribution certified (%)	100	100	100	100
Atmospheric Emissions				
Total Emissions (kt)				
CO_2 (1)	14,699	20,007	19,783	23,422
SO_2	9.5	17.1	34.0	100.7
NOx	18.3	33.3	33.3	52.3
Particles	0.6	1.0	1.7	3.7
Overall specific CO_2 Emissions (g/kWh)	244.4	362.3	386.9	456.7
Especific emissions from thermal facilities (g/kWh)				
CO_2	654	705	647	726
SO_2	0.42	0.60	1.13	3.12
NOx	0.81	1.17	1.11	1.62
Particles	0.02	0.04	0.06	0.11
Avoided CO_2, from renewable sources (kt)	18,244	13,844	10,285	10,127
CO_2 Intensity (g/€)	1,037	1,640	1,424	2,127
Water				
Water collected				
Cooling water (m^3x10^3)	1,150,342	1,726,053	1,700,122	1,851,183
Waste				
Total waste (t)	765,340	929,642	835,922	958,988
Total hazard waste (t)	4,741	3,012	3,328	2,641
Recoverd Waste (%)	92	94	85	84
Biodiversity				
Distribution grid in protected areas (Km)	13,226	13,878	13,632	20,058
Substations in protected areas (no.)	40	42	41	62
Environmental Costs (EUR thousands)	**98,477**	**118,898**	**163,783**	**157,896**

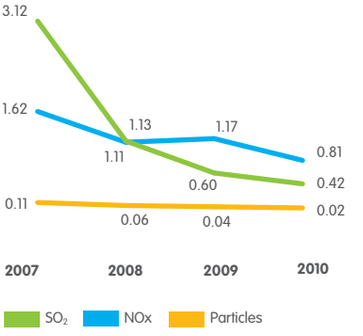
(1) Does not include vehecle fleet

Avoided CO_2 of EDP Group (kt)

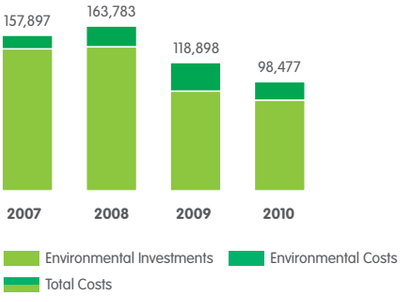


Specific Emissions from thermal generation

NOx, SO_2 and particles (g/kWh)



Environmental Costs (EUR thousands)

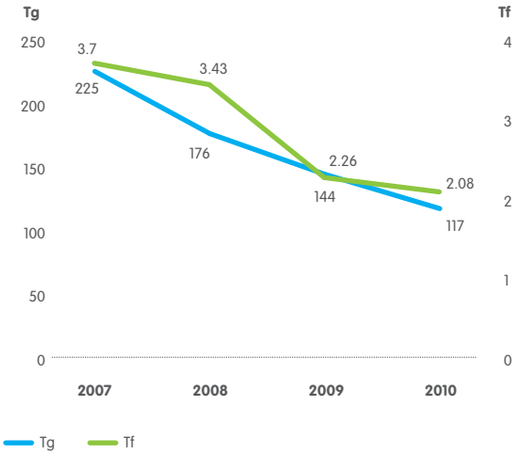


SOCIAL INDICATORS

	2010	2009	2008	2007
Employment				
Employees (no.) [1]	11,989	12,009	12,166	13,013
Male employees (%)	79	79	80	80
Overall satisfaction rate	n/a [2]	81	75	n/k
Turnover	5.76	5.51	6.00	5.00
Employees average age (years)	46	45	45	45
Absentee rate (%)	3.52	3.61	3.44	3.74
Personnel costs (EUR thousands)	575,408	540,036	573,674	574,406
Employee benefits (EUR thousands)	153,362	158,353	161,200	291,926
Gratuities (EUR thousands) [3]	33,763	39,254	34,000	29,557
Training				
Total hours of training	419,737	353,205	487,111	464,807
Average training per employee (hrs)	35.0	29.4	40.0	35.7
Employees trained (%)	96	75	82	91
Total training costs (EUR Thousands)	8,940	7,225	7,232	7,988
Productivity at work (EUR/h)	233	222	182	160
Prevention and Safety				
OSHAS 18 001 (% installed capacity)	60	55	46	56
On-duty accidents (no.)	44	47	76	84
Fatal on-duty accidents (no.)	1	1	0	0
EDP frequency rate (Tf) [3]	2.08	2.26	3.43	3.70
EDP severity rate (Tg)	117	144	176	225
Total days lost due to accidents (no.)	2,469	2,984	3,894	5,092
Fatal accidents of contracted workers (no.)	24	10	6	5
EDP and contracters frequency rate (Tf_total) [4]	4.92	5.00	6.18	4.29

(1) The number of employees does not include corporate bodies (107).
(2) The surveys of employee satisfaction is being performed with a periodicity of two years
(3) Includes only Portugal
(4) Em 2007, Tf_total includes only Portugal

EDP Frequency and Severity Rate

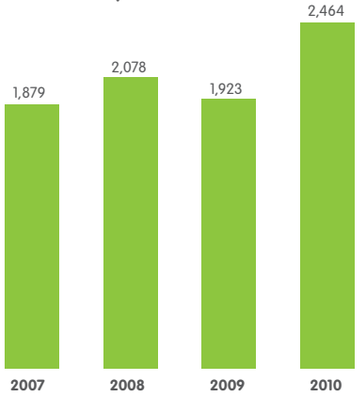


ECONOMIC INDICATORS

	2010	2009	2008	2007
Sustainability Index [a]	132.8	125.4	119.0	111.9
Economic Indicators				
Direct economic value generated [a] (EUR thousands)	**15,396,666**	**13,544,202**	**15,825,252**	**12,134,006**
Economic Value Distributed [a] (EUR thousands)	**12,932,655**	**11,621,298**	**13,747,101**	**10,255,013**
Supplier costs	862,256	768,202	735,768	684,187
Personnel costs	728,770	698,389	734,874	866,333
Allocation to Foundations	14,254	14,459	12,282	9,569
Returned to community	186,303	531,037	195,563	88,348
Dividends	561,819	507,153	454,937	401,385
Accumulated Economic value[a] (EUR thousands)	**2,464,011**	**1,922,904**	**2,078,152**	**1,878,993**
Spending on R&D (EUR thousands)	**36,527**	**31,035**	**23,690**	**13,306**
Fines and Penalties (EUR thousands)	**4,367**	**1,165**	**408**	**484**
Support from public authorities (EUR thousands)	**1,265**	**156**	**653**	**993**
Billing of energy services (EUR thousands)	22,515	12,386	12,658	5,435

(a) Figures from 2007,2008 and 2009 were recalculated according to Global Reporting Initiative.

Accumulated economic value (EUR millions)



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STRATEGIC AGENDA

EDP's strategic agenda stands in 3 strategic axes, presented in 2006 – Controlled Risk, Superior Efficiency and Focused Growth. EDP believes that these 3 axes are distinctive compared to its competitors, giving it the capacity of growth associated to low risk and positioning it as a reference in terms of efficiency.

Based in these 3 axes, EDP presented in 2008 its strategic agenda for the four years 2009-2012, made up of ten points:

Controlled Risk:

1. Management of the regulatory agenda to keep the low risk profile that typifies EDP Group's activity;
2. Proactive management of exposure to the energy markets through risk hedging strategies;
3. Reduction of CO_2 emissions through investments in generation capacity with low CO_2 emission levels;
4. Solid capital structure, based on continued improvement of debt ratios;

Superior Efficiency:

5. Selective investment policy, favoring investments with greater return and low risk;
6. Incremental efficiency gains across all businesses and countries;
7. Promotion of a culture of integration across all countries;

Focused Growth:

8. Wind energy: Focus on projects with high return and implementation of current 'pipeline';
9. Hydroelectric energy: Gradual increase in capacity in Portugal by implementation of current 'pipeline';
10. Brazil: Execution of current generation projects and thorough analysis of new opportunities.

After the success fulfilling the strategic agenda in 2009, the year 2010 is once again marked by management actions with a decisive impact on the execution of the regulatory agenda.

Controlled Risk:

- Reinforcement of credit profile, especially by the confirmation by S&P, Moody's and Fitch of EDP's A rating.
- Ensured comfortable liquidity position, since the funding needs are covered until 2012 through €1.000M bond issuance and €2.000M Revolving Credit Facility renewal.
- More flexibility and optionality, i.e. Vestas 2.1GW procurement contract with EDPR.
- Successful regulatory management, with emphasis to the introduction of capacity payment in Portugal and agreement with the Spanish Government regarding wind remuneration.

Superior Efficiency:

- Continued focus on cost control. €159M of savings in OPEX Project, reaching the €160M target set for 2012, two years in advance.
- Increased operational integration. Launch of EDP Soluciones Comerciales Espana and launch of "Skipper", an integrated management system for power plants (1 of the best 4 "European IT Excellence Awards 2010").
- Divestment program 50% above the target set in 2006 (€800M). Accumulated €1.200M divestment program with sales of REE in Spain (€58M) and DECA II in Guatemala (US127M).

Focused Growth:

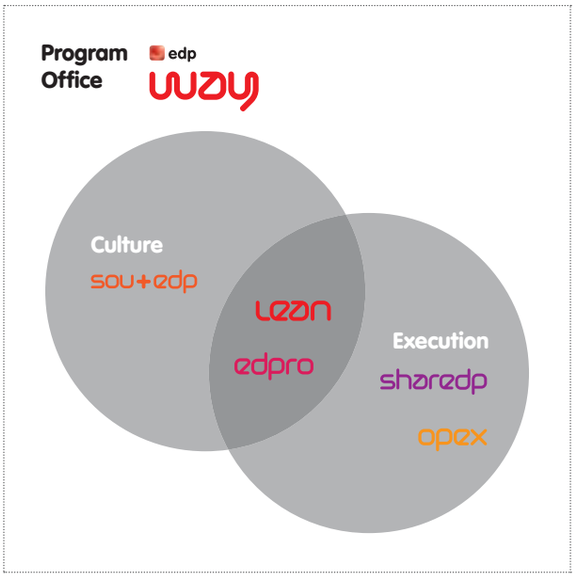
- Disciplined execution. In hydro, green light for construction of Fridão/Alvito hydro plant and started construction of Venda Nova III and Salamonde. Concerning the Gas business, the Bergara-Irún gas pipeline was concluded. In the wind, started the construction of Tramandaí wind farm in Brazil.
- Strengthened growth options by the reinforcement of control over Naturgás in Spain, acquisition of Small Hydro in Brazil and memorandum of understanding signed with CPI (China).
- Development of future businesses, with highlight to the development of Electric Mobility project and launch of InovCity in Évora and EDP Serviços business.

On May 20, 2010, EDP had an Investor's Day. In this event, EDP's management team highlighted, on the one hand, the suitability of the defined strategy and the strict accomplishment of the strategic agenda, as well as new commitments for the period ending in 2012, such as:

- EBITDA CAGR 2009-2012 between 7% and 8%, enhanced by the operating efficiency achieved through the cost cutting program.
- Net Debt/EBITDA close to 3,5X by 2012.
- Net Profit CAGR 2009-2012 between 6% and 8%.
- Dividend per share to continue to increase €0,015 per year, reaching €0,20 by 2012.

Program Office EDP Way

The current management cycle for 2009-2012 is clearly focused on consolidating a group's culture and on reinforcing the execution capability regarding the investment options that were built during the previous cycle. This priority was the basis to setting-up the "EDP Way Program Office" in 2009, by putting in place a specific framework with the levers of Culture and Execution as the two main axes. The five cross-unit and transformational projects that were launched under the "EDP Way Program Office", whose main developments are presented in the following, gained still more relevance in light of the changes that took place in 2010 on the macroeconomic background:



- **Sou+EDP:** in this project, focused on leveraging the workforce potential to its fullest, a set of initiatives was implemented aiming at increasing the attractiveness of the EDP Group regarding recruiting; additionally, an internal mobility policy was approved for the Group and a single identity was created for use on all internal communication with the employees;

- **Lean:** the adoption of the Lean approach is currently underway in 10 of the Group's BUs, whereas the activities that were assigned to several of the work-teams launched in 2009 have already been concluded; additionally, other remaining BUs are currently progressing in the preliminary assessment or in the final preparation phase before launching their own Lean initiatives;

- **EDPro:** this project, focused on an effective management of the Group's key processes, is gradually evolving into a "process" itself, to be executed every year all across the Group, namely through what was designated as the "planning cycle for key processes optimization", which was launched this year for the first time and targets the implementation of optimization initiatives during the course of 2011;

- **Sharedp:** overall, the set of projects included in SharEDP was carried-out as planned; along the ShareCom (Commercial Shared Services) dimension it should be highlighted the launch of the new organization for the commercial support services in Spain; on the ShareCorp (Corporate Shared Services) dimension emphasis goes to the kick-off of the "Lince" project, concerning the implementation of the new SAP multi-geographies, surely one of the current EDP projects with the greatest Group-transformation potential;

- **OPEX:** this project, focused on the optimization of the EDP Group's cost base, has been systematically delivering results above the objectives that were established, actually finishing 2010 with total savings of €159M, corresponding to 132% of the annual goal of 120 M€ that had been set and the achievement of the target set to 2012 (€160M) two years in advance.

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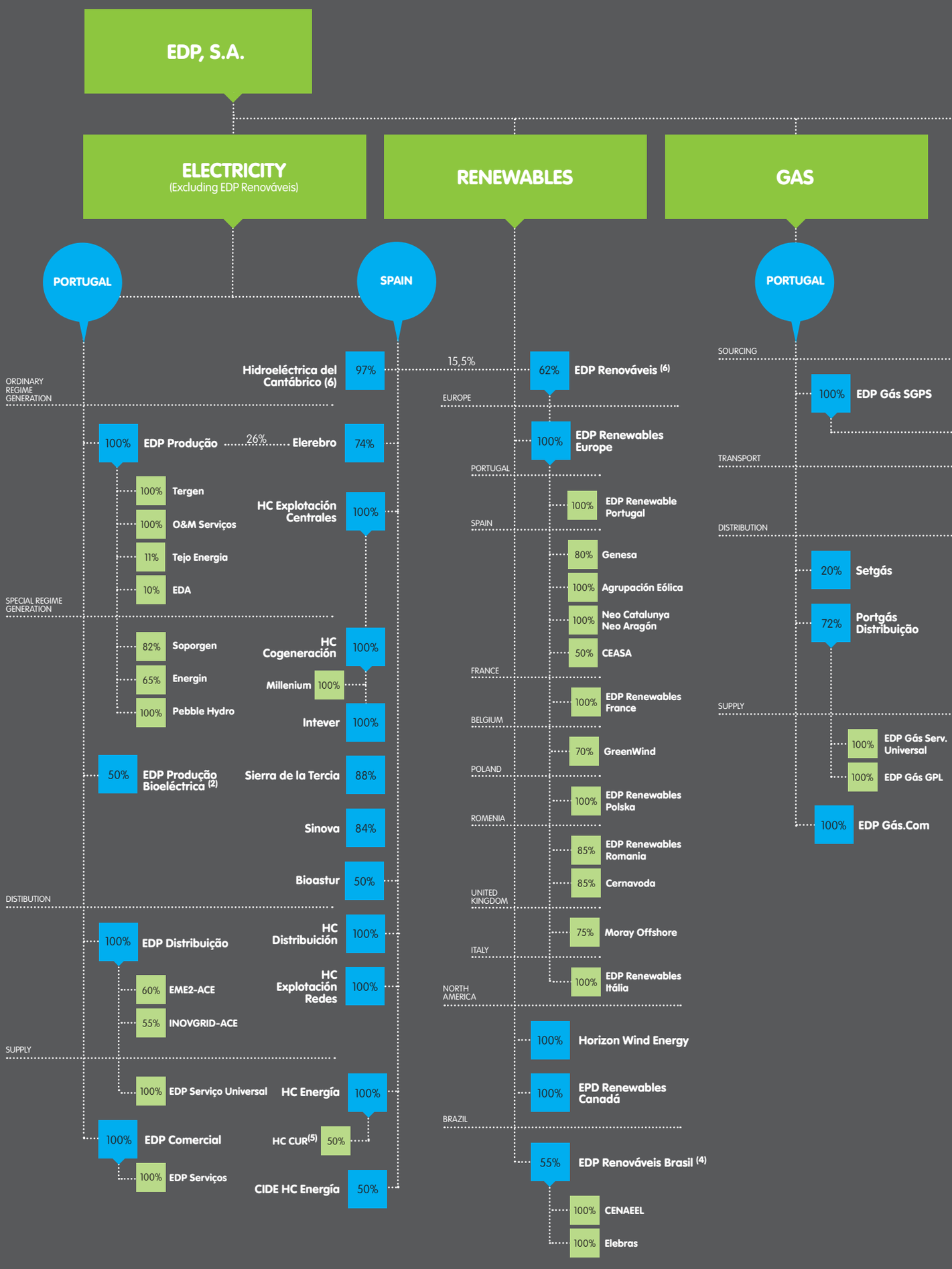
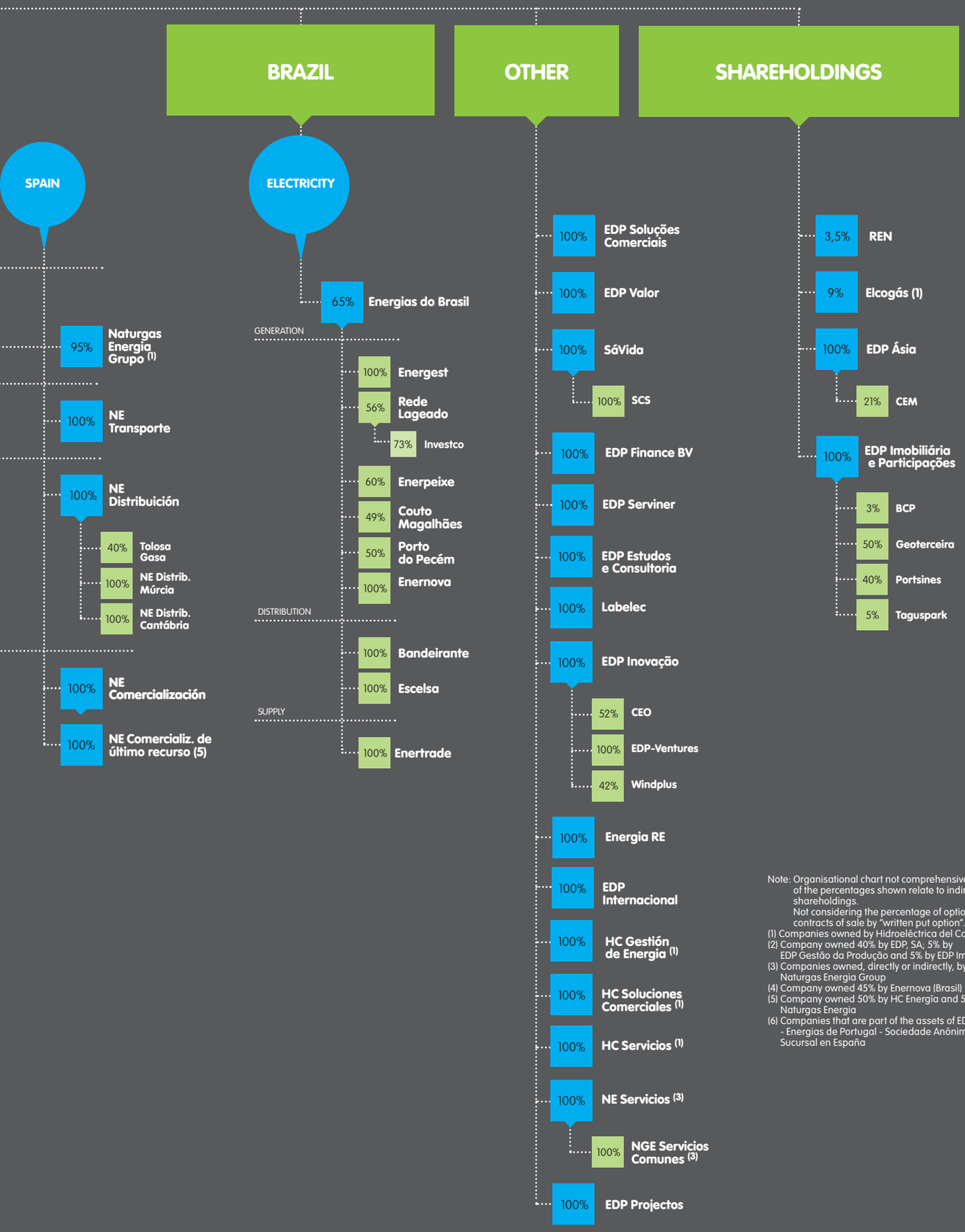
ORGANIZATIONAL STRUCTURE





Note: Organisational chart not comprehensive. Some of the percentages shown relate to indirect shareholdings.
Not considering the percentage of option contracts of sale by "written put option".

(1) Companies owned by Hidroeléctrica del Cantábrico
(2) Company owned 40% by EDP, SA; 5% by EDP Gestão da Produção and 5% by EDP Imobiliária
(3) Companies owned, directly or indirectly, by Naturgas Energia Group
(4) Company owned 45% by Enernova (Brasil)
(5) Company owned 50% by HC Energia and 50% by Naturgas Energia
(6) Companies that are part of the assets of EDP - Energias de Portugal - Sociedade Anônima, Sucursal en España

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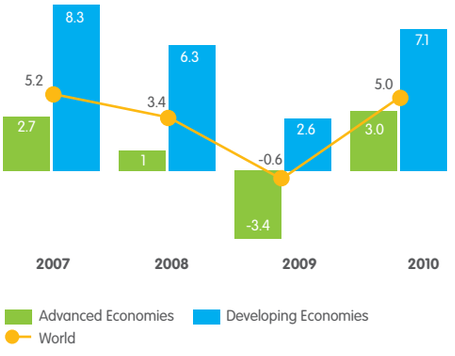
BUSINESS FRAMEWORK

MACRO-ECONOMIC FRAMEWORK

The world's economic activity has recovered during 2010 mainly due to a strong contribute of the developing countries and a progressive improvement of the developed economies.

World Performance (Real GDP)



The utilization of expansionary policies has partially fulfilled the intended impact but at the same time has uncovered other challenges. Inflationary uncertainties have returned, imbalances of public finances have remained unsolved, regional asymmetries have emerged and thus latent institutional tensions are still prevailing. More than 3 years after the beginning of the crisis in the US subprime market, there is still no substantial change in the global macroeconomic unbalances. But once the turbulence of the crisis is over, an equally or even more challenging stage emerges: sustainability.

In this context, different strategies came out to solve excessive debt: in the US, priority was given to the reinforcement of nominal growth stimuli, congregating innovative liquidity measures with reinforcement of public expenditures; in Europe, by contrast, the course of action was the normalization of monetary policy on par with budget austerity; in Asia, the economic policy has been assuming a more restrictive nature, to prevent the overheating of specific market sectors.

In 2011, it is expected that the global economy keeps recovering, however at a moderate pace. Several actions and decisions are expected to have significant impact over the next years both on the development of countries and on the behavior of financial markets, namely in what regards institutional relations (specifically in the European context), preventive actions over systemic global risks and regulatory frameworks.

World economy recovers but faces complex challenges

2010 may have marked the beginning of a new expansion cycle of the world's economy. In what concerns sustainability, slight changes in the contributions to global growth must be pointed out. Those changes are materialized by the increasing importance of the domestic expenditure in emerging economies to stimulate the export sectors of the advanced economies. For the period from 2010 to 2012, the IMF estimates a global growth rate in line with its growth potential (4,5% to 5%), as for the "Euro" zone, even if at a lower level (1,5% to 2%).

The progress verified in terms of economic growth still presents few repercussions in the job market. The climate of uncertainty, high volatility and adverse financial conditions impose prudence in the evaluation of investments and personnel admissions. For that reason, only recently it is visible a slight reduction in overall unemployment rates.

Deflationary risks decrease and give room to inflationary pressures

The rise in the prices of raw materials, restoring or even slightly surpassing the levels of the pre-crisis period, was due not only to an increase in global demand and rigid global short-term supply, but also to atypical factors, such as climate adversity or natural catastrophes, as well as other structural factors, such as the complexity and additional requirements for the extraction, treatment and shipment of raw materials. These conditions should prevail in 2011 and thus provide stability to current prices.

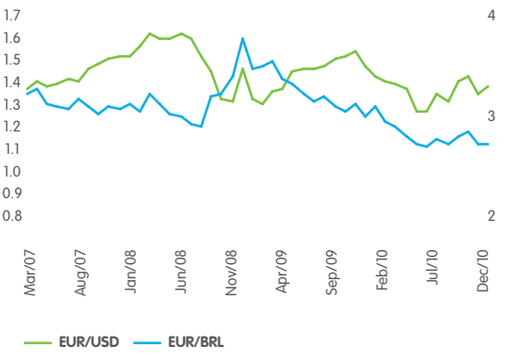
The intensified growth of the emerging economies facilitated the transmission of these cost rises into consumer prices, with greater relevance in developing countries, where the utilization of raw material resources is fundamental, as opposed to developed economies where this effect only became visible later and with a smaller impact. In Europe, due to the budget consolidation process, the rise in prices was reinforced by the impact of the change in indirect taxation. The inflation rate rapidly grew to 2,4% in the beginning of 2011, a value higher than the price stability target set by the ECB.

Risk adverse environment

As the economic recovery seems more realistic and the financial markets become more balanced, the central banks feel more comfortable to review their parameters of monetary policy. The accommodative nature of the monetary policies in Asian and some European economies is changing. The interest rates started to rise again and some requisites associated with credit concession are becoming more restrictive. In the case of the USA, the non-conventional liquidity measures were even reinforced by the end of 2010, in contrast with the ECB's policy that decided for the opposite course of action for the Euro zone.

Even if there were no changes in the key interest rates, the transition from an insecure deflationary environment to a regime of inflationary tensions has influenced the expectations concerning the evolution of interest rates. Euribor interest rates rose and yield curves gained slope.

Exchange rate relative to Euro



The risk adversity environment has smoothed as the year finished. Market indexes have been appreciating, reflecting the release of strong corporate results and attractive valuations in comparison to historical standards. The foreign exchange volatility was not accompanied by a clear trend in the most important currency exchange rates, nevertheless the currencies of the emerging markets tended to appreciate. The EUR/USD exchange rate has been fluctuating in function of interest rate spreads and institutional instability in the Euro area.

The repercussions of institutional instability on the Euro area financial markets

The improvement in the world's economic environment and in the behavior of the financial markets contrasts with the specific circumstances within the European Union. The revision of sovereign ratings in the second quarter of 2010 for Greece, Portugal, Spain and, in a later phase, for Ireland, marked a context change. The aversion to risk was so significant that it was necessary to implement special mechanisms, within the EU and with the support of the IMF, in order to provide support to the financing needs of Greece and Ireland, avoiding more pronounced damages to both their economic activity and social stability.

The skepticism about the effectiveness of these plans over the medium term, related with the punitive nature of the negotiated conditions and with the complexity of financing the assistance funds, supported the design of a new European Stability Mechanism, which should be active by 2013 with the primary objective of preserving the financial stability of the Euro area. Simultaneously, the reformulation of the "Stability and Growth Pact" is in preparation, under the new designation of "Competitiveness Pact" to be submitted for approval by all the member states, by the end of the first quarter of 2011. The reinforcement of the European institutional framework, implicit in the reformulation of these control and assistance mechanisms, might have great relevance to the future of the Euro area.

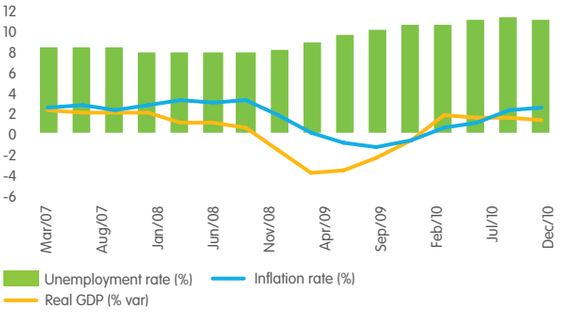
Portuguese Economy intensifies the external imbalance correction

The Portuguese economy has benefited from the inflection in the global economic cycle. In 2010, it is expected an average GDP growth of 1,4%, with an increasing contribution of external demand. The significant worsening of the financial conditions faced and the difficulties in the budget execution during 2010 led to the acceleration and strengthening of the fiscal consolidation path, so that the public deficit targets of 7.3% in 2010 and 4.6% in 2011 could be feasible. Extraordinary measures were taken on the revenue and expenditure side, comprising tax rates raise, limits on tax deductions and strong expenses restraint, including the reduction on public sector wages.

A fiscal consolidation program on this scale and intensity has immediate negative repercussions in the economic activity evolution, particularly by the consumption adjustment, item with greatest share in total expenditure. As such, and despite the favorable external environment, the Portuguese economy will hardly avoid a new recession. In 2011, and in a minor extent in 2012, the Portuguese economic performance may differ from the European average, hurting employment and keeping moderated prices, adjustment factors available in a monetary union regime.

The unemployment rate has been increasing, reaching almost 11% at the end of 2010. Even in sectors where sales and orders recovered, there is a prudent evaluation of the conjuncture, focusing on strategies for maximizing productivity and/or more intensive use of productive factors, maintaining flexibility to accommodate sudden changes in demand.

Portuguese Economy Performance



The private sector is more advanced in the financial recovery process. The increase in household savings allows provide the companies' financial needs, which are already shrunken due to a stricter selection in the investment expenditures. The increased government's budget consolidation in 2011 may have a direct and important impact in reducing the Portuguese economy financing needs

Despite the expressive reduction in the external deficit in 2010, Portugal is still in a vulnerable situation, facing the confidence atmosphere and reputation abroad. The combination of a more coherent and consistent message at an European level with the progressive achievement of the budget consolidation plan in a domestic level is essential to ensure the return of more favorable financing conditions, consistent with a long-term financial equilibrium.

Spanish economy returns to a path of moderate growth

The Spanish economy has resumed a growth path during the second half of 2010, which allowed nearly offset the lagged effects of the strong contraction in 2009 (-3,7%). In annual average terms, there was a marginal product fall of 0,1%. The domestic demand contracted by 1,2%, while the private sector spending increased – in private consumption and business investment- was insufficient to offset the strong slowdown in public expenses. The public accounts consolidation program forecasted a deficit of 9,3% in 2010, which has been fulfilled.

The construction and residential sector remains in stage of adjustment to the excesses of the past, but less intense than in 2009. The difficulties imposed on important financial system segments, with high exposure to the real estate market, are the new focus of uncertainty. The correction in domestic demand brought a significant reduction in the external deficit (about 25% YoY), demonstrating some flexibility and responsiveness of the Spanish economy to the challenges faced.

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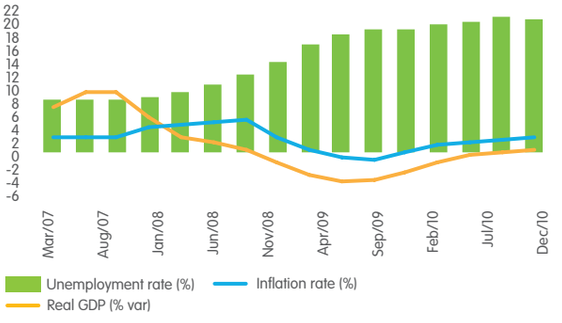
Spanish Economy Performance



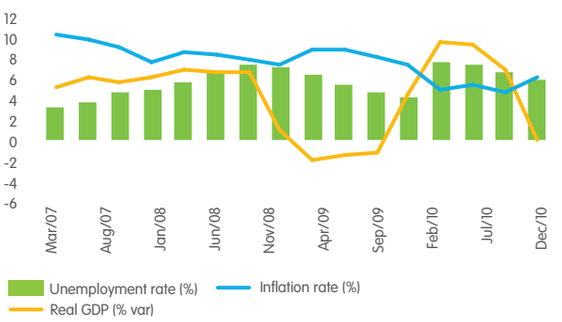
The activity decline and the uncertainty with second order effects on the real estate market and the European institutional framework is an environment that punishes the employment, which continues to shrink for nearly three years, although the pace of deterioration shows some moderation. The unemployment rate has stabilized at very high levels (more than 20%), similar to the values of the period before euro membership. In this context, wage pressures are inexistent. The increase in indirect taxation on consumption and international prices, as well as the oil and other raw materials' price, were the main causes of the inflation raise.

The contagious effect of the crisis in Greece and in the Irish financial system manifested in an increase in the Spanish sovereign risk premium (the spread over German public debt reached 250b.p.), which heavily damaged the assets securities and the economic activity in general, through the increased cost of credit and liquidity avalability. Altogether, in 2010, the main Spanish shareholders índex accumulated a loss of approximately 17%. The real estate assets depreciation reaches 13% on average, since its maximum value occurred in early 2008, and the reduction of investment in residential construction is 45% since 2007.

Brazil faces the challenge of sustainability in abundance

The Brazilian economy has achieved a very robust growth of about 7,3% in 2010, with emphasis to the agricultural and industrial sectors, whose good performance has been supporting a high propension to the investment expense. The domestic demand contribution to the 10 percentual points growth shows the internal dynamics and contrasts with the negative external sector contribution. This composition and intensity of growth suggests some overheating of the Brazilian economy that begins to justify a stricter economic policy for 2011. The projections suggest a significant slowdown, but still with a robust expansion in economic activity of about 4% to 5%, especially in terms of sectors, the positive outlook for the oil industry, construction and information technology, coupled with specific government programs.

Brazilian Economy Performance



The very favorable growth in activity, partially due to the credit dynamism, the expansionary social policies (namely the housing market), the trust climate extremely favorable both in families and companies, is reflected in a higher propensity to invest and to employment. The unemployment rate has fallen, reaching the lowest values since 2002 (about 5.5%) and wage gains have been substantial, partly aligned by productivity gains.

In this context, inflationary pressures have been increasing. The average annual inflation rate for 2010 stood at 5.9%, 1,6% above 2009 and 1,4% higher than the average established for the inflation target that works as a guideline for monetary policy. The rising inflation has occurred despite the context of moderation in the administered prices. Market prices increased 7,1% in the period, particularly in the services sector.

ENERGETIC FRAMEWORK

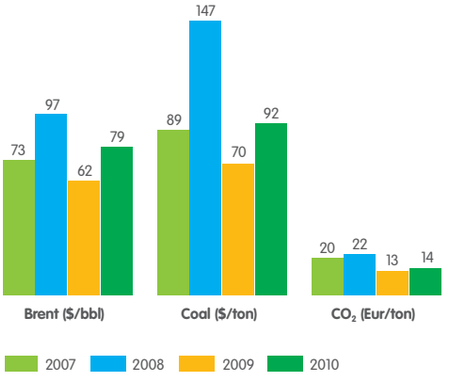
2010 was marked by the beginning of the recovery from the severe worldwide energy demand drop occurred in 2009. Both power and gas consumption presented significant growth not only in Europe and the United States but especially in emerging countries (China, India, Brazil).

However, this demand increase was not enough to absorb the overcapacity situation in the power and gas markets experienced since last year.

Energy commodity prices (Brent and coal) increased about 30% compared to 2009 levels, although not reaching peak values seen in 2008. These price increases are associated with demand recovery, especially in emerging countries.

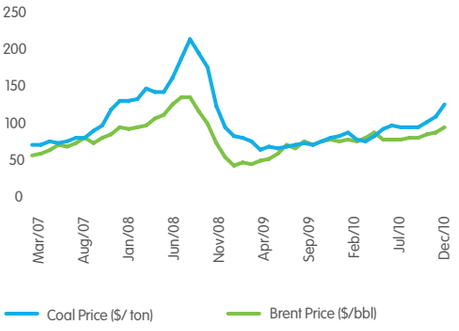
Regarding the CO_2 emission allowances market, the CO_2 price of ETS (Emissions Trade Scheme) increased from 13.1 Eur/ton (2009 average) to 14.3 Eur/ton (2010 average). Given the possibility of banking CO_2 allowances throughout the regulatory period up to 2020, this price reflects the balance of supply and demand for allowances not only for 2010 but for the whole period.

Brent, coal and CO_2 average price evolution

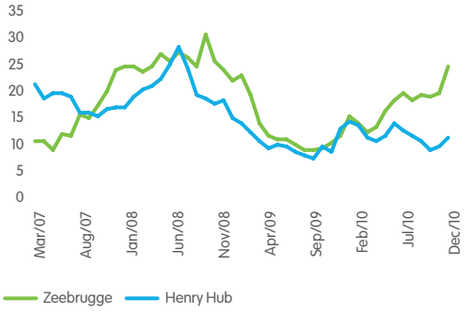


Regarding natural gas, in Europe the Zeebrugge hub price grew throughout the year regaining the traditional oil price indexation lost in 2009, reaching prices closer to the ones seen at the end of 2008. In the United States, Henry Hub prices did not follow this trend. In fact, recent discoveries of abundant reserves of non-conventional gas – "shale gas" – reduced import needs of LNG and kept market prices at very low levels.

Brent and Coal Prices

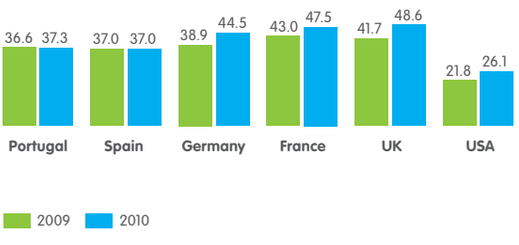


Natural Gas Prices (Zeebrugge and HH, €/MWhth)



As a result of the evolution of fuel prices, wholesale electricity market prices ("pool") increased in 2010 compared with 2009 both in Europe and in the United States. This increase did not occur in the Iberian Peninsula. This is explained, on the one hand, by the higher overcapacity situation when compared with other European markets, aggravated by the existence of "Take or Pay" clauses forcing gas generation even with low pool prices. On the other hand, the high hydro and wind production in the first quarter of 2010 reduced residual thermal demand, pushing pool prices down. As in 2009, Portugal and Spain maintained very low pool price differentials, due to the increasing integration of the Iberian market as a result of the implementation of MIBEL, combined with the growing similarity of the marginal generation portfolio of both countries. The lower US pool price compared to European prices is explained by lower gas prices, marginal technology in many markets and inexistence of CO_2 emissions cost.

Electricity Price change on European and North American wholesale markets (Eur/MWh)



Regarding the energy balance, electricity demand showed very high growth compared to 2009: 4.7% in Portugal (3.3% adjusted for temperature and labour days) and 3.3% in Spain (2.9% adjusted).

Thus, in 2010 power consumption in Portugal surpassed 2008 values.

On the supply side, operating hours of Iberian thermal plants have extended the 2009 drop, since the demand increase was not sufficient to compensate high renewable production (+69% hydro generation and +17% wind generation, compared to 2009).

Marginal costs of combined cycle gas plants (CCGT) were higher than those of coal during 2010, mainly due to the high price of gas contracts indexed to oil, and moderate CO_2 price. However, coal had very low operating regimes, due to the pressure of forced gas flow into the pool, caused by the already mentioned "Take or Pay" clauses, which absorbed much of the residual thermal demand.

The Iberian market presents comfortable reserve margins, so in the coming years new thermal additions are not expected, given the strong investments in renewable capacity in order to achieve the 2020 targets. In 2010, the 27 Member States delivered their NREAPs (National Renewable Energy Action Plans) to the European Commission. These plans detail each country's strategy to achieve the 2020 renewable targets. The main conclusions from the PNAERs' aggregate analysis are the expected zero growth in final energy consumption during the next decade (despite growth in electricity), and the doubling of renewable electric installed capacity by 2020, reaching 490 GW in EU-27 (up from 253 GW in 2010).

In Brazil, electricity consumption increased by 7.3% in 2010. On the supply side, 2 GWavg were commissioned in 2010, and 7 GWavg of new capacity were auctioned (mostly hydro). The level of water reservoirs started the year with very high values, but reduced progressively due to smaller inflows, pressing spot electricity prices upward.

In the United States, during 2010, new proposals to establish a "cap-and-trade" system for CO_2 emissions and a federal target for the incorporation of renewables in electricity generation were presented. However, discussion on these proposals was repeatedly deferred, and there is no expected date for their approval. The most relevant occurrence in the renewable sector was the 1-year extension of cash grants, as part of the broader tax cuts extension.

REGULATORY FRAMEWORK

DEVELOPMENTS IN THE EUROPEAN UNION

European energy policy

Energy is a major challenge of the European Union. In June 2010, the European Council adopted ambitious goals for 2020: 20% reduction in emissions of greenhouse gases, increasing to 20% share of renewable energies and 20% improvement of energy efficiency.

Through its Communication «Energy 2020», the European Commission has identified five strategic priorities for the next 10 years and immediate action:

- Energy saving: focus on transport and buildings, on public sector and efficiency certificates;
- European energy market: interconnections between all Member States by 2015;
- A single energy policy towards third countries;

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- Leadership in technology and innovation: smart grids and electricity storage, second-generation biofuels and «smart cities»;

- Security of supply at good prices to active consumers and transparency.

Completing the Internal Market

Specifically for the electricity and gas, and to overcome obstacles to completing the European energy market, the Commission prepared a set of Interpretative Notes for guideline the implementation of the "third legislative package for the energy market "- Directives 2009/72/EC and 2009/73/EC and Regulations 713, 714 and 715/2009/CE. This legislation set common rules for the generation, transmission, distribution and supply of electricity and gas as well as consumer protection and evaluation of smart grids, to promote and integrate the electricity and gas markets in the European Union and established the Agency for the Cooperation of Energy Regulators - ACER. Mainly, this "third package" defines concepts and options regarding the unbundling of transmission and distribution (already settled by Portuguese law) and a set of rules regarding regulators abilities and the strengthening of consumer protection.

ELECTRIC SECTOR

Iberian Electricity Market (MIBEL)

The Portuguese electricity sector intensified its harmonization of the essential conditions for the MIBEL activities.

Following the Plan of Regulatory Harmonization between Portugal and Spain, a number of retail regulated tariffs were eliminated, a system of incentives for investments in power capacity (capacity payment) was settled and the model of interruptible contracts was modified.

REGULATORY DEVELOPMENTS FOR THE FRAMEWORK OF THE ELECTRICITY SECTOR IN PORTUGAL

Social tariff

A new social tariff was settled, since January 2011, funded proportionately by the producers in the ordinary regime and applicable to vulnerable customers defined as beneficiaries of social grants, holders of a domestic supply contract, with power contracted of 4.6 kVA, maximum. The previous social tariff will remain until June 30, 2011.

Hydrological Correction Account

The Hydrological Correction Fund Scheme was replaced by a new model of Hydrological Correction (CH), setting its termination on December 31, 2016 in conjunction with the system of Costs for the Maintenance of the Equilibrium System (CMEC), caused by the early termination of Power Purchase Agreements (PPA) for electricity power plants. The Hydrological Correction Account (HCA) is still within EDP accounting. The system operator, REN, is responsible for the management of the HCA mechanism. The balance of the HCA has two reference levels, maximum and minimum, and may not be less than zero euro.

Elimination of End-User Tariffs

Continuing liberalization and Iberian harmonization, the tariffs of sale to final customers were eliminated Very High-Tension, High-Tension, Medium-Voltage and Special Low- Voltage (> 41.4 kW) from January 1, 2011. But since September 30, 2010 the supplier of last resort left to conclude new contracts in these segments. Until December 31, 2011 a transitional regime will remain applicable, subject to a compounded tariff; then, ERSE will define a transitional tariff for customers who have not yet contracted with a supplier in the market.

Interruptibility service

Also as part of efforts to harmonize the regulatory in MIBEL, it was redefined interruptible service regime, under the management of the transmission grid operator, depending on the security needs of the system. After the transition period underway, EDP Serviço Universal can't be part of interruptible contracts, restricted to Medium, High and Very High-Voltage customers in the market, available to provide at least 4 MW of interruptible power, excluding essential services. Since some technical specific matters, it was settled a simplified temporary system for customers with power between 250 kW and 4 MW.

Capacity Payments

The new regulatory framework of the guarantee power system (capacity payments), applicable to Ordinary Regime Generation, exempt the power plants under PPA or CMEC schemes and provides two modalities:

- Investment incentives: power plants operating after January 1, 2011, or beginning less than 10 years before, as well as capacity increases in reversible hydro power plants; for 10 years; determined as the Coverage Index (CI) of the electric system, to be approved - until the effective adoption, the value is 20,000 €/MW.

- Power availability service: management under the system operator responsibility, to be contracted with the power plant holders, within an aggregate fixed annually; it is expected to auctions if the CI is less than 1.1 or threat the supply safety.

Cogeneration

Towards the promotion of efficient generation based on the heat consumption, through high efficiency cogeneration and aware of the potential primary energy savings and CO_2 reduction, as well as the reduction of losses in the grid, the legal and remunerative cogeneration regime was revamped, now based on market trends to remuneration of thermal and electric energy (with a temporary bonus and a depreciation factor of the reference tariff, values to be fixed) for cogeneration plants up to 100 MW; the electricity generated in cogeneration plants up to 100 MW is delivered to the grid receiving a temporary reference tariff.

Mini-hydro

To promote endogenous renewable energy, a tender initiative was regulated, with simplified procedures and financial compensation to the State for allocation of licenses to use water resources and capacity to inject power into the Electrical Grid and identification of the points to receive the electricity from mini-hydro plants up to 20 MW, also applicable to medium-sized hydro plants. The goal is a total of 250 MW by the end of 2011, with specific tariff rates and

an average reference indicative tariff of € 95/MWh for 25 years; the concession is for 45 years.

Micro and mini generation

Micro-generation (from 3.68 kW to 11.04 kW) regime was extended to an annual total of 25 MW, including 2010. In the new model, the electricity suppliers that provide customers/micro-producers should purchase the electricity from micro-generation and can resell it to the supplier of last resort. Mini-generation (up to 250 kW) regime was reformulated similarly to micro-generation, with simplification and dematerialization of procedures, and remuneration aligned by the costs. Total allocation by 2020 is 500 MW.

Energy Efficiency

Following the National Action Plan for Energy Efficiency (NAPEE), an Energy Efficiency Fund was settled to support projects of the NAPEE or other projects that demonstrably contribute to energy efficiency.

Electric Mobility

Following the 2009 programme for electrical mobility, decree-law 39/2010 established the legal framework of electric mobility, based on three main lines: i) encourage the acquisition and use of electric vehicles, through grants, ii) providing an integrated network of battery charging, and iii) give universality and equity of access to the services for electric mobility. The three main activities are: a) supply of electricity for the electric mobility with automatic enablement of the electricity suppliers but also open to other entities, b) operation of loading sites of the network of electric mobility, and c) management of operations of the electric mobility network, performed by EDP Distribuição, under ERSE regulation.

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE ELECTRICITY SECTOR IN SPAIN

Tariff Deficit

Royal Decree 6/2010 also amended the Law 54/1997, stating: (i) that, as of January 1, 2013, access charges should be sufficient to recover all costs from regulated activities, without any ex-ante deficit (ii) a transition period until that date, which limits the insufficiency of the revenues from regulated activities, and (iii) the transfer of credits to the Securitisation Fund, backed by the Spanish State. HC share an amount of 742.8 thousand million euros of the 14.6 billion euros 2009 Spanish tariff deficit.

This is the timetable settled for eliminating the tariff deficit:

Year	Maximum deficit
2010	€5,500M (before, €3,000M)
2011	€3,000M (before, €2,000M)
2012	€1,500M (before, €1,000M)

Royal Decree-Law 14/2010 set a rate of 0.5 €/MWh, to fund by ordinary and special regimes power producers, as a contribution to the sustainability of the connections construction costs. Producers should also bear the cost of saving and energy efficiency policies (4.38% corresponds to HC) in the period 2011-2014, as well as the cost of the "bono social" (social tariff) until 2013.

For the period 2011-2013, the remuneration of photovoltaic generation will limit the equivalent hours of operation entitled to subsidy. However, the grant for this technology was extended from 25 to 28 years. Also as a result of concern about the tariff deficit, the Royal Decree 1202/2010 establishes the possibility of quarterly reviews of the regulated access and last resort tariffs.

Domestic Coal

In a context of reduced electricity demand, combined with increased production from renewable resources and capacity in CCGT plants, within a limited market participation of the national coal power plants, Royal Decree 134/2010 established a restrictions procedure for safety of the electricity supply. The model requires the operation of certain power plants using domestic coal and involves creating a new market restrictions. This model was modified after the pre-notification to the European Commission. This procedure is transient (2011-2014) and will be funded from the net difference between the revenue from the capacity payments and the costs related to its remuneration prior to their return to the energy regulator. The power plants required to participate in this restrictions procedure, including the Group 3 of HC power plant of Soto de Ribera, have a production cap, with a regulated price per MWh produced.

Industry's steel gas

Law 40/2010 concerning the geological storage of CO_2, includes a provision that permits the use of biomass or industrial waste gas with energy recovery as a secondary fuel. The HC power plant of Aboño may qualify for this facility by using the Arcelor's steel gas.

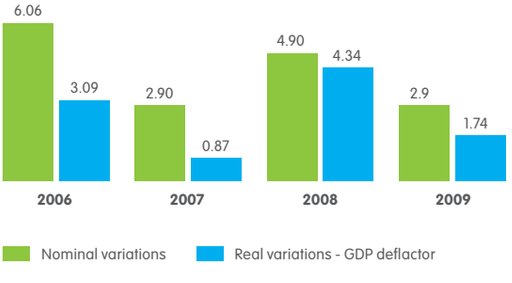
Charging of electric vehicles

To promote economic growth and job creation, Royal Decree 6/2010 included reforms in the energy sector, namely the creation of "energy service companies", the "chargement manager" and the establishment of loading services.

TARIFF TRENDS IN PORTUGAL AND SPAIN

In Portugal, the average selling prices for electricity have increased, in the last four years, about 2.1% in low voltage and 0.8% across the other voltage levels, in real terms.

Nominal and real average electricity Price variations in Portugal (%)



In 2010, the retail tariffs rose 2.9% (average) from 2009. In Spain, access tariffs increased 14.9% (11.9% in low voltage and 25.0% in high voltage) in January. The tarifs of last resort for residential consumers rose 2.5% on average. However, in July domestic access tariffs decreased 4.3%. allowing to keep unchanged the last resort tariffs until September. In October, due to rising energy costs, the last resort tariffs increased another 5.0%.

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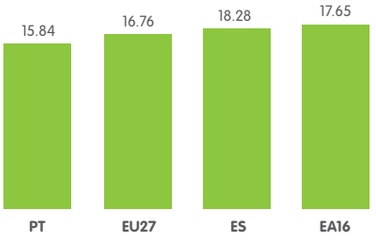
Average Electricity Prices (Euro Cent./KWh)



Source: Eurostat. 1st semester 2010
Household costumers in consumer band Dc
(annual consumption between 2500 e 5000 kWh)

The electricity prices in Portugal in the 1st half of 2010 for residential consumers in the band of annual consumption between 2,500 and 5,000 kWh, are 10.2% below the average of the Euro Area 16 countries and 5.5 % below the average of the EU 27. For Spain, electricity prices are 2.1% below the average the Euro Area and 3.1% above the EU27.

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE ELECTRICITY SECTOR IN BRAZIL

In Distribution, we highlight the Escelsa Tariff Review: tariff increase of 7.19% on average for the period from August 2010 to August 2011. Another important factor was the Public Hearing No. 40/2010, with proposed methodology to the tariff revisions for the 3rd regulatory cycle, including analysis of methodologies to calculate the WACC and the X factor, the non-technical losses and the assets basis. The final rules, not yet approved by the Federal regulator ANEEL, will be applied in tariff revision of Bandeirante in October 2011 and Escelsa in August 2013. In Production, the methodology of Physical Warranty's Special Review of hydroelectric power plants with installed capacity exceeding 30 MW, has led to new technical parameters, ith increases of power and performance for our plants Peixe Angical and Mascarenhas. The procedure for hydro power plants with potential between 1 MW and 50 MW non-PCH, also allowed the EDP to perform the warranty registration of Escada Grande and Gamela plants.

GAS SECTOR

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE GAS SECTOR IN PORTUGAL

With the liberalization of the gas sector for customers with consumption less than or equal to 10,000 m3 per year, on January 1, 2010, the process of opening the natural gas market in Portugal was concluded and all natural gas consumers can freely choose their suppliers. The second regulatory period, from July 2010 to June 2013, was preceded by ERSE's review of the regulations applicable to the natural gas sector, in March 2010. The new regulations have innovated in some issues, particularly in the indicators of quality of service, to incorporate by the regulated companies. Besides the new tariff rules, the access to the LNG terminal in Sines has been improved, both from an operational and economic perspective, contributing to EDP Gas decision to unload two LNG ship in Portugal in 2010, for the first time made by a supplier other than the incumbent.

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE GAS SECTOR IN SPAIN

Since January 1, 2010, following permission by Royal Decree 485/2009, the operation of last resort supply of electricity and gas through the same supplier, EDP Group has created a single supplier of last resort for gas and electricity, the HCNGCUR. The tariff of last resort of gas in January 1, 2010, changed from maximum price to a fixed tariff, preventing suppliers of last resort to offer discounts to the tariff. In the wholesale market, the Spanish energy regulator, CNE, proposed a timetable for implementation of an organized market for gas in order to increase liquidity and transparency. As a consequence of "Open Season", to develop of interconnection Spain - France in 2015, held in the summer of 2010, it was determined the development of the interconnection in Biriatou, in the French side, belonging to Naturgas Energia Transporte in the Spanish side. Under this "Open Season," EDP Group gas suppliers contracted capacity that will allow trading natural gas in the northern Europe markets.

RENEWABLE ENERGY

GLOBAL REGULATORY REVIEW

At the UN Summit on Climate Change, held in Cancun, Mexico, in late 2010, the Conference of Parties adopted formal decisions in key issues such as financing, technology transfer and adaptation processes. The goal of the new Green Climate Fund, to be managed by the World Bank under the UN Framework Convention, is to allocate funds to assist developing countries in climate issues. The United Nations recognized the reduction commitments agreed in Copenhagen to limit temperature increase to below 2 ° C above pre-industrial levels. Despite the postponement of a global agreement on emissions by a lack of understanding between the U.S. and China, negotiations will proceed. And it was confirmed the Clean Development Mechanism (CDM), after the Kyoto Protocol (December 31, 2012), including, for the first time, the capture and store of carbon. The agreement also includes the incentive mechanism for REDD+, on forest protection in developing countries.

REGULATORY REVIEW AT EUROPEAN LEVEL

Following the adoption of Directive 2009/28/EC for Renewable Energy, Member States were invited to submit a National Action Plan for Renewable Energy on June 30, 2010, indicating how they intend to meet their binding targets by 2020 and the interim targets.

REGULATORY REVIEW ON RENEWABLE ENERGY FRAMEWORK IN COUNTRIES WHERE EDP HAS ACTIVITIES

Portugal

The procedures for additional equipment in wind farms (overcapacity) were simplified by Decree 51/2010. But is mandatory to provide the equipment to reduce the voltage drops and to supply reactive power; the premium has been eliminated for the supply of reactive power and disturbances beyond the set parameters are now penalized.

Spain

Following the agreement reached in July 2010 between the Ministry of Industry and major industry associations (Spanish Wind Energy Association and PROTERMOSOLAR) the RD 1614/2010, established the following regulatory framework:

- A temporary cut of 35% on the reference premium applicable to wind power in 2011 and 2012, whose limits have not been revised and are still indexed to the CPI-X;
- An amendment to RD 661/2007, clarifying that any revisions to the reference premium would be applied only to projects which prefigure from 2012;
- A cap of annual hours with the right to premium.

The wind power before 2008 remains under the RD 436/2004, moving in 2013 to the regime of the RD 661/2007. Thus, the new regulatory framework does not affect most of the Spanish wind power assets. Impacting on the wind power sector, the regime of reactive power has been changed and aiming to reduce the tariff deficit, it was instituted a fee of 0.5 €/MWh to producers.

France

After the 2007 National Summit "Grenelle de l'Environnement", which established the French environmental policy, the "Grenelle 2" adopted on June 29, 2010, established a new framework for wind power, with a minimum threshold of five turbines per wind farm and stipulating a withdrawal of 500 meters of housing. In conjunction with legislation on Wind Development Areas, the "Grenelle 2" introduces new requirements, but also demands the inclusion of wind farms on "Regional Development Areas." Wind farms will still be subject to regulation ICPE ("industries classified to protect the environment") with additional requirements for licensing. To achieve 19 GW of onshore wind power in 2020, this framework provides for the installation of 500 turbines per year, with a triennial review.

Belgium

The Walloon region has approved new renewable production share, considerably above earlier targets: 13.50% in 2011 and 15.75% in 2012. From 2013, the regulator (CWAPE) recommended to the Government an increase of 2.25 percentage points per year up to 33.75% in 2020.

Poland

According to the new legal framework for energy, of January 2010, the grid operator shall prepare the impact assessment of the production facilities. The promoter that requires the connection must prepay the interconnection fee of 30 PLN (1 zloty = € 0.26) per kW. The grid operator is obliged to provide the grid connection (or reject it, in case of technical constraints) within 150 days of the request.

Romania

Strengthening support for the renewable energy sector, was extended from 2015 to 2017, the producers' right to receive two green certificates per MWh. Moreover, the share of green certificates for 2012 rose from 8.3% to 12%, and will increase 1pp every year (except in 2019, which will only grow by 0.5 pp) up to 20% in 2020. It has also established the minimum value for trading of green certificates from 27 €/MWh and a maximum of 55 €/MWh. And increased the penalty from 70 € to 110 € per green certificate if the suppliers do not achieve their objectives. Finally, in order to instill greater confidence among investors and greater visibility to the wind power market, the green certificates regime was extended from 2014 to 2025. The double green certificate scheme, under Law 220/2008, has no practical application yet, because the European Commission has not been notified.

United Kingdom

With the ambition to be the "greenest ever", the new British Government expressed its willingness to establish a "feed in" tariff system to the electricity produced from renewable sources, while maintaining the Renewable Certificates, the least until 2017. The theme appears in the energy market reform, presented in December 2010 and submitted to public consultation. The Government has allocated one billion pounds to create the Green Investment Bank and appointed an independent commission that will launch the new institution in the near term.

Brazil

In August 2010, Brazil held two auctions (reserve and alternative energy), amounting to 2.05 GW. In the energy auction have been allocated 528 MW of wind power at an average price of 70.4 USD/MWh and 1,519 MW of alternative energy were awarded at an average price of $ 76.6/MWh. The fierce competition has lowered the average prices, worrying promoters and suppliers, given the risk of failure of some projects, especially those attributed to inexperienced promoters. In December 2010, the new Ten Year Expansion Plan for Energy 2019 provided a major boost in renewable energy, since it is not scheduled the construction of any conventional power plants burning fossil fuels, after 2014. With this strategy, it is estimated more than 6 GW of wind power installed in 2019 (currently ~ 1.5 GW), but the industry estimates highest values.

United States of America

Although without new federal legislation on climate issues, the Environmental Protection Agency drafted a plan to set limits on emissions of greenhouse gases under the Clean Air Act. The "Tax Relief Bill", of December 2010, develops policies for clean energy as part of a broader scheme of tax incentives to encourage development of renewable energy, including: a one-year extension of the Grant Program 1603, authorizing projects which will receive subsidies equivalent to 30% of eligible project costs and the deductibility of 100% of the project over a year for facilities starting operations in 2011 and 50% for projects starting operations operation in 2012. In 2010, twelve States have proposed and five have endorsed the creation or the increase of the share for renewable energies. In California, utilities can use renewable energy credits to comply with the goal of 33%, pending regulations.

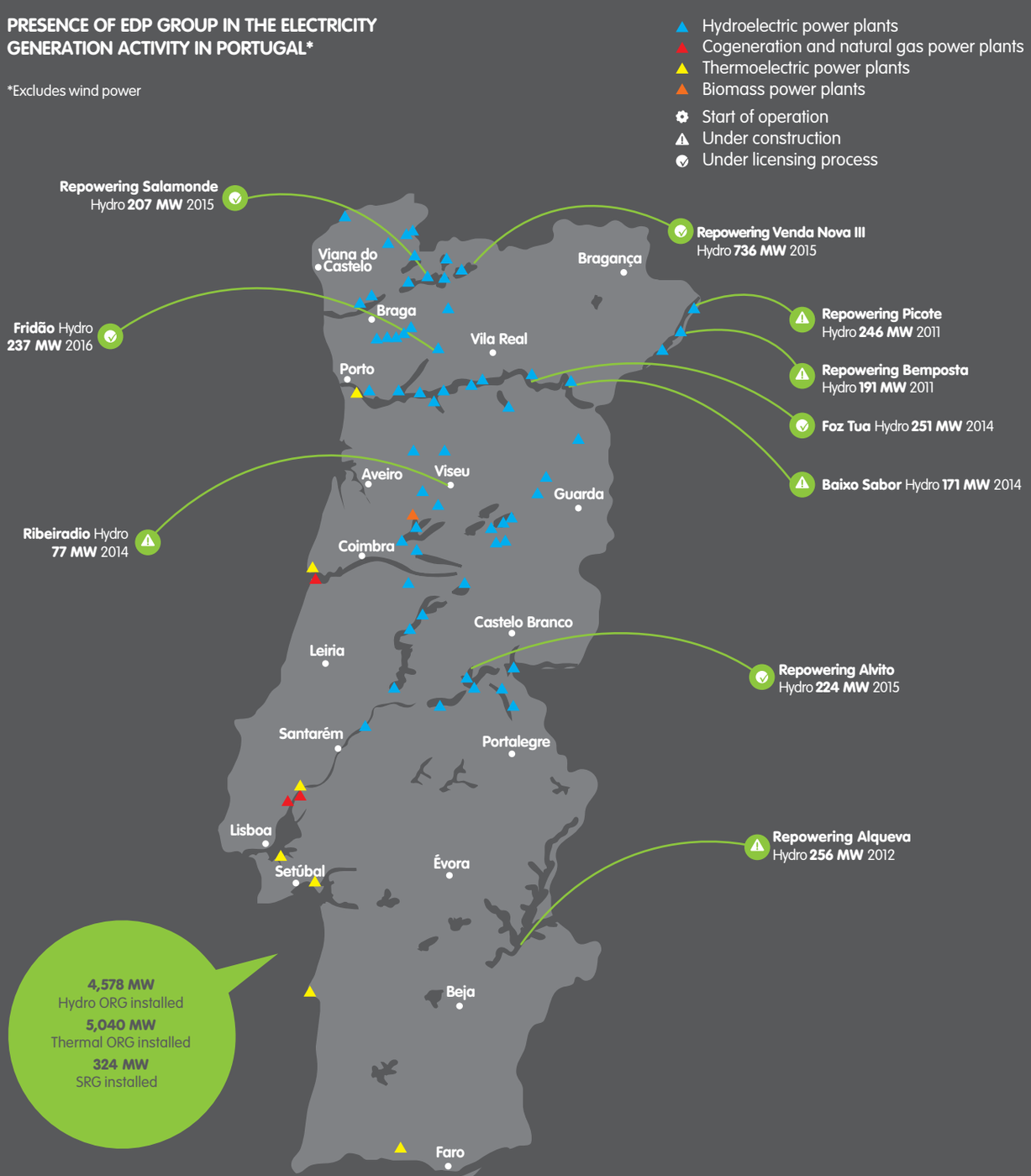
business / summary of activities

ELECTRICITY BUSINESS (EXCLUDING BRAZIL)

GENERATION IN IBERIA - PORTUGAL

PRESENCE OF EDP GROUP IN THE ELECTRICITY GENERATION ACTIVITY IN PORTUGAL*

*Excludes wind power



2010 MAIN EVENTS OF THE ELECTRICITY GENERATION ACTIVITY IN PORTUGAL

EDP Group is present in electricity generation through EDP Produção under Ordinary and Special Regime Generation and EDP Produção Bioeléctrica, Soporgen and Pebble Hydro under Special Regime.

By the end of 2010 the total installed capacity was 9,943 MW of which 4,735 MW (48%) from hydroelectric plants and 5,208 MW from thermoelectric power plants.

2010 was characterized by very favorable inflows throughout the year, resulting in a hidraulicity well above average, with the hydrological index reaching 1,31, one of the highest values in the past years (1,33 in 2003).

The Hydroelectric Ordinary Regime generation reached its greatest value ever (14,376 GWh), while the storage reservoirs level registered about 63% of their maximum capacity, despite the high production.

On the other hand, thermoelectric Ordinary Regime generation stood at 10,092 GWh, the lowest in recent years.

The Special Regime net generation (1,625 GWh) grew 33% over 2009, as a result of hydro generation (+69%), biomass (+57%) and cogeneration (10%).

In 2010 the power requested in the network in mainland Portugal has reached a new historical record in January 11th, with 9,403 MW, about 185 MW above the previous maximum that occurred in 2009.

On March 31, Barreiro power plant ceased the electric and thermal generation activity, which had 56 MW capacity.

On April 1, Fisigen's new cogeneration power plant entered into service, with two natural gas generator groups, recovery boilers and alternators, counting about 24 MW of installed capacity.

Regarding the strengthening of the Hydroelectric portfolio capacity, EDP Produção continues focused on the construction of the capacity repowering of Picote (246 MW), Bemposta (191 MW), entering into service in 2011 and Alqueva (256 MW), scheduled for 2012, as well as the development work of the General construction Contract of the Baixo Sabor Hydroelectric plant (171 MW) with entry into service scheduled for mid 2014.

In the same context, it should also be noted the adjudication for the equipment supplies and the start of construction of Ribeiradio/Ermida (77 MW) and Venda Nova III capacity repowering (736 MW), scheduled to enter into service in 2014 and 2015, respectively.

In terms of licensing new hydropower projects, the EIS's for the hydroelectric plants of Fridão and Alvito and the Salamonde repowering had a conditional favorable decision. Salamonde has already the civil engineering contract awarded.

In what concerns to the power plants' certification, it is important to highlight that Sines achieved the registration for Eco-Management and Audit Scheme (EMAS) with the following purpose: "Central de Sines - electricity generation by coal combustion and ash and plaster management" and also the registration of some more generation centers of EDP Produção (Alto Rabagão, Touvedo, Vila Nova, Frades, Régua, Vilar Tabuaço, Varosa, Caldeirão, Aguieira e Raiva).

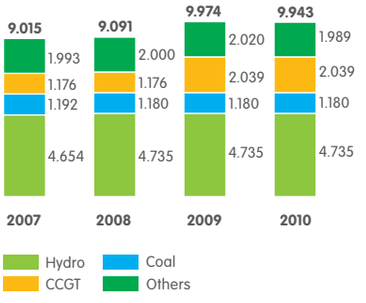
business / summary of activities

GENERATION IN IBERIA - PORTUGAL

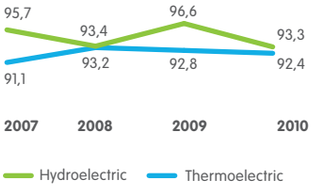
	Unid	2010	2009	2008	2007
Installed Capacity in Portugal *	**MW**	**14,215**	**13,304**	**12,262**	**12,147**
EDP's Installed Capacity *	**MW**	**9,943**	**9,974**	**9,091**	**9,015**
EDP's market share *	%	69.9	75.0	74.1	74.2
Source: REN Technical data					
Number of Generating Groups*	**#**	**190**	**190**	**186**	**160**
Ordinary Regime Generation	**#**	**114**	**116**	**114**	**114**
Hydroelectric power plants	**#**	**93**	**93**	**93**	**93**
Command Centre	#	1	1	1	1
Generating power plants	#	3	3	3	3
power plants	#	35	35	35	35
Thermoelectric power plants	**#**	**21**	**23**	**21**	**21**
Coal	#	4	4	4	4
CCGT	#	5	5	3	3
Fuel oil	#	10	12	12	12
Gasoil	#	2	2	2	2
Special Regime Generation	**#**	**76**	**74**	**72**	**46**
Mini-Hydroelectric power plants	#	67	67	67	42
Biomass	#	4	4	2	1
Cogeneration	#	5	3	3	3
Installed Capacity at 31 December*					
Ordinary Regime Installed Capacity	**MW**	**9,619**	**9,675**	**8,812**	**8,824**
Hydroelectric power plants	**MW**	**4,578**	**4,578**	**4,578**	**4,578**
Thermoelectric power plants	**MW**	**5,040**	**5,096**	**4,234**	**4,246**
Coal	MW	1,180	1,180	1,180	1,192
CCGT	MW	2,039	2,039	1,176	1,176
Fuel oil	MW	1,657	1,713	1,713	1,713
Gasoil	MW	165	165	165	165
Special Regime Installed Capacity	**MW**	**324**	**299**	**279**	**192**
Hydroelectric power plants	MW	157	157	157	76
Biomass	MW	32	32	11	5
Cogeneration	MW	136	111	111	111
Total Capacity	**MW**	**9,943**	**9,974**	**9,091**	**9,015**
Net Generation*					
Ordinary Regime Generation	**GWh**	**24,468**	**23,514**	**21,642**	**24,718**
Hydroelectric power plants	**GWh**	**14,376**	**7,642**	**6,435**	**9,361**
Thermoelectric power plants **	**GWh**	**10,092**	**15,872**	**15,207**	**15,357**
Coal	GWh	4,889	8,869	6,926	8,048
CCGT**	GWh	5,156	6,696	7,481	6,038
Fuel oil	GWh	46	307	801	1,271
Gasoil	GWh	1	0	0	0
Special Regime Generation	**GWh**	**1,625**	**1,222**	**869**	**906**
Mini-Hydroelectric power plants	GWh	622	368	170	134
Biomass	GWh	203	129	49	28
Cogeneration	GWh	800	725	650	744
Total Generation	**GWh**	**26,093**	**24,736**	**22,511**	**25,624**
** In 2009 includes 497 GWh generated in Lares testing period					
Energy Balance					
Hydrological index	**#**	**1.31**	**0.77**	**0.56**	**0.77**
EDP Group power plants					
Hydroelectric output	GWh	14,376	7,642	6,435	9,361
Thermal output	GWh	10,092	15,872	15,207	15,357
Mini-hydroelectric output	GWh	622	368	170	134
Wind power output (ENERNOVA)	GWh	1,472	1,273	1,026	733
Biomass output	GWh	203	129	49	28
Cogeneration output	GWh	800	725	650	744
EDP Group Net generation	**GWh**	**27,565**	**26,009**	**23,537**	**26,357**
Direct sales to industrial costumers	GWh				-21
Output to grid (EDP Group)	**GWh**	**27,565**	**26,009**	**23,537**	**26,336**
Other generators with PPA	GWh	7,701	8,088	8,596	8,231
Other generators with PPA	GWh	14,827	11,927	9,670	8,524
Importer/(Exporter) balance	GWh	2,623	4,777	9,431	7,488
Pumped hydroelectric storage	GWh	-512	-929	-639	-541
Consumption Related to output	**GWh**	**52,204**	**49,872**	**50,595**	**50,038**
Synchronous compensation	GWh	0	-1	0	-9
Own consumption in generation	GWh	-5	-5	-5	-5
Energy Delivered to Distribution	**GWh**	**52,199**	**49,866**	**50,590**	**50,024**

* Excludes wind power
** In 2009 excludes 497 GWh generated in Lares testing period

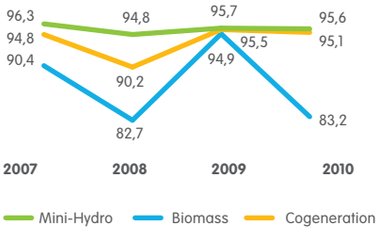
Generation portfolio (MW)



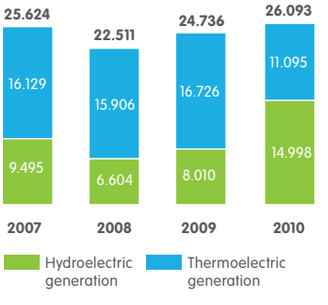
Ordinary Regime Generation – Availability (%)



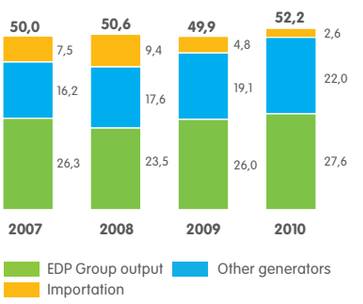
Special Regime Generation - Availability (%)



Net Generation (GWh)



Energy Balance 2010 (TWh)



Alqueva Hydroelectric Power Plant

Sines Thermoelectric Power Plant

business / summary of activities

GENERATION IN IBERIA - SPAIN

PRESENCE OF EDP GROUP IN THE ELECTRICITY GENERATION ACTIVITY IN SPAIN*

*Excludes wind power

2010 MAIN EVENTS OF THE ELECTRICITY GENERATION IN SPAIN

In Spain, EDP Group is present in electricity generation through HC Energía under Ordinary and Special Regime Generation.

By the end of 2010, total installed capacity was 3,875 MW of which 429 MW (11%) from hydroelectric plants and 3,444 MW (89%) from thermoelectric power plants.

In 2010, HC Energía reached a historical record of hydroelectric generation , with a production of 1,045 GWh, exceeding the 1996's figures.

In December, Soto 5 entered into service, with an installed capacity of 428 MW. This is the second combined cycle power plant in Asturias, the fourth CCGT installed by the Group in Spain, concluded two months ahead the schedule.

The total availability of coal plants was 92.3% and the unavailability due to breakdowns, only 1.4%, which confirms the excellent operation of the equipment, particularly given the extraordinary flexible operability of these groups, due to the complementary nature of coal over gas.

The availability of combined cycles was 88.9% and the unavailability due to failure was 6.8%. The combined cycle also had a very flexible operation, with frequent night stops at the weekends.

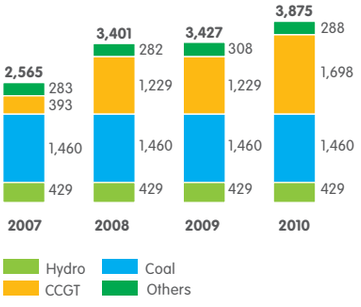
business / summary of activities

GENERATION IN IBERIA - SPAIN

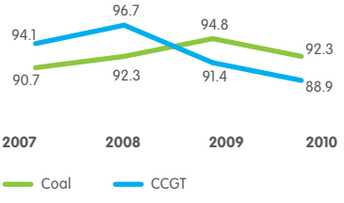
	Unid	2010	2009	2008	2007
Installed Capacity in Spain *	**MW**	**77,634**	**75,010**	**75,004**	**71,789**
EDP's Installed Capacity *	**MW**	**3,875**	**3,427**	**3,401**	**2,565**
EDP's market share *	%	5.0	4.6	4.5	3.6
* Source: Informe Anual REE					
Number of Generating Groups*	**#**	**38**	**40**	**38**	**39**
Ordinary Regime Generation	**#**	**21**	**20**	**20**	**18**
Hydroelectric power plants	**#**	**12**	**12**	**12**	**12**
Thermoelectric power plants	**#**	**9**	**8**	**8**	**6**
Coal	#	4	4	4	4
CCGT	#	4	3	3	1
Nuclear	#	1	1	1	1
Special Regime Generation	**#**	**17**	**20**	**18**	**21**
Hydroelectric power plants**	**#**	**1**	**1**	**1**	**1**
Thermoelectric power plants	**#**	**16**	**19**	**17**	**20**
Biomass	#	1	2	2	2
Cogeneration	#	9	11	9	12
Waste	#	6	6	6	6
Installed Capacity at 31 de December*					
Ordinary Regime Installed Capacity	**MW**	**3,740**	**3,272**	**3,271**	**2,435**
Hydroelectric power plants	**MW**	**426**	**426**	**426**	**426**
Thermoelectric power plants	**MW**	**3,314**	**2,846**	**2,845**	**2,009**
Coal	MW	1,460	1,460	1,460	1,460
CCGT***	MW	1,698	1,229	1,229	393
Nuclear	MW	156	156	156	156
Special Regime Installed Capacity	**MW**	**135**	**155**	**130**	**130**
Hydroelectric power plants**	**MW**	**3**	**3**	**3**	**3**
Thermoelectric power plants	**MW**	**132**	**152**	**127**	**127**
Biomass	MW	3	7	7	7
Cogeneration	MW	46	63	38	38
Waste	MW	83	82	82	82
Total Capaticy	**MW**	**3,875**	**3,427**	**3,401**	**2,565**
Net Generation*					
Ordinary Regime Generation	**GWh**	**10,942**	**11,346**	**12,416**	**13,936**
Hydroelectric power plants	**GWh**	**1,038**	**877**	**812**	**786**
Thermoelectric power plants	**GWh**	**9,904**	**10,469**	**11,604**	**13,151**
Coal	GWh	4,244	5,865	6,575	10,124
CCGT***	GWh	4,470	3,491	3,831	1,795
Nuclear	GWh	1,190	1,113	1,198	1,232
Special Regime Generation	**GWh**	**916**	**896**	**700**	**553**
Hydroelectric power plants**	**GWh**	**7**	**2**	**2**	**2**
Thermoelectric power plants	**GWh**	**909**	**894**	**698**	**551**
Biomass	GWh	0	6	6	8
Cogeneration	GWh	356	369	192	90
Waste	GWh	553	519	500	453
Total Generation	**GWh**	**11,858**	**12,242**	**13,117**	**14,489**
Energy Balance					
Hydrological index	**#**	**1.34**	**0.81**	**0.66**	**0.64**
EDP Group power plants					
Hydroelectric output	GWh	1,038	877	812	786
Thermoelectric output	GWh	4,244	5,865	6,575	10,124
Nuclear output	GWh	1,190	1,113	1,198	1,232
CCGT output	GWh	4,470	3,491	3,831	1,795
Mini-hydroelectric output	GWh	7	2	2	2
Wind power output (ENERNOVA)	GWh	4,355	3,275	2,632	2,056
Biomass output	GWh	0	6	6	8
Cogeneration output	GWh	356	369	192	90
Waste output	GWh	553	519	500	453
EDP Group Net Generation	**GWh**	**16,214**	**15,517**	**15,749**	**16,546**
Other generators - ORG	GWh	178,130	181,116	207,924	209,887
Other generators - SRG	GWh	85,242	74,020	62,772	53,762
Importer/(Exporter) balance	GWh	-8,339	-8,106	-11,040	-5,750
Pumped hydroelectric storage	GWh	-4,413	-3,763	-3,731	-4,349
Consumption Related to output	**GWh**	**266,834**	**258,784**	**271,673**	**270,095**
Own consumption in generation	GWh	-6,604	-7,081	-8,338	-8,753
Own consumption in transmission grid	GWh	0	0	0	0
Losses	GWh	-3,398	-3,090	-3,440	-3,281
Energy Delivered to Distribution	**GWh**	**256,832**	**248,613**	**259,896**	**258,061**

* Excludes wind power
** Includes mini-hydro from EDP Renováveis
*** In 2010 excludes 284 GWh generated during tests in Soto 5

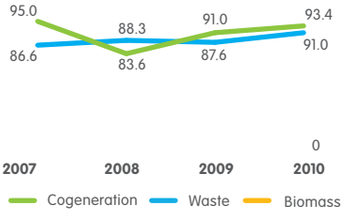
Generation portfolio (MW)



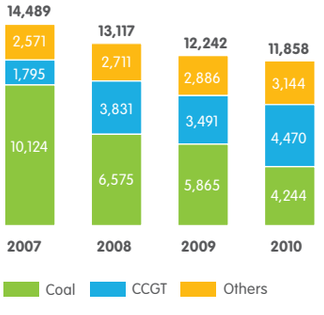
Ordinary Regime Generation - Availability (%)



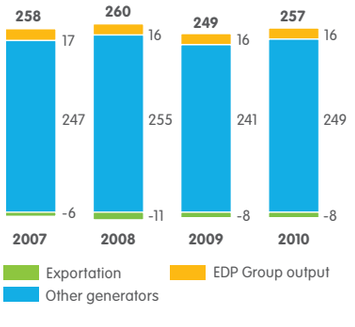
Special Regime Generation - Availability (%)



Net Generation (GWh)



Energy Balance 2010 (TWh)



Soto Ribera – Soto 5 combined cycle gas turbine

Proaza Hydroelectric Power Plant

Tanes Hydroelectric Power Plant

business / summary of activities

EDP RENOVÁVEIS

PRESENCE OF EDP GROUP IN THE OPERATION OF WIND FARMS IN THE WORLD

MW Installed Capacity
MW under construction

(1) Includes 239 MW from ENEOP2

2010 MAIN EVENTS OF THE EDP RENOVÁVEIS ACTIVITY

EDP Group is present in the activity of wind energy generation through EDP Renováveis (EDPR), which currently is present in 11 countries: Portugal, Spain, France, Belgium, Poland, Romania, United Kingdom, Italy, United States, Canada and Brazil.

In 2010, EDPR increased its capacity by 1,101 MW (19.7%), of which 501 MW (17.1%) in Europe and 600 MW (22.9%) in the U.S. By year-end 2010, EDPR held a market share of total wind energy capacity installed in Europe of 4.1% and in the U.S. of 8.0%.

The average net capacity factor, in 2010, was 27% in Europe and 32% in the U.S. Operational excellence and prime location of EDPR's wind farms allowed the reach of superior net capacity factors comparing to the industry (as the case for Spain with +2 b.p.).

EDPR - EUROPE (EDPR EU)

EDPR EU has been a top list company in wind energy additions over the last few years, with a total wind energy capacity installed of 3.439 MW and a pipeline in various stages of development of 11.3 GW, including 480 MW under construction.

In Portugal, capacity installed summed 838 MW after new capacity additions of 158 MW during the year, mainly from the entry into operation of ENEOP2's wind farms, 58 MW were under construction at the end of 2010. In Spain, capacity installed was 2,050 MW after an increase of 189 MW versus prior year. At the end of 2010, there were 201 MW under construction.

In 2010, installed capacity reached 284 MW in France, after an increase in the year of 64 MW, while in Belgium it remained at 57 MW.

The Korsze wind farm in Poland, with a capacity of 70 MW, was under construction by year-end 2010. In the country, EDPR had 120 MW of capacity in operation.

The year 2010 was marked by EDPR's first wind farm operation in Romania, Pestera, with a capacity of 90 MW. The Cernavoda wind park with 138 MW was under construction at the end of 2010.

In the development of offshore, a total capacity estimated at 1.3 GW was exclusively assigned in the UK to Moray Renewables, a joint-venture between EDPR EU and SeaEnergy, created for the development of offshore wind farms in the north-east of Scotland.

In early 2010, EDPR EU took another important step in its strategy of expansion through the acquisition of 520 MW of projects under development in Italy.

EDPR - NORTH AMERICA (EDPR NA)

The activity in the U.S. is operated by the North American platform EDPR NA.

At the end of 2010, EDPR NA owned 17 wind farms in operation located in 10 different states, summing a total capacity of 3.224 MW, after the installation of new 600 MW during the year. EDPR NA entered Canada in 2010 to look for new growth opportunities in this attractive market, with the acquisition of several early-stage Ontario development assets.

By the end of 2010, EDPR NA held a pipeline of 19,2 GW, including 99 MW already under construction.

EDPR - BRAZIL (EDPR SA)

EDPR created a joint-venture in Brazil, in June 2008, together with EDP - Energias do Brasil, named EDP Renewables Brazil (EDPR SA).

EDPR SA hold, at the end of 2010, a capacity in operation of 14 MW and a pipeline of 1,251 MW, including 70 MW under construction at the Tramandaí wind farm. The main activities of EDPR SA are the exploration and development of partnerships for the construction of wind farms. The exploration is centered in the northeast, southeast and southern regions, which have a higher wind resources.

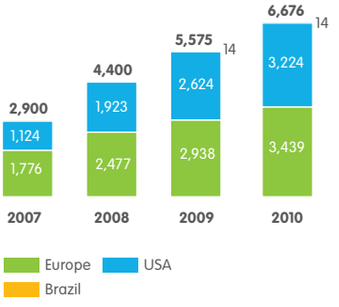
business / summary of activities

EDP RENOVÁVEIS

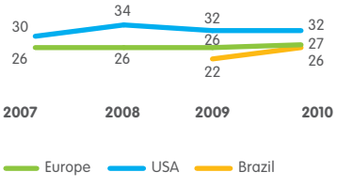
	Unid	2010	2009	2008	2007
Wind Installed Capacity	**GW**	**194.4**	**157.9**	**120.8**	**93.9**
EDP Renováveis Installed Capacity	GW	6.7	5.6	4.4	2.9
Source: Global Wind Report 2010, GWEC: Wind Installed Capacity					
Installed capacity at 31 December*					
Europe**	**MW EBITDA**	**3,439**	**2,938**	**2,477**	**1,776**
Portugal**	MW EBITDA	838	680	553	424
Spain	MW EBITDA	2,050	1,861	1,692	1,265
France	MW EBITDA	284	220	185	87
Belgium	MW EBITDA	57	57	47	0
Poland	MW EBITDA	120	120	0	0
Romania	MW EBITDA	90	0	0	0
USA	**MW EBITDA**	**3,224**	**2,624**	**1,923**	**1,124**
Brazil	**MW EBITDA**	**14**	**14**	**0**	**0**
Total Capacity	**MW EBITDA**	**6,676**	**5,575**	**4,400**	**2,900**
Load Factor					
Europe	**%**	**27**	**26**	**26**	**26**
Portugal	%	29	28	27	24
Spain	%	27	26	26	27
France	%	24	23	23	27
Belgium	%	21	23	0	0
Poland	%	28	0	0	0
USA	**%**	**32**	**32**	**34**	**30**
Brazil	%	26	22	0	0
Net Generation*					
Europe	**GWh**	**6,632**	**4,975**	**3,900**	**2,911**
Portugal	GWh	1,472	1,275	1,028	735
Spain	GWh	4,355	3,275	2,634	2,056
France	GWh	489	346	238	119
Belgium	GWh	107	79	0	0
Poland	GWh	194	0	0	0
Romania	GWh	15	0	0	0
USA	**GWh**	**7,689**	**5,905**	**3,907**	**866**
Brazil	**GWh**	**31**	**26**	**0**	**0**
Total generation	**GWh**	**14,352**	**10,907**	**7,807**	**3,777**
MWs Under Construction during 2010*		4T	3T	2T	1T
Europe	**MW**	**480**	**703**	**739**	**685**
Portugal	MW	58	152	138	113
Spain	MW	201	216	328	308
France	MW	0	25	33	24
Belgium	MW	13	13	13	13
Poland	MW	70	70	0	0
Romania	MW	138	228	228	228
USA	**MW**	**99**	**122**	**509**	**398**
Brazil	**MW**	**70**	**70**	**70**	**70**
Total MWs under construction	**MW**	**649**	**895**	**1,318**	**1,153**

*Excludes mini-hydro
** Includes ENEOP2

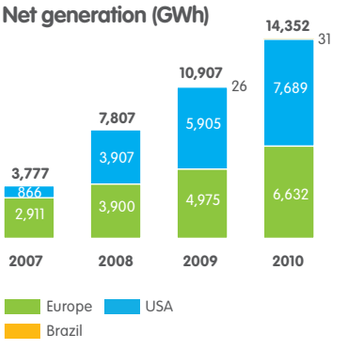
Generation portfolio (MW)



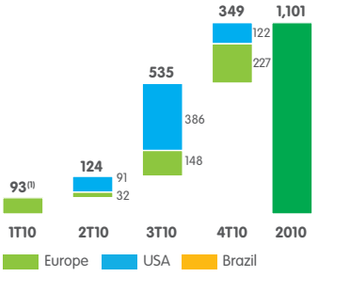
Load Factor (%)



Net generation (GWh)

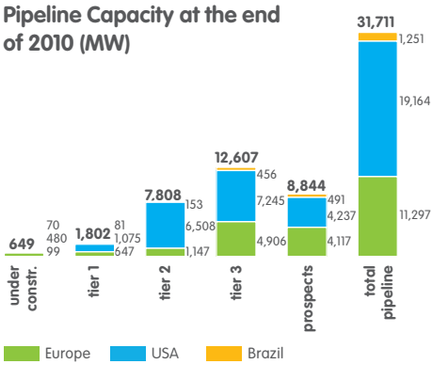


Entry into service in 2010 (MW)



(1)Includes 62 MW from Altos de Voltoya, acquired in January 2010.

Pipeline Capacity at the end of 2010 (MW)



EDP Renováveis Share Price (€)

Cabeça da Rainha Wind Farm – Portugal

Cerros de Radona – Soria Wind Farm – Spain

Marple Ridge Wind Farm– Unite States of America

business / summary of activities

DISTRIBUTION IN IBERIA

PRESENCE OF EDP GROUP IN THE ACTIVITY OF ELECTRICITY DISTRIBUTION IN THE IBERIAN PENINSULA

2010 MAIN EVENTS OF THE ELECTRICITY DISTRIBUTION IN IBERIA

EDP takes part in distribution through EDP Distribuição in Portugal and HC Energía in Spain. This operation, based essentially on efficiency improvements and quality of services in the distribution grids, distributed over 57TWh of energy in 2010

PORTUGAL

In Portugal, EDP Distribuição has the concession of the National Distribution Grid in Medium and High Voltage Electricity and the concession of all the 278 municipal Distribution Grids in Low voltage, on the mainland. It has 220,318 km of network and 47.8TWh of electricity distributed in 2010 to a total of 6.2 million costumers.

The investment policies implemented in the recent years, along with the acceleration of the investment in the grid automation and the new processes implemented in maintenance, have had excellent results in the technical service quality indicators evolution, particularly in the ICEIT (Interruption Time Equivalent to the Installed Capacity), registering in 2010 116 minutes, excluding extraordinary events, perfectly comparable with the values reported by other distributors with similar grid structure and consumption. The year 2010 was affected by three extraordinary events, including the Xynthia storm on February 27th, the strong wind and rain on October 3rd, affecting 1,200 and 300 thousand costumers respectively in the North and Center of Portugal. There was also the tornado on December 7 in Tomar and Sertã, which affected 50 thousand costumers. These exceptional events represented in ICEIT 30, 5 and 1 minutes, respectively.

The new requirements in electricity supply and demand, resulting from the achievement of energy policy goals, sustain the effort to develop new abilities to manage and fit in the increasing levels of energy sources and generation distributed. Through the InovGrid Project, 20,000 Energy Boxes have been assembled in costumers facilities in the city of Évora - chosen to lead the Intelligent energy grid concept (InovGrid) – and 320 DTC's (Distribution Transformar Controller) in transforming stations, covering almost all of them. A new technology based on LEDs was also tested in the Public lighting grid.

Under the electric mobility concern, there was created EDP MOP – Operador de Pontos de Carregamento de Mobilidade Eléctrica, S.A., regarding the development of the electric vehicle network supply in Portugal. A pilot grid was implemented, covering 25 Portuguese cities.

Micro-generation in low voltage has a notorious increasing adhesion, with 5,235 new micro-generators connected to the grid, with an 18.6 MW capacity. 164 new Specials Regime Producers (PRE) were also connected to the distribution network with 271.2 MVA. In both cases, there is a predominance of photovoltaic and wind technologies. At the end of the year 9,202 micro-generators where connected to the grid, with a 32.6 MW installed capacity and 749 PRE with 5,079 MWA of installed power.

SPAIN

In Spain, HC Energía conducts the electricity distribution business in 5 Autonomous communities with approximately 22,200 KM of network and more than 9 TWh distributed power, with a 2% growth vs 2009.

The investments carried out in recent years, as well as the implemented procedures, allowed a decrease of the interruption of supply to less than an hour in Asturias, the main distribution area, which concentrates more than 96% of HC costumers. HC Energía continues to lead the quality of service in the Spanish electric System. Regardless the June 16/17 floods, HC Energía registered the best quality service index ever with a value of 46 minutes (0.77 hours), which implies a 9 minute decrease facing the values registered in 2009, the previous record registered.

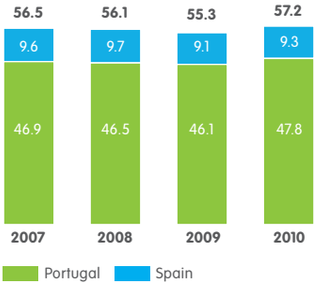
On July 29, HC Energía sold electricity transmission assets to Rede Electrica Espanhola (REE). This operation is subject to approval by the competent authorities.

business / summary of activities

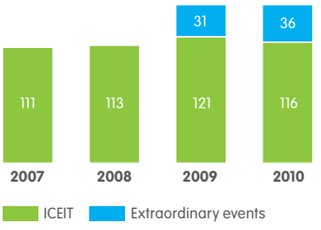
DISTRIBUTION IN IBERIA

	Unid	2010	2009	2008	2007
PORTUGAL					
Energy Input in the Distribution Grid					
For the regulated market	GWh	33,484	40,452	48,796	43,779
For the free market	GWh	18,130	8,971	1,306	5,731
Total	**GWh**	**51,614**	**49,422**	**50,102**	**49,510**
Note: does not include VHV consumptions					
Outgoing Energy from the Grid					
Energy delivered to the distribution grid	GWh	51,614	49,422	50,102	49,510
Distribution losses	GWh	-3,778	-3,277	-3,633	-2,591
Outgoing energy from the grid	**GWh**	**47,836**	**46,146**	**46,468**	**46,919**
Energy Sales for the Regulated Market	**GWh**	**30,581**	**37,626**	**45,289**	**41,546**
Very high voltage	GWh	1,012	1,330	1,667	1,527
High voltage	GWh	2,095	3,723	6,358	6,265
Medium voltage	GWh	4,795	9,128	14,052	10,290
Special low voltage	GWh	2,498	3,163	3,340	2,491
Low voltage	GWh	18,653	18,740	18,364	19,523
Street lighting	GWh	1,528	1,542	1,509	1,449
Energy output for the liberalised Market	GWh	17,255	8,520	1,180	5,373
Very high voltage	GWh	512	208	0	3
High voltage	GWh	4,387	2,089	2	11
Medium voltage	GWh	9,731	4,770	263	4,098
Special low voltage	GWh	1,228	413	219	996
Low voltage	GWh	1,398	1,040	695	264
ICEIT	Min	152	152	113	111
Points of Supply	m#	6,149	6,120	6,088	6,054
Employees	#	3,670	3,778	3,996	4,242
Grid structure indicators					
Extension	km	220,318	218,226	214,856	212,317
Overhead lines	km	172,181	170,931	169,321	167,486
Underground lines	km	48,138	47,295	45,534	44,831
Substations	#	404	399	397	382
Transforming stations	#	63,223	62,036	61,157	59,841
EFFICIENCY INDICATORS					
Points of Supply/Employee	#	1,675	1,620	1,524	1,427
Energy/Employee	GWh	13.0	12.2	11.6	11.2
Spain					
Outgoing Energy from the Grid					
Energy delivered to the distribution grid	GWh	9,704	9,519	10,029	10,008
Distribution losses	GWh	384	389	350	386
Outgoing energy from the grid	**GWh**	**9,320**	**9,131**	**9,679**	**9,622**
Electricity distribution					
High voltage	GWh	5,401	5,322	5,762	5,882
Medium voltage	GWh	1,273	1,215	1,284	1,204
Low voltage	GWh	2,646	2,594	2,633	2,536
Total	**GWh**	**9,320**	**9,131**	**9,679**	**9,622**
Total Market Spain	GWh	237,892	229,899	240,797	238,974
EDP market share	**%**	**3.9**	**4.0**	**4.0**	**4.0**
ICEIT	Min	46	55	65	59
Points of Supply	m#	651	645	628	617
Employees	#	386	368	366	389
Grid structure indicators					
Extension	km	22,265	21,874	21,356	20,995
Overhead lines	km	18,148	17,995	17,836	17,669
Underground lines	km	4,117	3,878	3,520	3,325
Substations	#	53	53	48	48
Transforming stations	#	6,507	6,464	6,327	6,192
Efficiency indicators					
Points of Supply/Employee	#	1,687	1,751	1,717	1,585
Energy/Employee	GWh	24.1	24.8	26.4	24.7

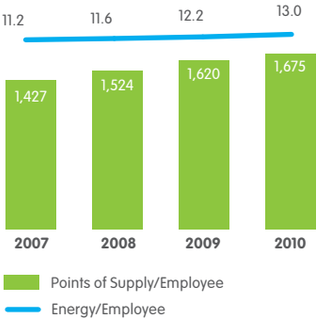
Energy distributed (TWh)



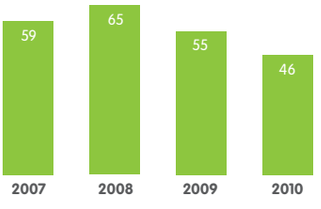
Installed Capacity Equivalent Interruption Time in Portugal (minutes)



Operacional efficiency in Portugal



Installed Capacity Equivalent Interruption Time in Spain (min)



Operational Eficiency in Spain

Desterro Substation

S. Francisco Substation

Distribution Grid

business / summary of activities

SUPPLY IN IBERIA

PRESENCE OF EDP GROUP IN THE ACTIVITY OF ELECTRICITY SUPPLY IN THE IBERIAN PENINSULA

2010 MAIN EVENTS OF THE ELECTRICITY SUPPLY IN IBERIA

EDP Group is engaged in supply in Portugal in the regulated market through EDP Serviço universal, in which ensures the supply of electricity with a tariff set by regulation and through EDP Comercial operating in the free market. In Spain is present in the Last Resort Market by HC Energía Last Resort and in the liberalized market through HC Energía, Naturgás energía and Energía CHC, acting in competition with other Iberian players.

PORTUGAL

During 2010, the overall number of customers in the Regulated Market fell by 0.9%, as a result of the outflow of nearly 100 thousand customers to the free market, partly offset by the inflow of 51 thousand new customers.

Electricity sales in the regulated market decreased by about 19% in relation to the previous year, particularly in HV and MV, with reductions of nearly 44% and 48%, respectively. These huge reductions are the effect of the referred migration of customers to the liberalized market.

2010 was a year of consolidation for the electricity liberalized market, after a new build-up in 2009, namely in the B2B segment. A framework of more favorable tariff and market price conditions allowed the development of an increasing competitive market in which EDP Comercial, through a strong partnership relation kept with its Clients, remained at the leadership position.

Throughout the year, EDP Comercial achieved a market share of 51% of the energy supplied and, in the end of the year, it was providing energy for 88% of the facilities in the liberalized market. Such a performance was an outcome from a sustainable action of the company business units.

In 2010, and following the footsteps already given in 2009, the B2B segment was once again the one with more competitive dynamics, which reflected in new players' entries in the market. An adjusted value proposal to the Clients needs resulted in a sales volume of nearly 7,5 TWh, during the year, and in a Client portfolio of 8,993 facilities, at the end of 2010.

Regarding the B2C segment, EDP Comercial was the first choice for 305 thousand residential Clients and Small Businesses (90% of the liberalized market), at the end of the year, corresponding to a sales volume of nearly 1.3 TWh.

For EDP Serviços, 2010 was a year of consolidation of the existing value proposal, sustained in three strategic vectors – Energy efficiency, Multi-technical services and Decentralized energy generation – but also for the development of custom made solutions oriented to specific needs, such as Small and Medium Enterprises and Household Clients (namely the Solar Photovoltaic Solutions for Microgeneration).

SPAIN

EDP Group attained approximately 651 thousand Clients which represents an increase of 23% from 2009.

The B2B market segment recorded 18,214 GWh of energy sold, 41% more than the previous year. In addition, the structure of the Customer Portfolio was optimized, thus improving the margin of the Major Accounts and Companies segment. Depending on the actions performed, this type of customer's overall satisfaction level was higher than 95%.

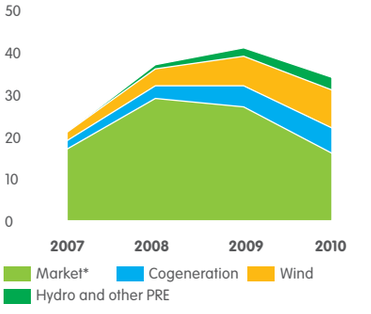
The strategy of this segment has been focused on the analysis of portfolios, in order to attract cost-effective customers and to obtain their loyalty with a dual offering and residential level is approximately 87%.

business / summary of activities

SUPPLY IN IBERIA

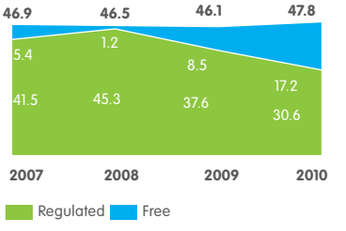
	Unid	2010	2009	2008	2007
Last Resort Market in Portugal					
Number of costumers					
Very high voltage	#	21	26	53	55
High voltage	#	177	193	234	213
Medium voltage	#	12,803	17,681	22,913	20,748
Special low voltage	#	23,985	28,246	32,170	25,687
Low voltage	#	5,702,584	5,746,352	5,785,797	5,807,784
Street lighting	#	52,113	50,299	49,260	48,308
Total	**#**	**5,791,683**	**5,842,797**	**5,890,427**	**5,902,795**
Electricity sales					
Very high voltage	GWh	1,012	1,330	1,667	1,527
High voltage	GWh	2,095	3,723	6,358	6,265
Medium voltage	GWh	4,795	9,128	14,052	10,290
Special low voltage	GWh	2,498	3,163	3,340	2,491
Low voltage	GWh	18,653	18,740	18,364	19,523
Street lighting	GWh	1,528	1,542	1,509	1,449
Total	**GWh**	**30,581**	**37,626**	**45,289**	**41,546**
Liberalised market in portugal					
Number of costumers	**#**	**357,363**	**277,008**	**197,752**	**151,613**
EDP Comercial	#	313,608	259,698	197,151	148,319
B2B	#	9,082	7,535	9	5,105
B2C	#	304,526	252,163	197,142	143,214
Other suppliers	#	43,755	17,310	601	3,294
Electricity sales	**GWh**	**17,248**	**8,520**	**1,180**	**5,372**
EDP Comercial	GWh	8,794	5,529	947	3,010
B2B	GWh	7,510	4,565	271	2,751
B2C	GWh	1,284	963	676	259
Other suppliers	GWh	8,453	2,992	233	2,363
Regulated / Last Resort Market in Spain					
Number of costumers					
High voltage	#	0	0	4	12
Medium voltage	#	0	0	77	306
Low voltage	#	359,145	422,252	549,317	564,773
Total	**#**	**359,145**	**422,252**	**549,398**	**565,091**
Electricity sales					
High voltage	GWh	0	1,559	5,064	5,629
Medium voltage	GWh	0	11	133	268
Low voltage	GWh	1,099	1,563	2,043	2,142
Total	**GWh**	**1,099**	**3,133**	**7,240**	**8,039**
Liberalised Market in Spain					
Number of costumers	#	5,248,118	3,028,182	2,153,754	1,697,340
HCEnergía + NG Energía	#	650,860	530,778	117,175	89,410
B2B	#	7,871	4,848	3,400	2,680
B2C	#	642,989	525,930	113,775	86,730
Other suppliers	#	4,597,258	2,497,404	2,036,579	1,607,930
Electricity sales	**GWh**	**183,589**	**143,298**	**107,174**	**72,961**
HCEnergía + NG Energía	GWh	20,342	16,234	12,507	11,236
B2B	GWh	18,124	12,833	9,941	9,166
B2C	GWh	2,218	3,402	2,566	2,070
Other suppliers	GWh	163,247	127,063	94,666	61,725

Purchase of energy in Portugal (TWh)

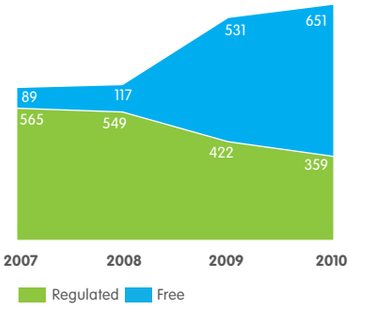


* includes purchases in auctions

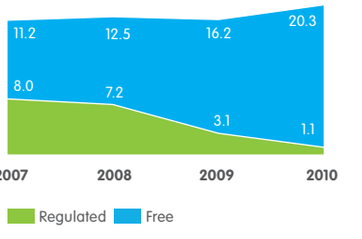
Energy supply in Portugal (TWh)



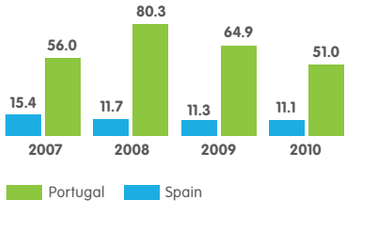
Number of supply costumers in Spain (thousands of costumers)



Electricity Supply in Spain (TWh)



Market Share - Liberalised Market (%)



Contact Center

EDP Store

business / summary of activities

GAS BUSINESS IN IBERIA

PRESENCE OF EDP GROUP IN GAS ACTIVITY IN THE IBERIAN PENINSULA

2010 MAIN EVENTS OF THE GAS ACTIVITY IN THE IBERIAN PENINSULA

EDP has a reference presence in the Iberian Peninsula natural gas market. It is present in Portugal through Portgás (acting under the brand name of EDP Gás Distribuição and EDP Serviço Universal), EDP Gás.Com (licensed trader to operate in the liberalized market) and a minority stake in Setgás. In Spain it is present in this market through Naturgas Energia.

2010, the EDP Gás Group kept increasing in points of supply (+3.7%), clients (+1.3%), natural gas distributed (+108.8%) and supplied (+57.6%). Both natural gas distributed and supplied had a accentuated increase compared with the same period of the last year in result of Gas Natural assets incorporation in December 2009 in the Autonomous Communities of Cantabria and Murcia, on one hand, and the Portuguese industrial market growth, on the other hand. The supply activity had an unfavorable economic year, specially related to competitive level of gas from long term contracts, that represents the majority of gas portfolios in Europe and, particularly, in Iberian Peninsula. Thus, in Spain, this activity had a significant contraction in margin and costumer numbers. In Portugal, and taking advantage of the current market opening, was possible to increase the captured volumes.

PORTUGAL

In the Distribution activity, the company continued the concession development ensuring the extension of the level of coverage, pointing out the supply of Vila Nova de Cerveira, Lousada, Valença e Paços Ferreira, and reaching an increase of more than 24,000 points of supply (+10.9% compared to 2009).

The natural gas supply, since 1st of January of 2010, is totally liberalized. Despite this new market reality, EDP Gás Serviço Universal, regulated company, had decrease of the supplied volume but the number of costumers grew.

On the other hand, EDP Gás Comercial solidified its position as an important player in the B2B segment, continuing focus in its strategic action in both the trading activity, trading 9.9 TWh of natural gas, and in supply activity, reaching 186 accounts and a market share of 28.4%.

In 2010, EDP Comercial got the commercialization license in the natural gas and, in parallel with its role as an electricity supplier, it know operates as well in the natural gas market with a value proposal oriented to both the business Clients (B2B) and residential Clients and Small Businesses (B2C). Starting 2010, EDP Comercial was the first supplier in Portugal to present a dual offer at the B2C segment. Throughout the year, EDP Comercial supplied about 21 GWh, representing the choice of near 430 Clients, from which 340 are residential Clients and Small Businesses (B2C).

SPAIN

In the Transport activity, stands the conclusion of the transport pipeline Bergara-Irun phase III and the pipeline Serinya-Figueres. Also stands the pipeline Corvera-Tamon into operation and the beginning of construction of the pipeline Bilbao-Treto.

In the Distribution activity, the gas distributed doubled when compared with last year because of the incorporation of high pressure assets and the two distribution company of Murcia and Cantabria. The points of supply increase about 20.000 compared to the same period of last year due to the network densification effort and in the expansion investments, like Ólvega, Berriaga Monte (La Bilbaina), Etxebarria PNN and Villarejo Salvanes (Madrid).

The difficult economic situation that occurred in 2010 led to a demand reduction and an increase of available spot supply, increase the pressure on Iberian suppliers to sell the gas that they had due to the 'take or pay' long term contracts. As a result of these conditions, made that the competition became stronger and the prices degradation. To face this fact, Naturgas aim to diversify its purchasing gas portfolio, reinforcing the spot weight during 2010, and client portfolio, yet benefiting of the resulting synergies of a joint management of EDP portfolio, and with the optimization between Portuguese and Spanish markets, on the one hand, and between consumption of combine cycles or collocation in retail market, on the other hand.

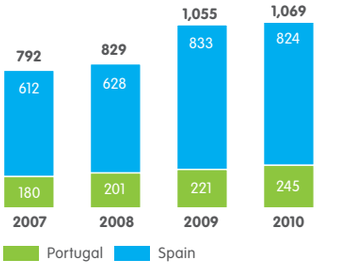
business / summary of activities

GAS BUSINESS IN IBERIA

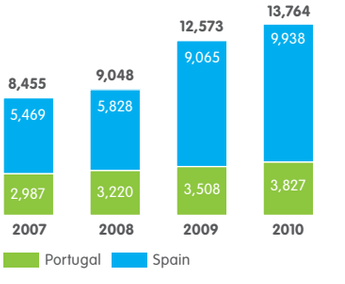
	Unid	2010	2009	2008	2007
Iberia					
Number of costumers (thousands)	#	**1,069,127**	**1,054,806**	**829,282**	**791,695**
Regulated	#	244,721	221,266	200,988	376,407
Last Resort	#	140,766	214,059	122,000	0
Liberalised	#	683,640	619,481	506,294	415,288
Points of Supply					
Distribution	#	1,229,220	1,185,225	891,020	844,894
Grid Length	**Kms**	**13,764**	**12,573**	**9,048**	**8,455**
Transportation Grid	Kms	417	362	309	307
Distribution Grid	Kms	13,347	12,211	8,739	8,148
Gas Volume (millions)					
Distributed	m^3	4.5	2.1	2.3	1.9
Supplied	m^3	3.3	2.1	2.1	1.6
Gas Volume					
Distributed	TWh	52.5	25.1	26.6	22.7
Supplied	TWh	38.7	24.6	28.9	25.3
Regulated	TWh	2.0	2.3	4.2	7.1
Last Resort	TWh	0.9	1.2	n/a	0.0
Liberalised	TWh	35.9	21.1	24.7	18.2
Number of Employees	#	**519**	**537**	**422**	**411**
Portugal					
Number of costumers (thousands)	#	**245,335**	**221,356**	**200,988**	**179,802**
Regulated	#	244,721	221,266	200,988	179,802
Last Resort	#	0	0	0	0
Liberalised	#	614	90	0	0
Points of Supply					
Distribution	#	245,347	221,388	200,988	179,802
Grid Length	**Kms**	**3,827**	**3,508**	**3,220**	**2,987**
Transportation Grid	Kms	0	0	0	0
Distribution Grid	Kms	3,827	3,508	3,220	2,987
Gas Volume (millions)					
Distributed	m^3	0.6	0.5	0.5	0.0
Supplied	m^3	0.8	0.3	0.2	0.0
Gas Volume					
Distributed	TWh	6.8	6.1	6.0	2.6
Supplied	TWh	8.9	3.3	2.7	2.6
Regulated	TWh	2.0	2.3	2.7	2.6
Last Resort	TWh	0	0	0.0	0.0
Liberalised	TWh	7.0	1.0	0.0	0.0
Number of Employees	#	**102**	**101**	**111**	**114**
Spain					
Number of costumers (thousands)	#	**823,792**	**833,450**	**628,294**	**611,893**
Regulated	#	0	0	0	196,605
Last Resort	#	140,766	214,059	122,000	0
Liberalised	#	683,026	619,391	506,294	415,288
Points of Supply					
Distribution	#	983,873	963,837	690,032	665,092
Grid Length	**Kms**	**9,938**	**9,065**	**5,828**	**5,469**
Transportation Grid	Kms	417	362	309	307
Distribution Grid	Kms	9,521	8,703	5,519	5,161
Gas Volume (millions)					
Distributed	m^3	3.9	1.6	1.8	1.7
Supplied	m^3	2.6	1.8	2.1	1.6
Gas Volume					
Distributed	TWh	45.6	19.0	20.7	20.2
Supplied	TWh	29.8	21.3	26.3	22.7
Regulated	TWh	0.0	0.0	1.5	4.5
Last Resort	TWh	0.9	1.2	n/a	0.0
Liberalised	TWh	28.9	20.1	24.7	18.2
Number of Employees	#	**417**	**436**	**311**	**297**

* In 2008 includes last resource

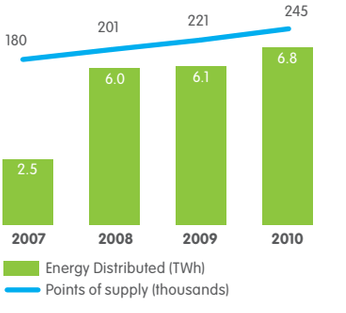
Number of costumers (thousands)



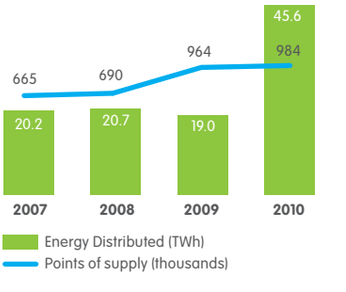
Grid Length (Kms)



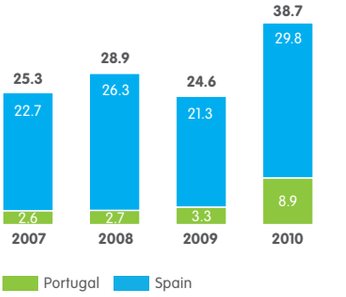
Gas in Portugal - Energy distributed and Points of Supply



Gas Spain - Energy distributed and Points of Supply



Gas Spain - Energy Supplied (TWh)



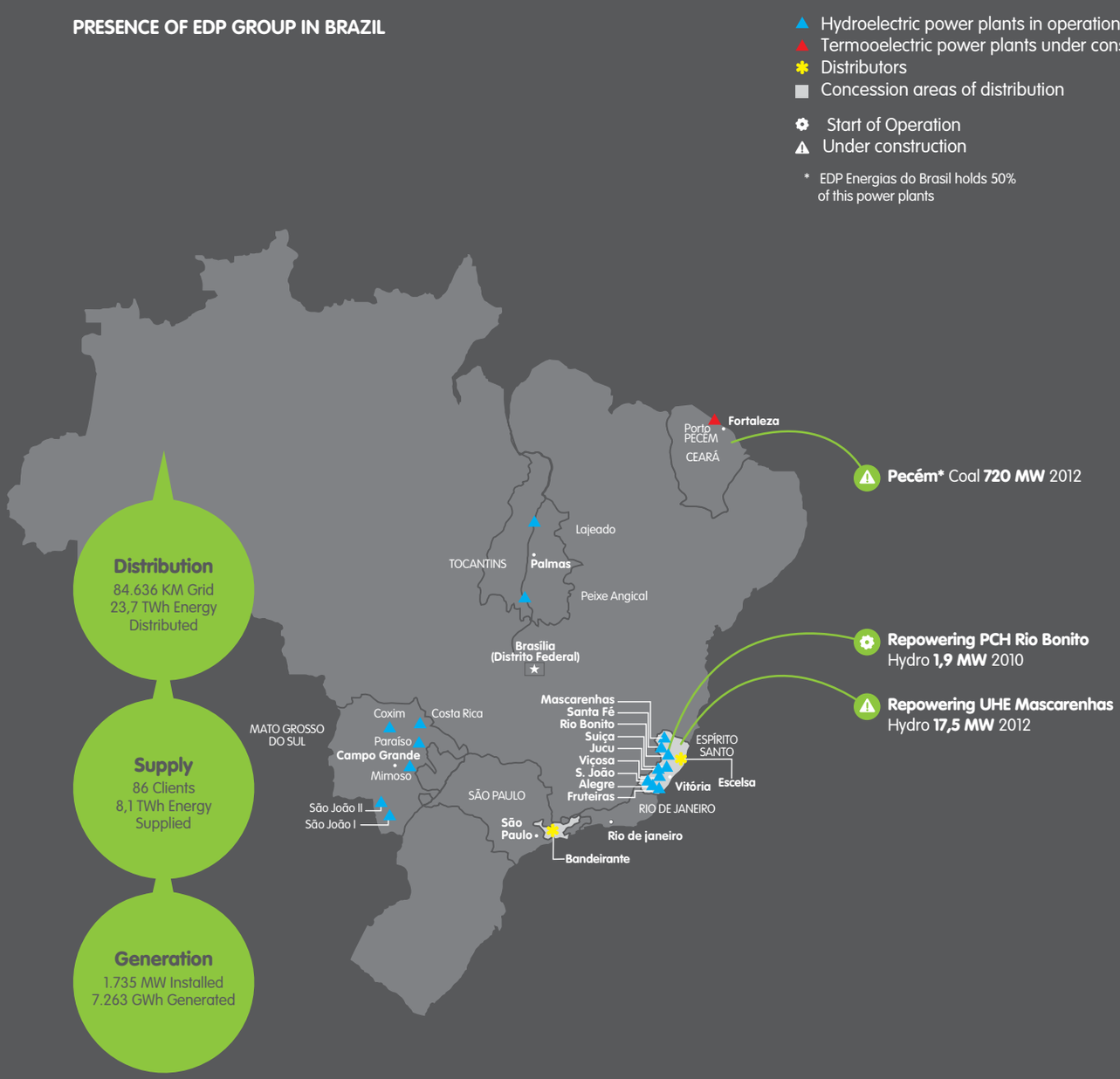
Bergara–Irún Gas Pipeline

Bergara–Irún Gas Pipeline

business / summary of activities

ELECTRICITY BUSINESS IN BRAZIL

PRESENCE OF EDP GROUP IN BRAZIL



MAIN EVENTS IN THE ACTIVITY IN BRAZIL

EDP Group is present in Brazil in the activities of generation, distribution energy supply through EDP in Brazil.

GENERATION

The generation activity includes the management of hydroelectric power stations (UHE) and small hydro power stations (PCH), with a total installed capacity of 1,735 MW in December 2010.

During the year, there was the repowering of PCH Rio Bonito which raised its capacity in 1.9 MW and the UHE Mascarenhas, scheduled to be finished at the end of 2012. Acquisition of two PCH projects in Mato Grosso, the agreement involves the purchase of PCH Cabeça de Boi, with an installed capacity of 30 MW and PCH Fazenda, with 19,5 MW of installed capacity and 27,5 average MW of assured energy. The construction is scheduled to start in March 2011 and the entry into operation shall be in January 2013.

In 2009, EDP in Brazil acquired through its joint-venture with EDPR Brasil, full control of the company Elebras Projectos, which has a portfolio of 533 MW, including wind farm Tramandaí, which will have 70 MW of installed capacity and whose start of operation is scheduled to 2011.

SUPPLY

In Supply, EDP in Brazil is present through Enertrade which in 2010 sold 8,1 TWh to costumers in the liberalized market, with a 12.6% market share.

The amount of energy sold was 6,1% lower than last year. Besides the strategy to seize the opportunities in the short term segment in 2009, this reduction is also justified by the contracts sold in the adjustment auction in 2009, which lead Enertrade to reach historical monthly values in 2009's energy supply.

DISTRIBUTION

In Distribution, EDP in Brazil has full control of Bandeirante and Escelsa, serving about 2,74 millions of costumers and distributing 23,7 TWh in 2010.

Bandeirante distributed 14,3 TWh in 2010, 7.7% higher than 2009. The electricity distributed to final costumers summed 9.0 TWh, representing an increase of 5.3% over 2009. The company ended the year with 1.5 million costumers, 1.4% more than 2009. During 2010, the energy distributed by Bandeirante's system to the liberalized market and traders totaled the amount of 5.3 TWh, a 12% increase facing 2009.

Escelsa distributed in 2010 9.4 TWh, more 17.7% compared to 2009. The number of costumers reached 1.24 millions, 4.4% above the previous year. In the regulated market, Escelsa sold 5,7 TWh, a 7% raise facing 2009. For the liberalized market, Escelsa distributed 3.8 TWh, representing a 38.5% growth, recovering from a crisis that affected the government in 2008/2009.

Highlight to the continuous anti-fraud program "Programa de Combate às Perdas Não técnicas" and the investments in the medium voltage market, with the setting up of 620 external measurement kits in medium and large consumers units. With this program, EDP Escelsa reduced the losses from 6.78% to 5.72%, a significant outcome in 2010.

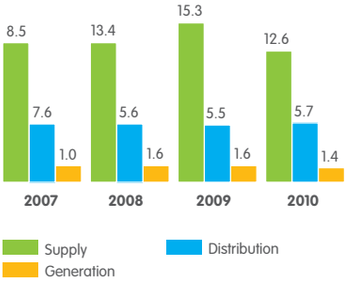
business / summary of activities

ELECTRICITY BUSINESS IN BRAZIL

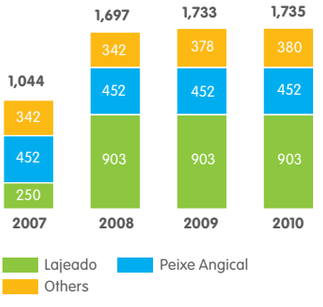
	Unid	2010	2009	2008	2007
Generation					
Number of Generating Groups	#	39	39	37	32
Hydroelectric power plants (UHE)	#	14	14	14	9
Small Hydroelectric power plants	#	**25**	**25**	**23**	**23**
Installed Capacity at 31 December*					
Lajeado	MW	903	903	903	250
Peixe Angical	MW	452	452	452	452
Mascarenhas	MW	181	181	181	181
Suiça	MW	34	34	32	32
Mini-hydro	MW	165	164	130	130
Total Capacity	**MW**	**1,735**	**1,733**	**1,697**	**1,044**
Net Generation*					
Lajeado	GWh	3,205	3,169	1,795	982
Peixe Angical	GWh	2,523	2,093	2,250	2,203
Mascarenhas	GWh	674	846	740	838
Suiça	GWh	118	54	76	141
Mini-hydro	GWh	742	731	612	539
Total Generation	**GWh**	**7,263**	**6,893**	**5,473**	**4,704**
Distribution					
Energy Distributed					
Bandeirante	GWh	14,310	13,292	13,554	13,268
Escelsa	GWh	9,439	8,021	8,652	8,488
Enersul	GWh	0	0	2,202	3,273
Total	**GWh**	**23,749**	**21,313**	**24,408**	**25,029**
Points of Supply	#	2,740,447	2,667,701	2,582,666	3,206,656
Number of costumers					
Regulated	#	2,740,345	2,667,611	2,582,572	3,206,546
Bandeirante	#	1,502,815	1,482,355	1,438,651	1,401,302
Escelsa	#	1,237,530	1,185,256	1,143,921	1,095,116
Enersul	#	0	0	0	710,128
Liberalised	#	102	90	94	110
Bandeirante	#	82	73	72	74
Escelsa	#	20	17	22	21
Enersul	#	0	0	0	15
Total	**#**	**2,740,447**	**2,667,701**	**2,582,666**	**3,206,656**
Grid structure indicators					
Extension	Kms	84,636	82,289	81,579	147,043
Substations	#	129	122	133	221
Tranformation Stations	#	188,121	180,272	168,691	223,322
Supply					
Electricity supply	GWh	64,211	56,120	54,345	84,566
Enertrade	GWh	8,061	8,586	7,282	7,188
Other	GWh	56,150	47,534	47,062	77,378
Enertrade's costumers	#	86	120	64	78

* Excludes wind

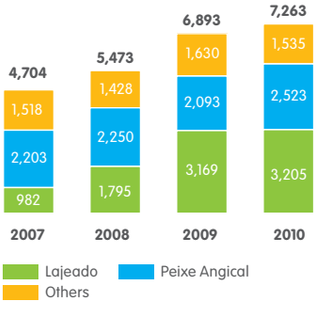
Market Share (%)



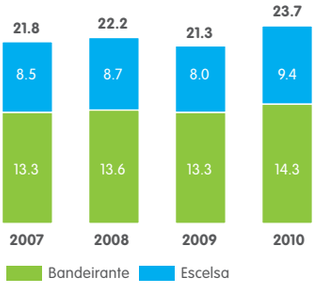
Generation portfolio (MW)



Net Generation (GWh)

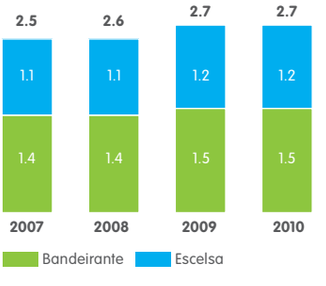


Distributed Electricity (TWh)



ENBR3 (BRL)

Number of Costumers (millions)



Lajeado Hydroelectric Power Plant

Rio Bonito Mini Hydroelectric Power Plant

contribution to sustainability

contribution to sustainability

1. RECOGNITION

CORPORATE

EDP in the Forbes rankings

EDP is on the Forbes list of The World's Leading Companies in the rankings of the five best companies in the world in the utilities sector. The indicators analysed are growth in five-year turnover, growth in net profit, return on capital and return for shareholders.

António Mexia, Best European CEO

The Executive Chairman of EDP, António Mexia, was considered the best European CEO of energy companies (utilities) by Institutional Investor.

EDP wins the Business Internationalisation Award

The British Embassy has recognised EDP in the Internationalisation category. The award acknowledges the Group's commitment to generating offshore wind power in the United Kingdom.

Best financial reporting in the world

EDP was considered the best company in the world in financial reporting in the 2010 IR Global rankings. It was also recognised as one of the best in the sector in corporate governance.

DJSI - EDP 2010/2011 world leader in electricity sector

For the third year running, EDP is in the DJSI World and DJSI Europe indexes and for the first time was considered world leader in the electricity sector in the sustainability assessment by SAM. It is in the DJSI Enlarged index for the first time.

KAKUMA is official partner of the Sustainable Energy Europe Campaign

The pilot project at Kakuma refugee camp, Kenya, developed by EDP in partnership with the United Nations High Commissioner for Refugees (UNHCR), was recognized as Official Partner of the Sustainable Energy Europe Campaign, a European Commission initiative launched in 2005 within the framework of the Intelligent Energy for Europe.

EDP is "gold class SAM 2010"

For the third year running, EDP is among the 15% of companies with the best sustainability performance according to SAM (Sustainable Asset Management). Its classification is "gold class SAM 2010" in The Sustainability Yearbook 2010.

EDP is featured in Carbon Disclosure Leadership Index

EDP is the 2nd best utilitie concerning The Carbon Disclosure Project. For the first time, EDP features CDLI - Carbon Disclosure Leadership Index – which highlights the companies with the best carbon report, worldwide. For the first year, CDP launched its new performance scoring pilot, EDP was considered B class.

EDP in the "climate responsibility of companies" ranking

EDP was elected for the first time in the ranking "Business Climate Responsibility: ACGE Index (Climate Change and Business Management). The ranking was published by Euronatura - Centre for Environmental Law and Sustainable Development, demonstrating the commitment to combating climate change. In this ranking EDP was classified with 87.5%.

PORTUGAL

EDP receives award for the most valuable Portuguese brand

With a value of around 3.3 billion euros, the brand has an AA rating according to the Brand Finance Top Portuguese League Table. EDP ranks 192nd among the 500 top world brands and is the best positioned Portuguese brand.

Nº. 1 in the Iberian Peninsula in Engagement Rating 2010

Based on accountability rating, Sair da Casca and Exame magazine considered EDP number 1 in stakeholder engagement in Portugal and Spain.

Award for Best Overall Investor Relations Strategy

EDP was recognised in the Best Performance in 2010 category in the Investor Relations & Governance Awards promoted by Deloitte and Diário Económico.

Contact Centre EDP wins first place in APCC Awards

For the third year running, EDP's Contact Centre in Portugal won first place in the award promoted by Associação Portuguesa de Contact Centers (APCC – Portuguese Contact Centres Association) in the utilities category.

Highly Protected Risk (HPR) award

After six years of working with EDP in risk analysis and consultancy on recommendations for mitigating risk, FM Global has recognised the Ribatejo thermoelectric power station and the Caniçada, Caldeirão, Alto Rabagão, Desterro, Vila Cova and Régua hydroelectric powers stations as HPRs.

EDP wins Marketeer Awards

EDP wins accolades in the Energy and Social Commitment categories of the second Marketeer Awards. Twenty-three awards were presented to the companies with the best performance in marketing, advertising and communication in Portugal.

Citizenship Award for Companies and Organisations 2010

For the fourth time running, AESE in partnership with PricewaterhouseCoopers EDP received an award in the utilities category for its sustainability and social responsibility policy.

EDP wins awards in four categories of the APCE 2010 Awards

EDP was acknowledged by Associação Portuguesa de Comunicação de Empresa (APCE – Portuguese Corporate Communication Association) in the categories of best video for the video from its 2008 Annual Report and Accounts, best intranet for its Sou EDP Portal, best corporate television for edpON and best corporate communication campaign for Projecções. These awards acknowledge excellence in organisational communication strategies.

EDP Communication distinguished in FEIEA awards

EDP was distinguished in FEIEA Awards (Federation of European Business Communicators Associations), with edpON and the portal "Sou EDP" in 2nd place and the cover of "Revista ON" in 3rd place. Also in Aberje awards (Brazilian Association for Business Communication) edpON was distinguished in the field of Audiovisual Media.

InovGrid was awarded with the Optimus Innovation Awards

The EDP Distribuição project was singled out for the Sector Innovation award, for the innovative nature of the solution, the important role played in it by communications and its contribution to improving the effectiveness, efficiency and quality of processes and the services provided.

SPAIN

HC Energía is the company most valued by Spanish customers

For the second year running HC Energía was acknowledged as the leader in satisfaction, loyalty, recommendation and commitment by customers in the energy supply sector. The CM Leaders in Excellence 2010 awards are given by Grupo Iniciativa and CM magazine in collaboration with Stiga.

HC Energía receives 2010 Customer Experience Award

For the sixth consecutive year it won the award for the Best Call Centre in the sector in Spain from Asociación Española de Expertos en Centros de Contacto con el Cliente (AEECCC) and Izo System.

HC Energía among the 100 best companies to work

The Spanish magazine "Actualidad Económica" elected HC Energía as one of the 100 best companies to work, highlighting the facts that led it into the ranking: the talent, the environment and training.

BRAZIL

EDP in Brazil is a model sustainability company

For the third year running, Guia Exame de Sustentabilidade voted it one of the best 20 companies in corporate responsibility.

Gold in Espírito Santo Quality Award

For the third year in a row, EDP Escelsa won the gold in quality. The award comes from the Espírito Santo Programme to Increase Systemic Competitiveness (COMPETE-ES), coordinated by the state government.

EDP in Brazil highlighted in "As Melhores da Dinheiro"

EDP was voted the best company in the management of innovation and quality in the energy sector by the annual "As Melhores da Dinheiro" research, a special publication of "Isto é Dinheiro" magazine.

EDP's 2009 inventory of GHG emissions in Brazil is gold in the GHG Protocol

The inventory conducted by the EDP Institute won the gold medal in the Brazilian GHG Protocol Programme. The GHG Protocol is the tool used most worldwide by companies and governments to analyse, quantify and manage emissions.

Instituto EDP gets gold at Tenth ABT Awards

Instituto EDP got the gold in the Social Responsibility category from Letras de Luz, a partnership with Fundação Victor Civita.

The best companies for shareholders 2010

EDP in Brazil is the second best company to invest in, according to Capital Aberto magazine.

EDP in Brazil in the Corporate Sustainability Index

For the fifth year running, EDP in Brazil is in the BM&FBOVESPA Corporate Sustainability Index.

EDP Bandeirante is highlighted in the report by Banco Interamericano de Desenvolvimento (BID)

The social and environmental action taken by EDP Bandeirante has been highlighted in the 2009 BID Sustainability Report, which recognises that the company is a role model in sustainability practices.

EDP RENOVÁVEIS

EDPR Company of the Year

According to the ranking of the 500 Largest & Best companies with economic and financial activities in Portugal, EDPR was the most outstanding in 2009 and the best in the Water, Electricity and Gas sector. This award is a joint initiative of Exame magazine and the consultants Deloitte and Informa D&B Portugal.

Best Project Developer in the United States

'Environmental Finance', a leading global publication covering environmental markets, has named EDPR NA as the Best Project Developer in the North America Renewable Energy Finance sector.

EDPR awarded in excellence

EDPR was awarded the first of three prizes given in the inaugural edition of Excellence Prizes in Spanish Companies with Portuguese Capital, an initiative held by the Círculo de Empresarios y Gestores Españoles y Portugueses (CEGEP). EDPR stands out in the creation of jobs and financial autonomy and is second in productivity.

Houston Chronicle's 2010 top 100 workplaces

EDPR NA has been named to the Houston Chronicle's annual survey of the Top 100 Workplaces in Houston. This is the first time the company has received this recognition and it ranked in the top 10 out of 57 medium-sized companies. The Houston Chronicle partnered with WorkplaceDynamics to identify the Top 100 Workplaces in Houston. The rankings are based on the responses received from an employee survey. The survey elicited responses from employees about their opinions of the workplace and asked questions related to the employees' attitudes about management's credibility, job satisfaction and work-life balance.

contribution to sustainability

2. CORPORATE APPROACH

EDP carrys on its strategy towards sustained success, aiming for the excellence of the performance, the social innovation of processes and services, as well as the maintenance of a low risk exposure. Intends to increase, thus, the trust capital among its stakeholders, and, actively contribute to economical and social progress, improving the life quality of the communities it serves.

The achieved performance in the three fronts of Sustainable Development – economical, environmental and social -, was, throughout the year, subject to several important recognitions. In 2010, EDP reached the world leadership in the electric sector of the Dow Jones Sustainability Index, leading the Group to a new stage of responsibility.

EDP's commitments reflect the areas in which we can make more of a difference and are based on our Sustainable Development Principles published in 2004 and revised in early 2011.

WORLD LEADER IN THE ELECTRICITY SECTOR IN THE DOW JONES 2010 SUSTAINABILITY INDEX

Dow Jones Sustainability Indexes
Member 2010/11

In 2010, EDP was recognised as the world leader in the electricity sector, which demonstrates the efforts it has been making towards ongoing improvement and the quest for excellence in its sustainability performance. This is the third year in which the company has been included in the DJSI World and DJSI Europe indexes. For the first time, EDP is in the DJSI Enlarged index created recently by SAM.

EDP was assessed on the basis of 22 criteria and achieved the top score of 8 in 10 of them. In relative terms, EDP is the isolated leader in three criteria: management control system tools, electricity generation and social reporting.

These principles are implemented at different management levels, from the most strategic aspect to the operation of the different business areas. For further details on the organisation of sustainability in the Group, see the Corporate Governance Section, EDP's Functional Structure, page 123 or www.edp.pt > sustainability.

2.1 STRATEGY AND COMMITMENTS

In accordance with the EDP Strategic Agenda, five guidelines are in effect for management until 2012:

- Improve the integration of sustainability and environmental management into the Group's management and control systems;
- Identify best practices and promote internal and external partnerships;
- Build skills in environmental responsibility and risk management;
- Develop a corporate culture of excellence in sustainability performance;
- Extend to all stakeholders instruments for ascertaining expectations and assessing the Group's performance.

These guidelines are implemented through a Sustainability and Environment Action Plan that is reviewed each year, using the Dow Jones Sustainability Indexes (DJSI) as a benchmark.

The company's responsibility and determination to maintain the highest standards of sustainability performance are strengthened by the initiatives and goals described in this chapter.

SUSTAINABILITY COMMITMENTS	STATUS	GOALS/ FUTURE TARGETS
Corporate Initiatives		
Keep the SAM Gold Class	New	Maintaine the same level of recognition in the nexte years
Extending the methodology of the Sustainability Balanced Scorecard to all business units	New	
Operationalisation of Gas, Renewable and Commercial schools EDP University	New	
Launch of the Online Campus for the pilot group and later roll-out to the whole group	New	Response principle of AA1000 Standards
Implementation of the Ethics Program to all employees EDP Group	80%	Complete awareness in Portugal and Brazil. During 2011, this program will be extended to other geographies.
Strengthening Dialogue with Stakeholders		
Local Communities: Improve communication on sustainability during the planning phase of new projects	90%	Conclusion in 2011 of the employees training process to improve communication practices to local communities (AA1000 Inclusion Principle)
Clients and Employees: promote new satisfactory surveys	New	Periodic initiatives (Inclusion and materiality principles of AA1000 standards)
NGO: publish the Biodiversity report on na annual bases	New	Under decision the best model to incorporate a participatory approach, to reinforce the inclusion and response principles of AA1000
Suppliers: Develop a new award to promote innovation and sustainability practices	Novo	AA1000: Reinforce the Response Principle
Suppliers: Promote sustainability reporting pratices along the value chain	New	Complete the second edition of the Gantsh project and enhance the awareness to other suppliers (AA1000 Reponse Principle).
R&D and Innovation		
Implementation of charging network for electric cars in Portugal	New	Install 1,300 slow charging points and 50 fast charging points for electric cars by 2012
Implementing the first pilot project Windfloat	New	
Human Capital Management		
Extend the certification to OHSAS 18001:2007 Soto Combined Cycle, the operation and maintenance of the distribution of Asturias, and 14 wind farms in Spain.	New	
Increased number of staff with acknowledged expertise and certified Central New Opportunities in Portugal	New	It is expected enrollment of 200 new employees.
Social Responsibility		
Launch of the Cultural Investment Policy in EDP Brazil	New	
Application of the technique Social Return on Investment (SROI) the pilot project - Operação Nariz Vermelho	60%	Conclusion of the pilot project in 2011
Extending the Volunteer Program to all EDP Group companies	New	
Development of a technical / economic solutions to support sustainable energy in developing countries	New	
Environmental Management		
Inventory significant environmental risks for the different activities	100%	Extending the risk assessment in the various classes of the supply chain, in 2011
Establish mechanisms for Life Cycle Assessment of EDP plans (pilot study: Baixo Sabor)	70%	Project to be concluded in 2011
Implementation of a denitrification system in Sines thermo power plant	90%	Conclusion scheduled for late 2011
Increase the installed capacity and facilities number in the distribution activity with environmental certification according to ISO 14001:2004	New	Certification of more than 1,100 MW of instaled capacity and all the distributiona activity in Spain
Obtain EMAS registration at over 14 facilities in Portugal	New	It is planned the registration of 1,048 MW of installed capacity
Climate Change		
Confirming the new area of business through the new company EDP Serviços	New	Market leader in 2012
Improving the position achieved in the Carbon Performance Project	New	Achieve A level in 2012
Assess the EDP Group exposure climate risk	80%	Conclusion of the work depends on the development of national scenarios
Measure EDP's carbon footprint in Portugal	100%	
Biodiversity		
Follow the development of the new EDP Chair in Biodiversity	50%	Complete the recruitment of investigators
Start plans for monitoring the biological quality of water downstream from hydroelectric plants in Portugal	100%	
Best Practices Manual for managing transmission corridors in protected areas in Portugal	70%	Conclusion in 2011
Harmonise biodiversity monitoring plans for new hydroelectric projects in Portugal	100%	

contribution to sustainability

2.2 DIALOGUE WITH STAKEHOLDERS

As set in its Sustainable Development Principles, the Group has committed to maintaining relations based on openness, transparency and trust with its stakeholders, by:

- Strengthening channels of communication;
- Integrating stakeholder expectations into its decision-making processes;
- Reporting objectively and credibly on its performance vis-à-vis the three pillars of sustainability.

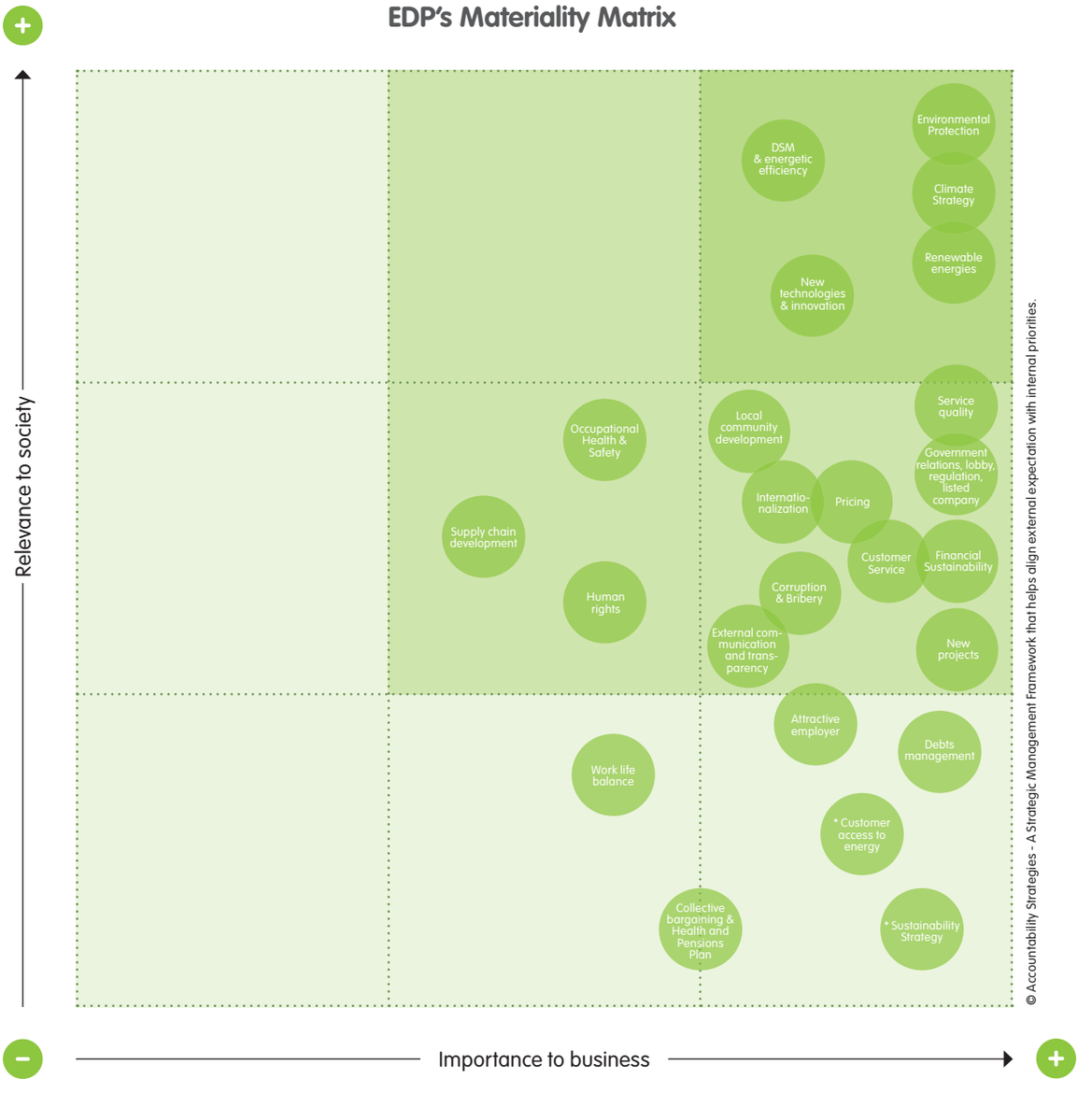
In 2010, EDP implemented an action plan to improve compliance with the AA1000 APS (2008) international standard. The plan defined strategic courses of action, extended listening channels and implemented an in-house workshop to raise awareness of the advantages of incorporating in management practices, the expectations of the company's different stakeholders, page 276.

The accountability method was used to revise the materiality of environmental, social and economic issues, considering their importance to society and their relevance to the business. This report takes account of this revision results, shown on EDP's Materiality Matrix.

For more information on the process of identifying these issues and EDP's main stakeholders, see www.edp.pt> Sustainability> Stakeholders.

As was the case last year, climate change and environmental protection are at the top of our concerns, with the promotion of renewable energy, energy efficiency and innovation emerging at the that level of importance.

EDP's Materiality Matrix



3. I&D AND INNOVATION

EDP is strongly committed to Innovation because innovating is a key factor in establishing companies as competitive structures and leads to productivity and long-term economic growth.

The main strategic objectives set in this domain, are:

- To promote and disseminate a culture of innovation (by promoting the internal creative process and new working methods);
- To open up the Group to External Innovation (especially through projects and partnerships);
- To support the management of knowledge (knowledge management systems, EDP University);
- To identify new business opportunities related to the energy sector.

EDP has continued to develop its strategy, which is focused on the following areas:

- Energy efficiency;
- Renewable energies (offshore: wind and wave; solar);
- Distributed generation;
- Distribution technologies (e.g.: smart grids and micro grids);
- Advanced production technologies (e.g.: carbon capture and storage);
- Energy services.

The first issue of the brochure "Research and Development + Innovation in the EDP Group 2005-2009" (www.edp.pt> sustainability> R&D+Innovation) describes the most important projects developed in Portugal, Spain and Brazil. In Spain, HC Energía has published "Innovación 2010" (www.hcenergia.com/recursos/sostenibilidad/memoria/memoria2009innovacion/index.htm).

In Brazil, the EDP 2020 Programme comprises five innovation pillars: management, business models, operations and processes, products and services and in the area of disruptive technology. These pillars interact with the company's advance in the areas of sustainability, generation of clean and renewable energy, energy efficiency, smart cities and grids and electrical mobility.

The following are some of the main initiatives implemented in 2010 in partnership with various Portuguese and international institutions:

3.1 ENERGY EFFICIENCY

Electrical Mobility:

- **OpenCharge Project –** Development and testing of a Low Cost / Open Source charging point, in partnership with industry and the academic community in Portugal. The first pilot network for charging electric vehicles now has around 50 users.
- **Inauguration of the first electric vehicle supply network –** Creation of the first vehicle recharging network, with 20 points in the Brazilian states of São Paulo and Espírito Santo. The network is used for recharging 90 bicycles donated by EDP to military and municipal police forces and environmental authorities.
- **CITYLEC and PCTI "Living Car" Projects –** In Spain, the **"CITYLEC"** project, is focused on the infrastructure for charging electric vehicles. The **PCTI "Living Car" Project** is based on a platform of trials to obtain data regarding the behaviour of electric vehicles in real conditions.

Energy Efficiency in Buildings:

- **EDIFI Project –** Implementation of the electrical energy measurement module at EDP's headquarters in Lisbon; development of technical specifications for general use in EDP's other buildings.
- **Green condominiums –** Pilot project in Brazil for sustainable construction using solar panels, geothermal pumps and efficient lighting.
- **Microgeneration using Stirling engines –** Pilot project in Spain to analyse the large-scale use of microgeneration boilers based on Stirling technology and internal combustion, in single-family dwellings.

3.2 DISTRIBUTION TECHNOLOGIES

- **ClimaGrid –** Project developed in partnership with the Brazilian National Institute for Space Research (INPE). Using the potentials of smart grids, ClimaGrid obtains data on meteorological phenomena that make it possible to forecast and prevent or minimise disruptions in the electricity grid caused by storms and atmospheric discharge.

contribution to sustainability

INOVCITY

Launched in April 2010, the pilot InovCity is a project aimed at providing the electricity grid with smart equipment to boost energy efficiency, microgeneration and electrical mobility, the essential pillars of sustainable development. EDP's goal is for all portuguese homes to be equipped with smart grid terminals.

With the new efficient terminals, Energy Box (EB), clients will be able to check their consumption pattern and control consumption habits, adapting them to the times of the day or week when the cost of energy is lowest.

These equipments operate remotely, so there is no need for EDP teams to visit or for consumers to be present for certain operations, such as changes in power capacity, cycles and tariffs.

The smart grids, with a range of equipment installed along the length of its extension, allow to control and adapt the grid's distribution capacity to consumption and energy production needs. This instantly controls the state of the entire grid, balances loads and prevents breakdowns before they occur. The grid reacts immediately to the actions of consumers and producers when, for example, they inject energy into the network or request an increase in capacity.

Évora is found to have the ideal characteristics in terms of customer numbers, grid characteristics and socio-economic and demographic indicators for the success of this pilot project. In the first quarter of 2011, is expected to be completed the installation of 31,000 EB, 18,000 of which were already installed at the end of 2010. Apart from Évora, 10,000 EBs are also earmarked for installation elsewhere

Dedicated domotic smart grid solutions are also part of the innovation initiatives in Brazil. The pilot project will be implemented in 2011 in Tremembé, in the state of São Paulo.

3.3 RENEWABLE ENERGIES

- **Windfloat -** Installation (in Aguçadoura, northern Portugal) and testing of a floating platform with a 2 MW turbine for the generation of offshore wind energy at depths of over 50 m.
- **SunLab –** Implementation of a testing centre for photovoltaic devices in Portugal in order to assess the impact of a number of real variables (temperature, direct/diffuse radiation level, means of installation) on the performance of the different technologies and their components.
- **CSP Molten Salt -** Construction, in Évora, of an innovative prototype of a thermoelectric solar power station with a cylindrical/parabolic concentrator in order to analyse its technical and economic viability.
- **Innovative Foundation Design -** Project, in the USA, aimed at investigating and learning more about the real mechanism for transferring mechanical loads from a wind turbine to the ground via the foundations.

3.4 ADVANCED PRODUCTION TECHNOLOGIES

- **Project that predicts the occurrence of atypical rains -** Partnership agreement between Enerpeixe, in Brazil, and the Brazilian National Institute for Space Research (INPE) developed to receive, a month in advance, with a 90% level of accuracy, information on the occurrence of atypical rains in the region. This predictability makes it possible to prepare the water flow in advance, thereby preventing the flooding of new areas, and to draw up emergency plans for these locations together with the civil defence authorities.
- **Alternative Circuit to the Cooling System for Generator Groups at the Ribatejo Power Station –** Improvement of energy efficiency by installing pumping systems that reduce consumption by about 1.6 GWh.
- **Carbon Capture and Storage –** In 2010 EDP Produção's R&D activities were mainly focused on the following projects: NanoGLOWA, DECARBit, FLEXI BURN CFB and COMET, the last two were started in 2010:
  - **FLEXI BURN CFB –** This is aimed at developing and demonstrating oxycombustion technology on a circulating fluidised bed (CFB). The trial and demonstration are to take place on a 30MWt pilot unit being constructed by CIUDEN (www.ciuden.es/) in Compostilla, in addition to the development of a pre-project for an installation of this type on an industrial scale (300 – 500 MWe).
  - **COMET –** This project is a technical, economic and environmental study for optimising an integrated transport and geological storage infrastructure for Iberia and north-west Africa (comprising Spain, Portugal and Morocco), connecting the emitting sources that capture CO_2 to the geological storage sites.

3.5 OTHER INNOVATION INITIATIVES

EDP has also continued a series of activities with a significant impact both internally and in relation to the various partners. The following are some of the main initiatives developed in 2010:

- **Co-creation –** A social network for the exchange of ideas, knowledge-sharing and teamwork. It is especially directed at the community in general, universities, and companies interested in developing research and work in the areas of: smart grids, offshore energy, electrical mobility, solar energy, energy efficiency and processes IT. (www.cocreation.pt)
- **FabLab –** Developed in partnership with MIT and YDreams, FabLab is a laboratory in Portugal for the production of prototypes open to the whole community that fosters informal peer-to-peer technical education, promoting a knowledge-sharing network and the realisation of ideas. (www.fablab.edp.pt)

FABLABEDP

- **Technological Observatory –** The aim of this technological intelligence body, founded in 2010, in Portugal, is to anticipate trends and carry out more detailed technological analysis, thus helping to create options for the EDP Group.

- **CO_2 National Platform –** EDP's participation, in Portugal, in the launch of bases for establishing a platform to bring together the institutions and industries with greater CO_2 emissions, so that they can share knowledge and experience which may lead to less burdensome solutions for mitigating these emissions and the corresponding consequences of the regulatory restrictions.

- **Innovation Exchange –** This pioneering initiative, launched by EDP in Brazil, seeks new concepts from participants. In general, the assessment of the ideas works in a similar way to a stock exchange. Responding to challenges posed by the Innovation Committee, participants can analyse and invest in their colleagues' suggestions by "buying" the ideas. At the end of 2010 the Innovation Exchange had approximately 250 participants.

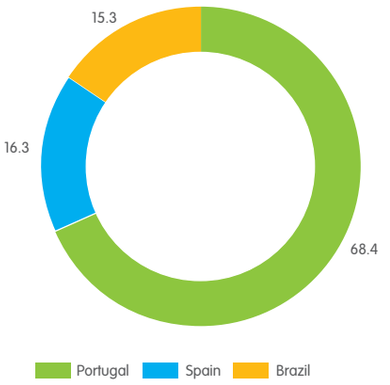
- **Venture Capital – Risk Capital Fund - EDP VENTURES –** Set up in 2008, this is aimed at investments in clean technologies in the solar, offshore (wind and wave), smart grids, energy efficiency and electrical mobility areas, with the aim of guaranteeing access to a portfolio of innovative technologies and creating growth options for EDP. During 2010, the relationship was consolidated through the two investments made in funds in the Energy Related Cleantech area (US and UK) and the first direct investment was made through the acquisition of 40% of the share capital of Arquiled (a Portuguese company that develops lighting solutions based on LED technology).

EDP has promoted and sponsored various innovation awards, including:

- **MIT Innovation Prize: Clean Energy Prize –** for the second consecutive year, EDP sponsored the MIT Innovation Prize in the Renewables category, awarded in Boston. The prize was contended by 62 teams from 35 American universities who competed in 5 categories. In 2010, the winning team in the Renewables category was C3Nano, which developed a transparent conductor film that will increase the efficiency of photovoltaic panels by more than 1%.

- **The Lisbon MBA: Business Case Competition –** for the third consecutive year EDP sponsored this strategy competition, whereby students have to provide a solution to a real situation by applying all the concepts they have learned during the MBA course and at the same time produce solutions that offer added value to the sponsoring company.

Research and Development (%)



In 2010, the EDP Group spent 37 Million euros on R&D+i activities.

4. COMMUNICATION

The EDP Group's communication aims to ensure the value of its brand, supporting the business strategy, contributing to EDP's positioning as a leader in the different markets where it operates providing answers to specific information needs, expressed by its different stakeholders.

4.1 INSTITUTIONAL COMMUNICATION

As in previous years, the goals set were to maximise the company's impact with the media, increase the value of the EDP brand with its stakeholders and continue the standardisation of the EDP brand in all the Group's companies.

4.2 THE EDP BRAND

The EDP brand in Portugal enjoys 100% total recognition and 88% spontaneous recognition in the energy market and has a clear lead over the other brands in its sector.

The percentage of customers who perceive the EDP brand's key values in its communication has increased considerably over time and has shown particularly good progress in perception of issues such as innovation, vitality, financial solidity and proximity to customers.

4.3 EDP IN THE MEDIA

In the EDP Group, providing accurate, transparent information is a constant concern and it serves as a vehicle to enhance the Group's values, strategy and activity meeting the needs of information, expressed by stakeholders.

As in previous years, in 2010 we conducted an analysis of references to the EDP Group or its activity in the media in Portugal.

This annual study analysed 18,568 news items in 1,600 press publications and on 14 television channels, four radio stations and 35 online media.

It found 85% positive, balanced reports, especially on business matters and energy infrastructure.

Throughout 2010, there were 35,436 news items referring to the Group in the Portuguese media.

contribution to sustainability

4.4 INSTITUTIONAL CAMPAIGNS

Proximity and humanisation were reference values on which EDP focused its campaigns, in which it portrayed itself as a multinational business Group at the cutting edge of innovation and sustainability.

- **New EDP website –** It came closer to the different targets of the restructuring of the EDP website, which is now more attractive and user friendly (residential market, companies and investors).

- **Dow Jones Sustainability Index 10-11 –** For the third year running, EDP's is in the Dow Jones 2010/11 sustainability index and its world leadership in the electricity sector. In addition to highlighting the brand's values, such as solidity, transparency and trust, the press and online campaign acted as a thank you card to all our stakeholders.

- **Life –** The brand highlighted its human, ambitious nature in order to demonstrate the importance of energy in everyone's daily lives, from the smallest gesture to major events. The multimedia campaign also underscored the Group's global, sustainable dimension.

- **Goods collection campaign –** Returning to its slogan from the previous year "This Christmas give what you don't need to those who do", the EDP Group encouraged its employees and the general public to collect non- perishable goods to be donated to charities all over the country. This year we introduced the items in the personal hygiene category.

5. EMPLOYEES

Human Resources	2010					2009				
	Group	Portugal	Spain[2]	Brazil	EUA	Group	Portugal	Spain[2]	Brazil	USA
Employment										
Employees (no.) [1]	11,989	7,191	2,077	2,395	326	12,009	7,331	2,041	2,339	298
Directors	484	356	103	5	20	437	326	77	10	24
Senior management	2,416	1,827	512	52	25	2,096	1,726	306	50	14
Middle management	648	228	223	95	102	803	234	382	96	91
Supervisors	893	109	670	103	11	830	116	627	71	16
Qualified and highly qualified professionals	5,792	4,506	528	617	141	6,005	4,742	590	548	125
Semi-qualified professionals	1,756	165	41	1,523	27	1,838	187	59	1,564	28
Permanent	11,928	7,147	2,075	2,380	326	11,932	7,265	2,030	2,339	298
Fixed-term contract	61	44	2	15	0	77	66	11	0	0
Part-time	11	4	6	0	1	7	2	5	0	0
Male employees (%)	79	81	77	76	60	79	81	78	76	60
Directors	83	83	90	60	70	85	85	90	80	79
Senior management	72	72	73	75	76	73	72	76	78	71
Middle management	83	89	83	81	70	82	92	80	82	69
Supervisors	81	80	83	71	73	79	82	78	76	n/k
Qualified and highly qualified professionals	80	84	73	62	60	81	84	78	66	56
Semi-qualified professionals	80	85	44	81	4	78	85	48	79	4
Employees with special needs (no.)	200	90	11	98	1	199	98	8	92	1
Turnover (%)	5.8	3.9	4.5	10.8	19.4	5.5	4.2	5.4	8.1	19.7
New employees (no.)	695	214	122	282	77	545	154	126	195	70
Employees leaving (no.)	687	352	63	228	44	787	475	88	182	42
Employees' average age (years)	46	49	43	40	39	45	48	43	39	39
Average age of new admissions (years)	30	30	32	28	34	31	29	31	29	37
Average age of leaving (years)	47	54	46	39	40	50	54	49	45	42
Seniority (years)	30	31	14	38	3	18	34	16	17	2
M/F ratio of new admissions	2.13	2.19	1.77	2.03	3.27	1.93	1.92	2.07	2.25	1.69
Absentee rate (%)	3.52	3.54	3.05	4.12	1.97	3.61	3.55	3.24	4.41	1.14
EDP mimimum wage/national minimum wage	n/a	1.54	1.88	1.37	2.44	n/a	1.56	1.88	1.3	2.22
Pay ratio by gender (M/F)	1.01	0.96	1.18	1.01	1.24	1.03	0.96	1.21	1.01	1.35
Training										
Total hours of training	419,737	182,814	88,303	142,441	6,179	353,205	126,212	63,210	157,900	5,882
Environment	3,844	1,880	1,880	84	0	3,289	1,966	1,293	30	0
Sustainable development	610	598	4	8	0	697	140	110	447	0
Ethics	19,172	19,052	120	0	0	876	876	0	0	0
Quality	5,664	5,063	539	62	0	4,658	3,545	385	728	0
Languages	26,194	1,966	21,394	2,835	0	16,826	370	16,422	34	0
Health and Safety	46,798	11,979	18,463	15,910	447	58,349	9,657	14,636	34,056	0
Information systems	36,616	24,024	5,666	6,675	251	53,444	43,760	5,914	3,771	0
Other	280,839	118,253	40,238	116,867	5,481	215,066	65,899	24,452	118,834	5,882
Average training per employee	35.01	25.42	42.51	59.47	18.95	29.41	17.22	30.97	67.51	19.74
Directors	44.42	46.83	44.49	13.80	8.83	37.82	35.84	50.99	48.30	18.15
Senior management	44.47	41.15	60.52	20.50	8.43	34.72	31.03	56.46	34.80	14.46
Middle management	59.93	27.06	113.85	51.12	23.69	26.73	15.58	33.03	31.63	23.80
Supervisors	14.92	23.58	15.39	0.39	36.23	22.89	8.95	24.24	35.38	15.47
Qualified and highly qualified professionals	20.81	17.75	29.44	36.71	16.50	19.53	11.74	22.02	84.55	18.11
Semi-qualified professionals	66.39	13.45	19.07	74.21	20.70	57.17	2.55	20.25	65.84	15.84
Labour relations										
Collective employment agreements (%)	87	87	85	100	0	87	89	76	100	0
Trade union membership (%)	55	69	21	49	0	58	72	22	53	0
Union Structures (no.)	37	25	7	5	0	37	26	7	4	0
Hours lost due to strikes (no.)	5,171	4,143	1,028	0	0	231	231	0	0	0
Staff engaged in further study (no.)	34	34	n/k	n/k	n/k	29	24	5	0	0
Professional Internships (no.)	293	121	0	172	0	320	145	0	175	0
Academic internships (no.)	413	131	259	0	23	274	69	179	0	26
Health and Safety										
OSHAS 18 001 (% installed capacity)	60	92	45	52	0	55	85	32	23	0
On-duty accidents (no.)	44	26	10	8	0	47	32	7	8	0
Fatal on-duty accidents (no.)	1	1	0	0	0	1	0	1	0	0
EDP frequency rate (Tf)	2.08	2.13	2.89	1.69	0.00	2.26	2.60	2.15	1.74	0.00
EDP severity rate (Tg)	117	165	110	14	0	144	175	225	23	0
Total days lost due to accidents (no.)	2,469	2,020	381	68	0	2,984	2,150	730	104	0
Occupational health rate	0.25	0.14	0.00	0.00	0.00	0.05	0.08	0.00	0.00	0.00
Fatal accidents of contracted workers (no.)	6	4	0	2	0	10	6	0	4	0
Contractors working days (no.)	3,738,078	2,039,255	513,543	954,496	230,784	3,350,285	1,745,924	393,685	934,911	275,765
EDP and contracters frequency rate (Tf_total)	4.92	5.36	6.08	3.72	2.38	5.00	5.10	7.66	4.06	2.13
Fatal accidents involving non-workers (no.)	24	8	0	16	0	9	3	0	6	0

(1) The number of employees does not include corporate bodies (107).
(2) In 2010 the EDP had 80 employees in other geographies (France: 21; Belgium: 2; Italy: 14, UK: 8; Poland: 19; Romania: 16)
Occupational diseases rate: (no. of deseases/no. of worked hours)/ 1 000 000)

contribution to sustainability

5.1 HUMAN RESOURCE POLICIES

The EDP Group has been implementing an organisation model capable of responding to the characteristics of its universe of employees. We are always aware of the importance of applying EDP's values, strategy and culture to the entire group. In order to guarantee uniform criteria, our commitments are:

- Attract and recruit;
- Value and develop;
- Recognise with fairness;
- Prevent;
- Balance work and personal life;
- Innovate and manage change;
- Create opportunities;
- Guarantee diversity and respect the value of the human being;
- Motivate and involve.

This new model has resulted in eight competence centres – communication and change management, selection and Integration, performance management, training management, potential management, career management, mobility and succession, compensation and benefits and management support information and technologies. The way they are organised is described briefly in the Corporate Governance Section, page 123.

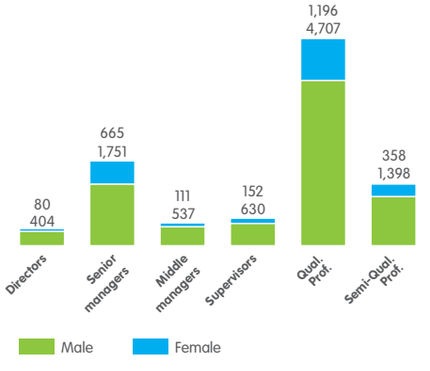
The growing importance of internal human resource management and companies' relations with society resulted in EDP publishing an annual social report describing the initiatives underway during the year in more detail. We give only a summary here. Our social report is on www.edp.pt>Sustainability>Publications.

5.2 DESCRIPTION

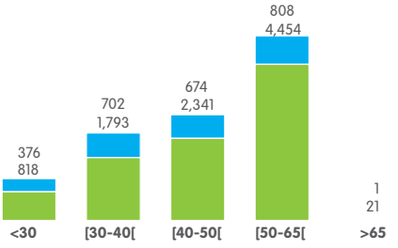
In 2010, the total number of employees remained at 11,989, much the same as in 2009. Where gender segmentation was concerned, men made up the majority of employees at 79% of the total. In 2010, the number of women rose 0.4%, concerning 2009.

EDP promotes equal opportunities and does not discriminate in any way between genders in terms of salaries. Although the salary ratio between men and women is slightly favourable to the men (at 1.01), pay levels are getting closer and closer. In Portugal, where 60% of our employees work, the difference is in the women's favour (0.96).

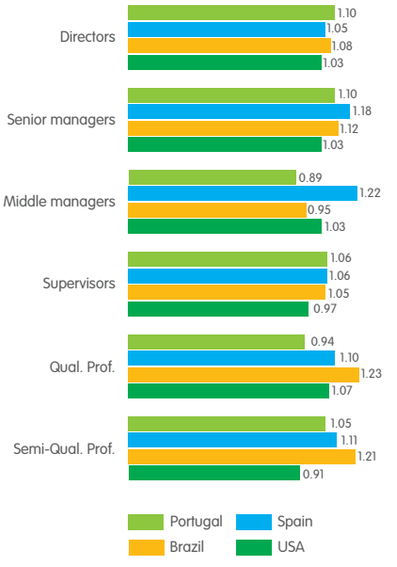
Distribution of employees by professional category and age group (no.)



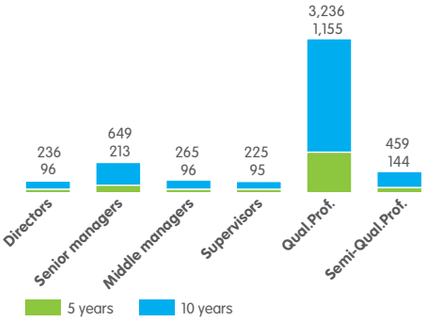
Distribution of employees by professional category and age group (no.)



Salary ratio (M/F) by pay category



Employees elegible for retirement (no.)



The current Group's size, and its continuous growth, make the internationalisation, a permanent challenge to EDP. Today, EDP has employees of 28 different nationalities.

The Group's internationalisation strategy focuses on the recruitment of local resources and there are currently 183 employees of nationalities different from the countries that they work in. 96% of the directors and 84% of the corporate bodies of the company, are from the region where they work.

5.3 ATTRACTING AND RECRUITING

In 2010, 695 new employees joined the Group, which was more than in previous years (545 in 2009) and the average recruitment age remained in the 30s (31 in 2009). These figures show EDP's belief in new generations of professionals and demonstrate its role as an employer of excellence.

This growth and change in the different business areas and countries justify our strong commitment to developing the people and acquiring new talents and skills for the Group. The priority in the attraction strategy is to bring in young people with growth potential who can create value, which is why we have focused on closeness to the school community.

The ON TOP – EDP Recruitment Program is the vehicle for its communication and presentation of proposals to academia. It includes educational initiatives at the institutions that serve as its main sources of recruitment to attract young people with the right profile for the Group, share its knowledge and disseminate its business, strategy and culture. EDP also has partnerships with Portuguese and international associations and communities, such as Best – Board of European Students of Technology and the CEMS – Community of European Management Schools.

5.3.1 INTERNSHIPS

EDP continued to organise internships at Group companies in order to contribute to young people's personal and professional enrichment and motivate them towards a possible future admission.

There are different types of internship, depending on the young people's profiles and goals: summer, school or curricular internships, apprenticeships, professional internships and work placements under special agreements such as: In Portugal, the International Association for the Exchange of Students for Technical Experience (IAESTE Portugal); in the USA, EDPR Summer Internship Program; in Spain, "Ingenerio Interno Resident"; and in Brazil, the programme On Top.

In 2010, the Group organised 706 internships, 413 of which were professional and 293 curricular. The number of internships grew 39% between 2008 and 2010.

5.3.2 INDUCTION AND INTEGRATION

EDP aims to contribute to an agile process of integration, ensuring job satisfaction, introducing several pieces of communication, events and procedures framed in this process.

EDP's Induction Manual and Integration Meetings are examples of the tools used in this adaptation process.

5.4 VALUE AND DEVELOP

One of the Group's priorities is improving its employees' qualifications and sponsoring their personal and occupational development.

Our training plan is therefore an important source of reference on training management in the Group and is in line with EDP's strategic vision, values, commitments and challenges.

It is based on five main overall goals:

- Align training needs with the Group's strategy and business trends;
- Encourage employees to further their qualifications;
- Incorporate the needs identified;
- Foster the sharing of knowledge and experience;
- Develop skills, competences, know-how and actions.

In 2010, the total volume of hours of training was 419,737 hours, which is 19% more than in 2009. Technical training accounted for 58% of the hours to a total of 244,770 and there was also a special focus on less qualified employees.

VALUING EXPERIENCE

The "Valuing Experience" programme was designed to highlight the knowledge and experience acquired by EDP's older employees and enable them to share these with the Group's other human resources.

The programme is for employees with 30 or more years of service with EDP in different occupational groups (from technicians to senior managers).

The EDP Ethics Programme, a comprehensive training and awareness plan, involved all employees and their supervisors in Portugal to a total of 19,172 hours of training.

Personal and occupational development of employees is also achieved, in Portugal, through the New Opportunities Programme. In 2010, EDP signed a cooperation agreement with Agência Nacional para a Qualificação (the Portuguese Qualification Agency - ANQ) with a view to improving the qualifications of employees at Energias de Portugal. A total of 153 employees enrolled at the New Opportunities Centre and 32 had received certificates by the end of the year.

contribution to sustainability

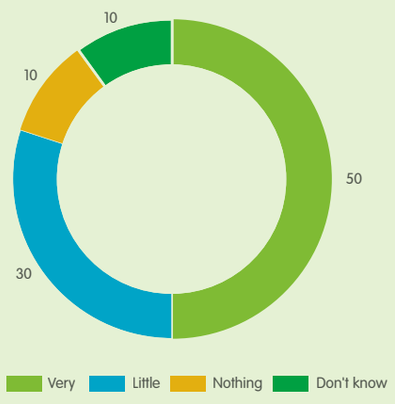
ÉTICAEDP PROGRAMME

EDP has organized a corporate ethics training and awareness raising program for around 6,000 employees in Portugal, running from October 2009 to June 2010 and the key objectives were: helping employees understand what it means to apply ethics in a corporate context; teaching employees about the Code of Ethics and the ethics "process" at EDP (organization, procedures and responsibilities) and improve their trust in ethical practices at EDP.

This program was developed in 4 steps: diagnostic, an inquiry has been send to all employees; a brainstorming about Ethics Code and what it means this contents; a special training for management staff; global training and final evaluation. Following these sessions, the perceived importance of ethics to EDP, was assessed to the employees.

In Brazil this action was been extended as an e-learning program. During 2011 we hope to realize the same in the other countries outside Portugal.

What is the importance of ethics to EDP? (%)



"Éticaedp is not a thing to rest, it's not a matter of a light conscience, it's a matter of conscience. It's what separates the companies that win, from the ones that don't. (...) The key word in al of this is conscience."

António Mexia
Chairman of the Executive Board of Directors

5.4.1 EDP UNIVERSITY

As the knowledge asset at the EDP Group is one of its main competitive advantages, the EDP University arose from the need to manage this resource appropriately and effectively, so that employees' knowledge and talent can be better developed. The University works through five business schools and two general schools that teach general subjects and develop management skills. These schools articulate training, career development knowledge and change management in accordance with the Group's present and future needs.

In 2010, EDP opened a Distribution School (business school) and the EDP Schools and Directive Development (general schools) and prepared for the opening of the three other business schools (Gas, Commercial and Renewables).

EDP also began to design an Online Campus, which will provide support for the different types of learning and training management. The first phase should be completed in 2011.

5.4.2 LEADER TRAINING AND AWARENESS

EDP has been developing a series of dynamics, instruments and tools to support leadership.

The "EDP Leader Guide" is a manual containing the main human resource issues with which leaders have to deal in their everyday work and information on the leader profile and the main HR processes. The guide also offers learning maps, a method that the company has used for more than 10 years.

Awareness includes a theme approach to social responsibility, the importance of reconciling personal and professional life and openness to the community, especially for the volunteer programme.

5.5 ASSESSMENT OF POTENTIAL AND PERFORMANCE

EDP is aware that the company's success depends directly on its people and so assessment of its employees' potential and performance is a priority and starting point. People management is guided by the following goals:

- Recognising performance;
- Identifying and rewarding merit;
- Orienting career development and opportunities;
- Promoting dialogue between supervisors and their teams;
- Reinforcing the feedback culture.

The aim of this essential people management tool is to stimulate the creation of value by means of skills and performance management. This assessment encourages behaviour that maximises the productivity, responsibility, participation and development of employees, allocates each person a vital role in achieving overall goals and values individual contributions.

Once again, the organisation is aware of the Group's size and geographical representation and so performance management models have been developing in increasing alignment of assessment cycles in all countries.

5.6 HEALTH SYSTEMS AND OTHER SOCIAL BENEFITS

EDP offers all its employees healthcare systems in addition to the national health services in each country, additional retirement schemes and personal accident insurance. Employees are also entitled to study subsidies for themselves and their children.

5.6.1 LIFE-WORK BALANCE

This balance includes a wide range of other benefits for employees under the + Conciliar Programme. This programme takes the form of a number of initiatives aimed at improving the quality of life of employees and their families and raising the organisation's awareness of this issue.

5.7 EMPLOYEE SATISFACTION

The Group's employee satisfaction survey is, now, every two years for a better evaluation of plans of action based on the results of the survey given that the improvements in this area difficult to catch on an annual basis. The last survey was conducted in 2009, the participation rate (86.4) and overall satisfaction index (81 points) scored high. The next survey will be in 2011.

5.8 COMMUNICATION AND CHANGE MANAGEMENT

EDP's communication is the basis for the dissemination of its principles, values and culture. Communicating and motivating are strategic priorities for upcoming years. Communication helps to manage change and motivate employees to implement EDP's strategy considering:

- Commitment to EDP's values: sou+edp
- Sharing of information
- Guarantee that knowledge is passed from one generation to the next
- Constant innovation
- International focus
- Motivation to do and to grow

Communication of human resource issues is based on two identities: sou+edp and the ON TOP – EDP Recruitment Program, which are designed for in-house and external communication, respectively in order to standardise, reinforce, clarify and communicate more effectively.

EDP's initiatives aimed at an internal target audience are intended to increase knowledge and pride in being EDP. The Group organises Routes with Energy, which take employees to visit some of EDP's main generation and distribution facilities.

In 2010, the following initiatives took place: Find out More About programme involving informal conversations to discuss a variety of issues of interest to employees. There are also Moments with Energy. These are meetings of groups of people from different geographical locations in which the starting point is breakfast with the Chairman of the Executive Board of Directors of the EDP Group followed by practical exercises and reflection on strategic issues.

5.9 LABOUR RELATIONS

EDP has regular contacts with official boddies and employee representatives, workers' committees and trade unions when introducing, changing or abolishing rules or regulatory procedures and also during negotiations on the revision of collective regulations. In 2010, took place in Portugal, more than 95 meetings, with trade unions and over 10 meetings attended by all the trade unions. We also ensured that regulations and in-house rules complied with legislation.

During 2010, there were no labour conflicts for reasons originating within the EDP Group, thanks to proactive management based on communication between the parties.

EDP continued to coordinate sponsorship for initiatives undertaken by employees' social, cultural and recreational organisations, the EDP Personnel Club, Blood Donors and Retirees' and Pensioners' Association, which totalled €1.2 million.

In Portugal, operational changes in the company that impact on employees are communicated to the unions, workers' committees and workers with prior notice of never less than 30 days, depending on their complexity.

5.10 OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety are an essential element in the EDP Group's sustainable development. The importance of this issue goes beyond legal requirements and is set out in our safety policy aimed at the strategic goal of "Zero accidents, no personal harm".

In order to best manage this strategic goal, EDP has an occupational health and safety management system based on OHSAS 18001, in line with the International Labour Organization's guidelines in ILO-OSH 2001 and Convention 155 on workers' health and safety.

In the electricity sector, in Portugal, the total installed capacity certified under safety management systems recognised by international standards (OHSAS 18001: 2007) is 9,724 MW. The figure in Spain is 2,571 MW and in Brazil is 902.5 MW. These certifications cover 15.57% of workers in Portugal, 31% in Spain and 3% in Brazil.

In the gas sector, Naturgás has OHSAS 18001: 2007 Occupational Health and Safety certification covering 80% of its employees.

contribution to sustainability

5.10.1 EDP'S RESPONSIBILITIES

EDP's Safety Policy is committed to occupational safety management entailing ongoing improvement and a conviction that being able to work in a safe and healthy environment is a decisive factor in employee satisfaction and an asset in the success of results.

Responsibility for the prevention and control of work risks is part of the chain of command. To view the organisational structure for occupational safety management go to www.edp.pt>Sustainability.

Where occupational health is concerned, the Group's in-house occupational medicine services are responsible for monitoring employees' health, by performing medical checkups, promoting health education and checking workplace conditions and first aid equipment.

5.10.2 EMPLOYEE PARTICIPATION

The Occupational Health and Safety Regulations stipulate the formation of occupational health and safety committees and subcommittees within companies and larger business units.

These committees operate on an equal footing and their members include workers' representatives for occupational health and safety matters elected as required by law and company representatives. They decide on the frequency of their meetings.

In Portugal, 95 workers have been formally elected and represent around 95% of EDP employees. In 2010, 69 meetings of Committees and Subcommittees, on Safety, were held.

There are also similar committees in Spain, the United States and Brazil, in which workers are well represented: 69%, 100%, and 100% respectively. They held 80 meetings in Spain, 21 in the United States and 204 in Brazil.

5.11 IMPORTANT ACTIVITIES IN 2010

The implementation of EDP's annual occupational health and safety programme was based on measures to prevent occupational accidents and diseases. They included training and drills for EDP workers and service providers, permanent assessment and monitoring of work risks and a programme of inspections and internal and external audits of EDP works and facilities.

5.11.1 TRAINING OF EMPLOYEES AND EXTERNAL SERVICE PROVIDERS

The commitment of ensuring that employees and service providers have the right conditions for sustainable development in matters of occupational safety is one of the commitments set out in EDP's Code of Ethic's and the Group's Safety Policy.

In 2010 there was a vast training programme for employees and service providers. A total of 13,649 EDP employees were involved, corresponding to 67,077 hours of training and 18,577 service-provider employees, representing 20,047 hours' training.

In addition to the training mentioned above, 154 first aid training courses were delivered to 970 employees across the EDP Group.

Awareness of this issue is worked on in different ways and every year we give an annual occupational prevention and safety award to EDP employees and service providers who distinguished themselves in consolidating EDP's accident prevention culture.

5.11.2 INVOLVEMENT IN SOCIETY

In collaboration with fire brigades, vocational and upper secondary schools, business associations and trade unions, the EDP Group conducted 74 awareness campaigns on procedures for fighting fires at electric facilities and in and around gas networks and facilities and care when handling electrical equipment.

In 2010, 42,527 visits were made to electricity generation facilities after an awareness-raising session about how electricity is generated and the care to be taken near electrical infrastructure.

5.11.3 EMERGENCY RESPONSE PREPARATION

As part of emergency response management, 172 drills (103 in Portugal, 34 in Spain, 21 in Brazil and 14 in the United States) were held throughout the EDP Group to respond to accident simulations at industrial and administrative facilities. The aim was to test the effectiveness of their internal emergency plans. The drills involved outside bodies such as civil defence, fire-fighters, public safety officers and the police.

5.11.4 SWINE FLU CONTINGENCY PLAN

The EDP contingency plan for swine flu was implemented in late 2009 and remained in effect until June 2010, in response to the announcement of a pandemic from the Portuguese and international health authorities.

The plan's implementation involved providing further information and raising staff awareness, employing stricter cleaning and disinfection procedures in the workplace and putting in place a vaccination plan to ensure the continuity of essential community and business services.

EDP's contingency plan also involved service providers' employees. The plan was posted on www.edp.pt for the community's information.

5.12 ACCIDENTS AND NEAR-MISSES

For EDP, the discovery, analysis and correction of near-miss situations comprises an essential tool in helping to achieve its objectives and targets in terms of reducing risks and personal injuries during Group company operations. In this regard, EDP has developed a specific procedure as part of its Corporate Safety Management System, implemented in accordance with OHSAS 18001:2007.

Forty/one near-misses were reported in EDP Group companies in Portugal in 2010.

There were 44 work accidents resulting in absences of one or more days in the EDP Group in 2010. For information on our main safety indicators, see the table "Human Resources", page 73.

In spite of efforts during the year to further improve safety conditions in the workplace, there was unfortunately one fatal road accident involving an EDP employee in Portugal. In the EDP Group was a whole, there were six fatal accidents involving service providers' workers.

5.13 OCCUPATIONAL DISEASES

In Portugal in 2010, five cases of occupational disease were diagnosed, with only three resulting in disability.

The occupational disease rate is 0.25 in Portugal and 0.14 in the EDP Group.

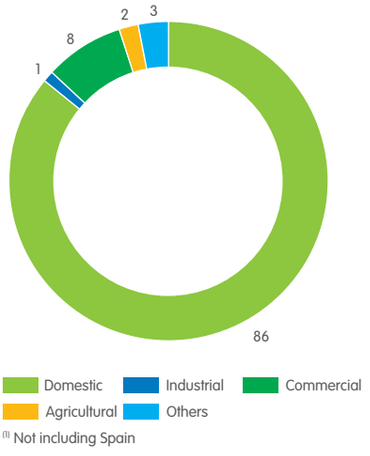
6. CUSTOMERS

At EDP, there are projects and initiatives aimed at improving customers' experience and furthering dialogue with them. EDP currently has about 1.1 million gas customers and 9.8 million electricity customers as shown in the table below.

DISTRIBUTION OF EDP CUSTOMERS BY TYPE OF MARKET (NO.)

2010	Portugal	Spain	Brazil	Total
Electricity				
Regulated Market	5,791,683	359,145	2,740,345	8,891,173
Free Market	313,608	650,860	85	964,554
Total	6,105,291	1,010,005	2,740,431	9,855,727
Gas				
Last resort	244,721	140,766	n/a	385,487
Regulated Market	0	0	n/a	0
Free Market	614	683,026	n/a	683,640
Total	245,335	823,792	n/a	1,069,127

Breakdown of costumers, in the Regulated Market [1] by type of usage (%)



[1] Not including Spain

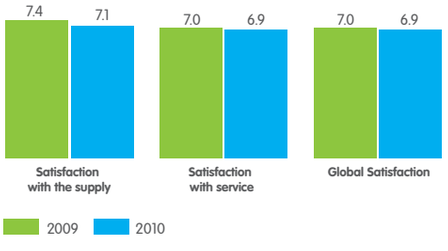
6.1 CUSTOMERS' VOICE

In partnership with certified external bodies, EDP conducts market research in its different geographical locations in order to find out more about customers' experience and sustain initiatives and projects designed to improve it.

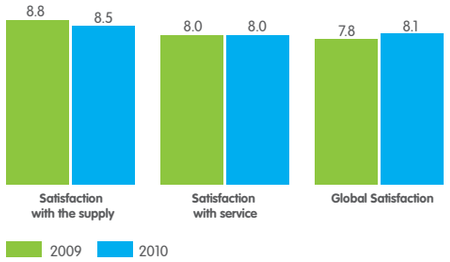
Customers' experience is reflected in macro-indicators that include overall satisfaction, satisfaction with the energy supply (electricity and/or gas) and satisfaction with service.

Trend of main satisfaction indicators of domestic customers in Portugal

Electricity



Natural Gas



Scale: 0-10

In 2010, EDP reinforced the system for collecting, analysing and reporting information in Portugal. Integrated analysis of operating and Customers' Voice indicators proved to be a powerful tool for improving procedures. Modernising customer relations means stepping up the proximity and simplicity.

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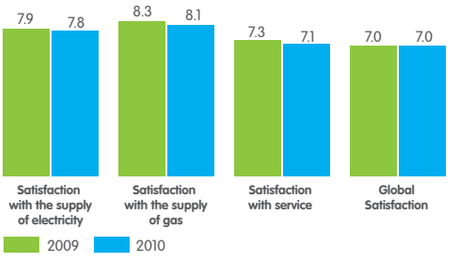
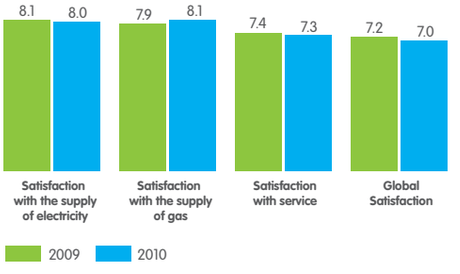
Trend of main satisfaction indicators of domestic customers in Spain

HC Energía



Naturgas



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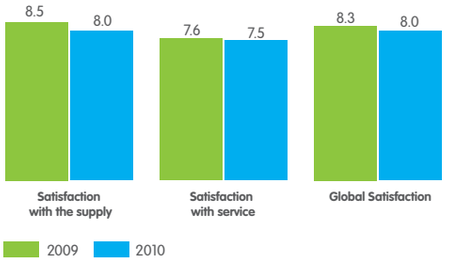
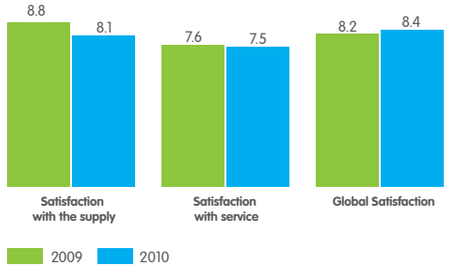
Trend of main satisfaction indicators of electricity domestic customers in Brazil

EDP Bandeirante



EDP Escelsa



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6.2 IMPROVING ACCESS TO ENERGY

Access to energy is regarded in different ways, depending on the geographical location in which EDP operates.

In Europe, improving access to electricity and gas, mainly, means constantly improving technical service quality indicators from distributing companies
and the quality of commercial service from suppliers. In accordance with Portuguese and Spanish regulations, the population is considered to be fully served in the EDP companies' concession areas.

In Spain, HC Energía has had a rural electrification plan since the 1980s designed to bring electricity and improve quality of service where it already exists to all remote rural areas. In Portugal, EDP has been participating in the Rural Development Programme, Agris, in the component of supporting rural electrification.

In Brazil, EDP has a partnership with the Brazilian government in the Electricity for All Programme. The programme has already been completed in the EDP Bandeirante area and should be completed in the EDP Escelsa region in Espírito Santo in 2011, after which we expect rural demand to be covered. In 2010, 5,821 connections were made in the EDP Escelsa area. Around 264.5 million Brazilian reais have been invested and 60,515 customers connected since the first contract was signed by the EDP distributors in Brazil and the Brazilian government in 2004.

6.2.1 TARIFFS

Within the framework of the different regulations in the several countries and in order to protect socially and economically disadvantaged customers, EDP offers a social tariff and makes a number of commitments to special needs customers.

Costumers with social tariff and special needs (no.)

Social tariff	2010	2009
Portugal	7,221	6,663
Spain	57,559	49,617
Brazil	357,971	358,748
Total	**422,751**	**415,028**

Special Needs	2010	2009
Portugal	497	557
Spain	0	0
Brazil	262	240
Total	**759**	**797**

A tariff of last resort was introduced in Spain in 2009 to protect more vulnerable customers and allow for a smooth transition between the regulated and unregulated tariff. This tariff freezes prices until 2012 and applies to customers with installed power of less than 3 kW or who are socially or economically disadvantaged.

Additional information on social tariffs in the countries in which EDP operates is provided in the companies' annual reports and accounts or sustainability reports, in www.edp.pt> sustainability> publications and reports.

More details about the end of regulated tariffs, in Portugal, to clients for extra high voltage, high voltage, medium voltage and special low voltage customers, see the chapter Regulatory Framework, page 29.

6.3 SERVICE QUALITY

6.3.1 TECHNICAL SERVICE

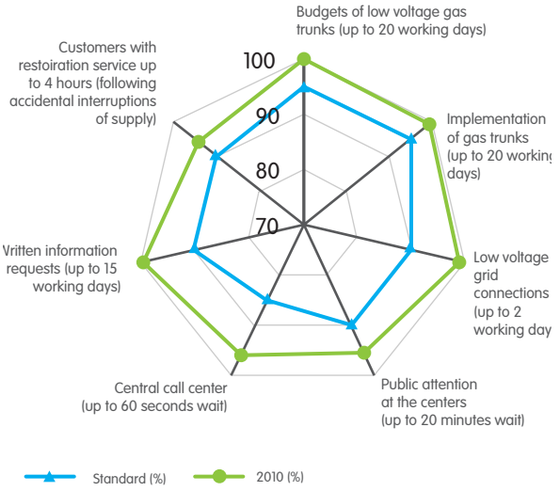
In 2010, the average equivalent interruption time of installed capacity in the Iberian distribution activity was 179.5 minutes, with Portugal reaching 115.8 minutes and Spain 63.7. In Brazil, the equivalent duration per consumer was 12.2 hours for EDP Bandeirante and 9 hours for EDP Escelsa. For more information about results in technical quality of service see the Summary of Activities and The Electricity Business in Brazil chapters in the Business Section, page 59.

6.3.2 COMMERCIAL SERVICE

EDP has continued improving the processes in order to listen to its customers and communicate transparently using simple language.

In Portugal, high levels of quality were maintained in the service provided to customers by the distribution grid operator, as shown by the compliance with the General Standards for Supply Service Quality set forth in the Service Quality Regulations (RQS).

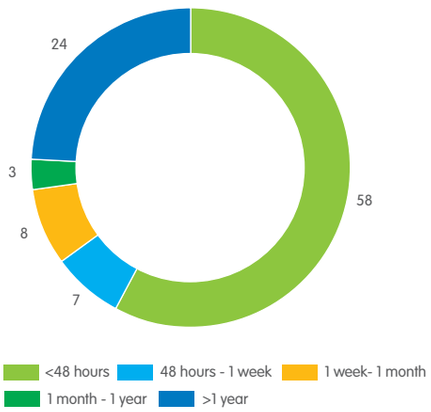
General indicators of service quality – Portugal (%)



It is noteworthy, that a total number of cuts for non-payment, in the low voltage network of 434,763 (7% of the regulated market clients), which have, for legal compliance, to be replaced in less than 24 hours. Only 0.4% of the reconnections were made out of time.

In Spain, the Quality Policy is aimed at continuous adaptation to customers' new demands and the setting in which they operate. Annual satisfaction surveys assess knowledge of the brand, the company's positioning in relation to the competition and customer satisfaction with its channels and services, as shown in the Customer Experience graphs.

Reconnection of cuts for non-payment Domestic Clients in Spain (%)



Also in Spain, the regulatory regime requires a restoration of connections in 24 hours, with severe penalties if this happens after a week. During 2010, less than 2% of reconnections exceeded 24h.

In Brazil, the cuts due to non payment, were reconnected by 82% (average of the two distributors) of the cases, in less than 24 hours. Detailed information can be found in the annual report from EDP in Brazil.

6.4 PRODUCT SAFETY

EDP's concern for safety in the use of electricity and gas is reflected in the provision of information to customers in different forms: online and in leaflets and customer guides etc., in the different geographical locations.

The companies can be informed online or by telephone of dangers or the risk of accidents, such as downed lines, open electricity boxes, tree branches close to lines, etc.

In Brazil, the Good Energy in the Community Programme promotes lectures on safe use and the risks and dangers of improper use of electricity.

6.5 CUSTOMER OMBUDSMAN

Since 2009, gas and electricity customers in Portugal have been able to turn to the Customer Ombudsman on provedordocliente.edp.pt. The ombudsman is an independent outside entity and is guided by the principles of integrity, impartiality and equity and helps to strengthen trust in the relations between the EDP Group companies and their customers.

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Customers submit their requests for examination online and may check the status of their application at any time. At the end of 2010, 1,102 requests for examination had been submitted, 92.1% of which related to electricity complaints. Most of these requests (55%) were regarding issues related to supply and readings/billing/payment. Of the 1,102 requests submitted, 920 (83.5%) were replied to by the end of the year. Among these 920 requests, the Ombudsman's opinion agreed with the applicant in 54.2% of cases and disagreed in 26.7%.

The ombudsman also made 17 recommendations to EDP, seven of which had been implemented by the end of 2010.

6.6 ACCESS TO SERVICES AND COMMUNICATION

In Portugal, EDP continues to issue invoices in Braille and distribute Customers Guide on Energy Efficiency drafted in 2009 in partnership with Associação dos Cegos e Amblíopes de Portugal (Association for the Blind and Sight Impaired) in order to improve its relationship with a special customer segment. In Brazil, EDP keeps a dedicated channel to overcome communication barriers for hearing impaired customers.

EDP customers in Portugal have access to a company telephone line from abroad. In Spain, leaflets on safe energy usage have been published in Basque and Catalan. The Naturgas Energía website is bilingual in Spanish and Basque.

EDP's website is adapted with accessibility features for people with special needs to access information. A project is currently underway to develop, in Portugal, an English version of the custumer's area, in order to facilitate access to residents not fluent in Portuguese.

In Portugal and Brazil, employees continue to be able to intervene via the internal Cliente OK channel to answer queries or solve problems submitted by friends or family.

In 2010, EDP broadcast its in-house TV channel to the entire EDP store network, thereby creating a contact and information outlet for all customers in the different markets and businesses.

6.7 PRIVACY

Customers' personal data are protected under the general conditions for gas and electricity supply contracts in the different geographical locations in which we operate and safeguarded by the best technology, practices and procedures available in order to ensure confidentiality, integrity and availability of the information.

Customers are asked to give their permission for EDP to record and use their personal details and give it to third parties for market research or direct marketing.

More information on data privacy is available on www.edp.pt

6.8 ENERGY EFFICIENCY

ENERGY EFFICIENCY BAROMETER IN PORTUGAL

Domestic customers' attitudes and behaviours, in Portugal, have been monitored since 2007 and converted into an energy efficiency index.

In 2010 a new model was developed in partnership with the ISEL – Instituto Superior de Engenharia de Lisboa (Lisbon School of Engineering), making it possible to identify obstacles and levers for more sustainable behaviour and improve the calculation of the index.

In 2010 the energy efficiency index was 73.4%, reflecting costumer's improvement in the adoption of energy efficient behaviours.

The study also showed that:

- More than half the respondents considered EDP to be a good promoter of energy efficiency.
- The respondents' behaviours focused on using energy saving light bulbs, closing doors and windows when they had heating or air conditioning on and looking for night-energy saving systems, among others.
- Saving energy is the main stimulus for efficient behaviour.

The mass use of energy efficiency measures is widely recognised as the most rational way of limiting the climatic impacts caused by greenhouse gas emissions. According to the IEA (International Energy Agency – Energy Technology Perspectives 2010) it may be responsible for more than 50% of the reduction in emissions by 2050.

In this context, EDP has continued to foster energy efficiency in consumption in order to ensure that its customers make the best use of the product.

In Brazil in 2010, around R$ 25 million were invested in energy efficiency programmes and initiatives at the two distributors. This represents a saving of 22,358 MWh per year, equivalent to average consumption by 9.3 thousand families.

This investment favoured low-income consumers and non-profit organisations with the following programmes:

- **Good Energy in the Community –** Distributions of indoor installation kits and energy saving light bulbs and conducted awareness campaigns, by EDP Escelsa. The project began in 2006 and has already benefited 136,000 families and distributed 527,000 energy saving bulbs.
- **Good Solar Energy –** Partnership with Companhia de Desenvolvimento Habitacional Urbano in the state of São Paulo, replaced incandescent light bulbs by compact fluorescent bulbs and installed solar water heating systems to replace electric showers.
- **Efficient Community –** in 33 neighbourhoods in Grande Vitória included training, distribution of 103,765 compact fluorescent bulbs and the replacement of 78 refrigerators by more efficient equipment.

ENERGY AND ENVIRONMENTAL IMPACT OF THE PPEC 2011-2012 MEASURES*

Measure description	Total Budget (€ thousand)	No. Interventions	Total energy avoid (MWh)	Total CO_2 avoid (t)
Intangible Measures				
Energy management systems for high schools TWIST - energy efficiency educational project for Secondary Schools Energy bus – moving energy	233.0	n/k	n/a	n/a
Your Energy - educational project for the Primary Education	459.1	n/k	n/a	n/a
Energy bus – Energia em movimento	367.7	n/k	n/a	n/a
A tua energia - projecto educação 1º ciclo do Ensino Básico	395.9	n/k	n/a	n/a
Consumer forum - Energy Management System Online Residential Energy Management Platform	200.0	n/k	n/a	n/a
Gestão de consumos domésticos online	222.7	n/k	n/a	n/a
Tangible - Residential				
Distribution of saving bulbs (CFL) through Private Social Solidarity Institutions	1,230.0	150,000	117,516	43,481
Efficient Household Kit - LED + Standby Killer	949.6	60,000	78,096	28,896
Promoting Efficient lighting - LEDs	2,150.0	250,000	98,950	36,612
Standby Killer - remote control	195.3	12,000	8,961	3,315
Tangible - Trade and Services				
Standad CFL for Private Social Solidarity Institutions	612.0	400,000	90,794	33,594
LED trafic lights	450.9	10,000	36,944	13,669
Luminous flux regulation system for street lights in urban environment	2,157.2	300	190,439	70,463
Luminous flux regulation system for street lights in road access	1,091.5	218	139,656	51,673
street light control through astronomical watch	220.0	2,000	68,333	25,283
Freecooling	340.0	20	28,500	10,545
Tangible - Agriculture and Industry				
High efficient motors	927.1	620	62,955	23,293
Variable-Speed Drive (VSD) on ventilation systems	1,035.0	150	86,686	32,074
VSD on Cooling Systems	340.6	101	25,731	9,520
VSD on Pumping Systems	2,650.0	500	185,573	68,662
Substitution of Discharg Lamps by T5	2,040.8	20,000	158,155	58,517
Total	**18,268.4**	**905,909**	**1,377,290**	**509,597**

* Taking account of the useful life of equipment

Note: Budget breakdown – 72% funded by PPEC Programme, 17% supported by the beneficiaries and the remaining 11.2% by EDP.

The following programmes with different focuses are also under way:

- **Efficient traffic lights –** Promoted by EDP Bandeirante, this project consists of the use of LED lighting in traffic lights to replace the incandescent bulbs normally used. In the four years of the project, electricity use has been reduced by up to 90%.

- **Reluz –** Launched in 2007, this project is designed to modernise street lighting, thereby increasing the public's safety. A total of 69,000 light bulbs were replaced and the programme is scheduled to end in 2012 with the replacement of another 98,000 light bulbs.

In Portugal, we continued the **ECO Programme**, which is designed to encourage customers in Portugal to take concrete action towards greater energy efficiency, guarantee the impact of the plan and change their behaviour by integrated action. The actions developed as well as results, are presented in detail, at www.eco.edp.pt.

As a result of the new PPEC – Plano de Promoção de Eficiência Energética no Consumo de Energia Eléctrica – contest, launched by ERSE in 2010, EDP won the following measures, to be implemented in 2011/2012, see table above.

6.9 VALUE ADDED PRODUCTS AND SERVICES

In line with its sustainability strategy, EDP established in 2009, EDP Serviços, in Portugal. In late 2010, EDP Serviços was reorganized into five business areas, targeting key market segments: Distributed Generation, Technical Services, Industry, Buildings & State and Home & Businesses.

A Business and Investment Plan has been defined for 2011 and 2012, in order to make EDP a market leader in this area, and to transform this activity into the Group's new core business.

In 2010 important milestones were also reached in the development of EDP Serviços, especially:

- Creation of an innovative commercial approach by sharing investment with customers
- First campaigns in an integrated market approach
- Acquisition of Home Energy, a leading company in the sector, speeding up growth and marking EDP's entry into force in this market.

In Spain, HC Energía and Naturgás have had a new common department since 2010, Energy Efficiency Services. The aim is to

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develop and coordinate the necessary mechanisms to achieve an appropriate positioning for the energy services business making it possible to increase the Group's commercial range. Today, the company offers the following products and services for residential customers: energy audits, finance plans for the purchase of more efficient equipment, solar and water heating and solar photovoltaic services, HVAC and replacement by more efficient equipment.

In 2010, as part of the activity of selling electricity on the part of the different Group companies, services were also developed to improve quality of service and efficiency in the use of resources:

- **Electronic billing –** In 2010 in Portugal, EDP had 523,663 customers with electronic bills (112,574 more than in 2009) and in Spain EDP's goals were exceeded and the number of contracts had reached 168,205 by the end of the year, including gas.
- **HC Powerhome –** This is an innovate device offered by Hc Energía allowing customers to reduce their contracted power to the necessary minimum. This device pinpoints a number of priority domestic appliances and keeps them running, while managing the others better at times when the price is lower, especially for customers with dual schedules.
- **Green electricity –** By the end of 2010, EDP had 394,717 customers, twice the number in 2009, who used 11,484 GWh of green electricity. The highest consumption was in the United States, where all electricity sold is certified as green.
- **WattDrive –** In May EDP opened, free of charge, a network of electric vehicle charging points.

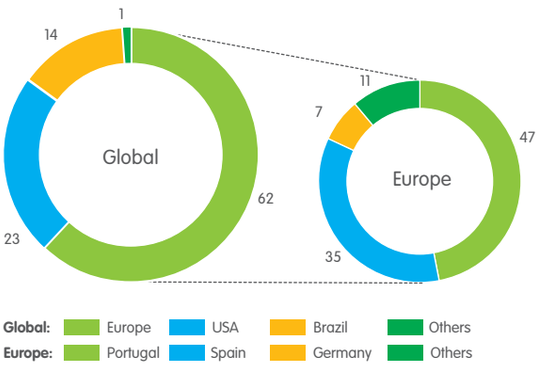
7. SUPPLIERS

7.1 DESCRIPTION

EDP forms relationships with its suppliers based on the principles of partnership and promoting sustainable development. The company has developed information initiatives with its suppliers with regard to the values in its Code of Ethics, in order to highlight the importance of integrity in business strategy.

In 2010, the EDP Group's procurement (except energy) totalled 3,309 million euros. Its geographical distribution was as follows:

Geographical distribution of procurement (except energy) (%)



EDP has a positive influence on the local economy by fostering the growth of local businesses. The proportion of procurement from foreign suppliers accounts for around 14% of total purchases.

Detailed information on the procurement activity, on www.edp.pt> suppliers.

7.2 DIALOGUE

EDP seeks to stimulate corporate capacity and optimise suppliers' procedures by:

- Promoting technical competence and a competitive market;
- Ensuring integration and cooperation in relations;
- Promoting permanent, open dialogue aimed at ascertaining the expectations of this important segment of stakeholders;
- Fostering mutual knowledge

EDP's aim is to meet challenges and establish, control and develop relations with suppliers by means of supplier relationship management (SRM) solutions. EDP is currently implementing a risk analysis programme for strategic suppliers so that it can identify critical or rupture situations in time and ensure the continuity of supplies.

This programme is based mainly on an alert management model that provides consolidated information about suppliers and monitors a company's suitability to be considered an EDP Group supplier. SRM solutions facilitate communication between the different partners and the sharing of methodologies, fostering closer relations between both parties.

SRM also helps suppliers to familiarise themselves with the company's business and real needs, thereby fostering better purchase terms and optimising the entire supply process.

EDP has an online channel for dialogue with suppliers, where it encourages the sharing of knowledge and good practices: www.edp.pt> Sustentabilidade> Partes Interessadas> Fornecedores> Fórum de Sustentabilidade.

In order to better incorporate the requirements and expectations of this group of stakeholders, in late 2010 EDP conducted a survey of suppliers, including:

- As the most important issues to EDP's activity: new technologies and innovation (77%), renewable energy (76%) and investment in new projects (70%);
- As the most important issues to quality of suppliers: partnerships fostering improvement in sustainability performance (67%), improving availability of information and communication channels (58%) and stepping up negotiation and purchasing processes (51%).

For further information on the results of this survey, see www.edp.pt> sustainability> stakeholders> suppliers.

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- As the most important issues to EDP's activity: new technologies and innovation (77%), renewable energy (76%), and the investment in new projects (70%);
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For further information on the results of this survey, see www.edp.pt> sustainability> stakeholders> suppliers.

7.3 GOOD PRACTICES

EDP has a system for finding, selecting and segmenting suppliers, the EDP Group Supplier Registration System (SRF), which enables it to take clear, transparent, efficient action and foster win-win partnerships.

The system uses a database shared by all the Group companies and registration is an essential requirement for any company wishing to be qualified or consulted or to submit a quote. The system also informs suppliers of the EDP Code of Ethics and they use it to accept the values and principles in the code. A total of 12,800 suppliers were registered with the EDP Group in 2010, 17% more than in 2009.

COMBATING SLAVE LABOUR

In 2009, EDP in Brazil subscribed to the National Pact for the Eradication of Slave Labour in Brazil. Its purpose is to implement tools so that the business sector and Brazilian society do not sell products from suppliers using slave labour. EDP provided training on the subject of slave labour for suppliers in São Paulo and Espírito Santo. EDP has more than 2,000 suppliers registered in its area and monitors their activities using a tool provided by the NGO Repórter Brasil, which publishes a list of companies that use slave labour. EDP undertakes to terminate its contract with the supplier if it figures on the list. All its actions comply with EDP's corporate policy "against child and slave labour".

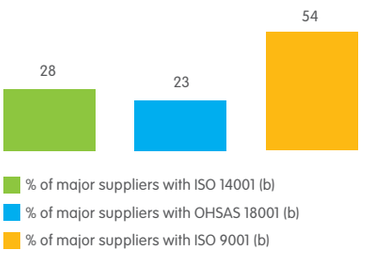
In order to be listed in the database, suppliers have to access the supplier area on the EDP website (www.edp.pt> suppliers) and complete a pre-registration questionnaire in which they have to provide information on their quality, environment and safety systems and corporate social responsibility systems, among others. The extension of the information that suppliers are asked to provide, such as a description of their social performance, is currently underway and the information is expected to be made available in 2011.

Registered companies also enjoy a number of advantages, such as:

- Equal opportunities for equivalent/separate business areas;
- Increased business opportunities;
- Guarantee that customers have quick and reliable access to information;
- Single registration visible to several companies;
- No need to present various kinds of documentation when applying for contracts or pre-tender qualification.

In 2010, 58% of our suppliers in Portugal, Spain and Brazil supplying goods and services worth more than 75,000 euros were registered in the EDP Group's SRF. Of these suppliers, 54% have quality management systems certified by third parties. 28% of the companies have environmental certification and 23% have occupational health, hygiene and safety certification.

Certified Suppliers (%)



(b) Number of suppliers registered in the Corporate Registration System Supplier of the EDP.

EDP has a web sourcing tool enabling it to share information on the market and suppliers – Sinergie – Supply Integration for Energy. This system is in place at all Group companies and serves as the base for all enquiry and negotiation processes worth more than 75,000 euros in Europe and 150,000 euros in the other countries. Its main purpose is to share information from enquiry and negotiation processes throughout the EDP Group, irrespective of the business unit or market in which they operate. It uses the internet to speed up all procurement at global level.

These solutions and practices result in greater speed, efficiency and transparency of processes and a considerable reduction in environmental costs and administrative work.

With its status as a GRI Organizational Partner, EDP is a partner in the GRI Global Action Network for Transparency in the Supply Chain, in order to support initiatives by companies aimed at fostering sustainability reports following GRI guidelines throughout their value chain. Since 2009, EDP has already supported 9

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suppliers in Portugal to enable them to receive training and consultancy services they need for drafting sustainability reports complying with the GRI guidelines (www.globalreporting.org) free of charge from GRI and its certified partners.

Also as a GRI Organizational Partner, EDP belongs to the multi-stakeholder Supply Chain Disclosure Working Group. Its aims are to help to improve report contents on performance throughout the value chain and, where necessary, draw up additional guides for the interpretation and compliance with value chain reporting requirements.

In line with this concern, EDP has set up an in-house working group to identify and evaluate risks to Sustainable Development related to the management of its supply chain.

In this context, a chain of supply risk matrix has been devised, and is now being developed a deployment to the different classes of suply, as well as the identification of possible additional measures for their mitigation and control.

7.4 ENVIRONMENT AND SAFETY

Regardless of the type and size of the work required, using third-party suppliers necessarily involves strict controls on service quality at every stage, as part of a strategy based on the following principles:

- Integration of environment and safety into the qualification system for service providers (including a questionnaire on environmental matters)
- Compliance with environmental and safety policies and with all legal requirements applicable to service providers
- Application of new prevention and control instruments, in particular the requirement for basic safety training for all employees
- Monitoring and evaluation of environmental and safety performance during work, by means of scheduled audits
- Service provider questionnaires and assessments and an annual bonus for those who perform exceptionally well and contribute to safety in the workplace.

7.5 CONTRACTORS AND SUBCONTRACTORS

Qualification systems designed exclusively for subcontractors are currently being developed and implemented, especially for more critical tasks such as the construction and maintenance of HV, MV and LV electricity grids and work on live HV, MV and LV installations.

MATRIX OF SUSTAINABLE DEVELOPMENT RISKS IN SUPPLY CHAIN MANAGEMENT

Aspects		Risks for Sustainable Development	Risk Examples	Possible impacts specific to the EDP	EDP Commitments
Human Rights and Labour	Working Conditions	Forced labour or equivalent	Employment of illegal or undocumented workers	Economic and financial loss Damage to Reputation	Global Compact EDP Code of Ethics General Conditions of Purchase
			Non-fulfilment of legislation on working hours		
		Unfair Salary practices	Unfair/illegal labour practices non prompt payment of wage		
		Child labour	Employment of children		
		Restrictions on freedom of association and collective bargaining	Non-recognition of the right to unionize Rejection of collective bargaining		
		Discrimination practices and non guarantee of equality of opportunities	Discrimination by: gender, sexual orientation, religion, creed, marital status, disability, political orientation or opinions of any other nature, ethnic or social origin		
		Inhuman treatment	Slum housing		
	Occupational Health and Safety	Accidents at work	Falls from height Electrocution Inhalation of toxic substances Burns	Economic and financial loss Damage to Reputation	Global Compact EDP Code of Ethics
		Occupational diseases	Deafness Musculoskeletal disorders Silicosis	Insufficient information required for reporting	General Conditions of Purchase Safety Policy
Environment		Environmental damage	Deteriorating energy and material resources: Greenhouse gas emissions Other atmospheric emissions Water Stress Wastewater emissions Production, storage, transportation and disposal of hazardous solid waste Spills of hazardous Substances Biodiversity loss	Economic and financial loss Damage to Reputation Insufficient information required for reporting	Global Compact EDP Code of Ethics General Conditions of Purchase Environmental Policy Biodiversity Policy
Integrity and Ethics		Corruption and bribery Moral and Psychological Coercion Sexual Harassment Legal non-compliance		Economic and financial loss Damage to Reputation Deterioration of Organizational Climate	Global Compact Code of Ethics General Conditions of Purchase
		Unfair competition	Breach of contract confidentiality Economic, social and environmental dumping		

In 2010, the amount of subcontracting was used as a criterion for weighing bids, and excessive subcontracting was penalised.

Where qualification programmes and specifications were concerned, we introduced criteria obliging subcontracted companies to also make commitments, such as not using illegal labour, having quality systems and complying with environmental protection.

In 2010, during the training of teams of service providers in tension line work and safety, EDP implemented a process for defining requirements and recognising training organisations for the purpose of qualifying contractors and subcontractors.

Our aim was to improve and standardise training requirements for employees of contractors and subcontractors.

In the field, EDP audits its contractors and sub-contractors covering their environmental, health and safety and human rights practices. In Portugal there were 1158 filed audits, of 133 contractors.

For additional information about suppliers prevention and safety, see the Employees chapter, pages 73 and 78.

8. COMMUNITY

8.1 SOCIETY

Our relationship with society and its different players is of growing importance due to the recognised interdependence between parties. EDP's strategy for communicating with the community takes different forms and involves different approaches within the Group. It is generally the responsibility of the following foundations:

- EDP Foundation in Portugal;
- Hidrocantábrico Foundation in Spain;
- EDP Institute in Brazil

EDP also favours the partnerships as an essential strategy at national and international level in the certainty that, in a global society, efficiency in allocating resources, the sharing of knowledge and the implementation of good practices are essential factors for a sustainable company.

More detailed information on EDP's different partnerships in the areas of the environment, citizenship and culture is available on www.edp.pt > sustainability. We also have innovative initiatives in relationships with the community, such as the Cocrition and FabLab projects (Chapter R&D+Innovation), page 70.

MEASURING IMPACT ON THE COMMUNITY

The LBG model is used:

- To support our strategy of investments in the community
- To measure the impact of our investment
- To identify opportunities for projects
- To maximise the social efficacy of the investment

This method is improved by our capacity to implement the SROI – Social Return on Investment technique (see online glossary), which EDP has already used in a pilot case - Associação Operação Nariz Vermelho (Red Nose).

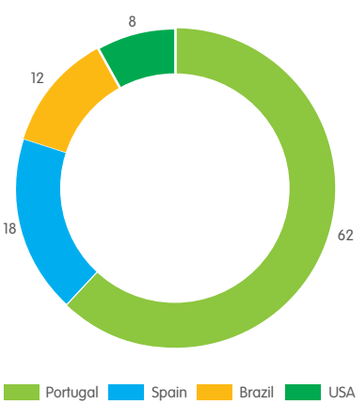
Thanks to the success of this model, the EDP Foundation has set up a partnership with Universidade Católica do Porto to conduct studies to assess the social impacts achieved by its social investments in some projects in the EDP Solidária programme. In 2011, the partnership will be extended to Universidade Nova de Lisboa.

EDP considers that today it is not enough to know about its voluntary contributions to community support projects, as it is also important to understand the results and impacts of initiatives, i.e. the actual contribution that they have made to changing behaviour, improving social wellbeing and ensuring a social return on investment.

This change in focus led EDP to subscribe to the LBG (London Benchmarking Group) Model in 2007.

This model has different levels of complexity and requirements and is applied to projects, mainly conducted by the different foundations.

EDP contributions by country (%)



Note: provisional figures not validated by Corporate Citizenship

In 2010, the EDP Group's contributions totalled around €21 million, which was 1.03% of its EBIT (see table Contributions to the Community in 2009 and 2010). Around 93% of EDP's contributions are monetary, and around € 2.5 million were for leverage, according to LBG. Volunteering accounted for 379 Group's

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CONTRIBUTIONS [a] TO THE COMMUNITY IN 2009 AND 2010

Total value of contributions (EUR) [b]		2010	2009
Category	Nonstrategic Investment	2,263,399	1,625,551
	Strategic Investment	15,501,914	12,393,356
	Commercial initiative	3,456,009	3,088,798
	Not applicable		
Nature	Education	3,104,213	2,623,431
	Health	465,709	353,650
	Economic development	895,514	329,332
	Environment	2,435,853	982,160
	Art and culture	5,288,359	6,489,601
	Social welfare	1,806,032	2,236,195
	Emergency response	215,054	
	Others	7,010,589	4,093,337
Cash Contributions	Value	19,711,331	15,226,586
Volunteer Staff	No. employees involved in volunteering during working hours	379	248
	No. volunteering hours during working hours	10,886	5,817
	Value of volunteer time	442,172	149,762
Contributions in kind	Value of contributions in kind	1,067,820	1,731,357
Managment costs		121,064	50,538
Total value of contributions (including management costs)		21,342,386	17,158,242

(a) Values of 2010: not yet validated by Corporate Citizenship
(b) Excluding management costs

employees, corresponding to 2% of contributions and more than 10,000 hours' work in campaigns to collect goods in the different countries, entrepreneurship classes at schools in Portugal and Brazil and support for social institutions.

These projects include areas such as education, economic development, social wellbeing and responses to emergencies. Additional resources were obtained from suppliers, customers, employees and other institutions.

8.2 NGO

EDP believes that NGOs (non-governmental organisations) are important stakeholders with which the company has formed partnerships of different natures over the years, assuring an active communication channel with the different partners. This type of relationship is complemented by an online dialog channel, opened to all NGOs, where EDP undertakes to answer all queries (www.edp.pt> sustainability> stakeholder> NGO).

Knowing and Incorporating in the decision processe, the expectations of this active, organised segment of society, particularly environmental NGOs (ENGOs), is a commitment that the Groups undertakes on its Sustainable Development Principles. One of EDP's objectives has been the clarification of its strategies in order to minimise and offset environmental impacts. In early 2011, EDP conducted a survey of ENGOs in Portugal to complement and measure perceptions in the field. The results can be summarised as follows:

- The most important issues for the ENGOs, where EDP's activity was concerned were efficient energy consumption (75%), the promotion of renewable energy (75%) and efficient generation and distribution of energy (71%)
- The most important issues in the relationship between EDP and the ENGOs were the promotion of renewable energy (74%), protection of biodiversity (70%), a reduction in air pollution and efficient energy consumption (both at 65%).

The results of the survey will help the company to provide more effective responses in future.

These are some of the initiatives organised with NGOs in 2010:

Environment:

- **Bird Festival in Douro Internacional Nature Park –** This was the closing event of the PEAR (Emergency Plan for Cliff Birds) and was designed to reverse the decline in three species, Bonelli's eagle, Egyptian vulture and black stork, in a region of high ecological sensitivity like Douro Internacional, where some EDP projects are underway.
- **Ecofamílias –** This eco-families project in partnership with Quercus is intended to raise public awareness of domestic energy consumption issues, including reduction and rationalisation. Measure financed in the context of PPEC – Plano de Promoção de Eficiência no Consumo, approved by ERSE – Entidade Reguladora dos Serviços Energéticos.
- **Protocolo Avifauna –** The aim of this birdlife project in collaboration with Quercus, Sociedade Portuguesa para o Estudo das Aves (SPEA) and Instituto da Conservação da Natureza e Biodiversidade (ICNB – Institute for the Conservation of Nature and Biodiversity) is to foster a balance between quality of technical service and the protection of birdlife. It has been in effect since 2003.

- **Conservation of the great bustard, little bustard and lesser kestrel in the Baixo Alentejo grain fields, Life + project** This project is designed to help preserve these species and considers the minimisation of disturbances, such as electricity lines.

More information is available in our Biodiversity Report on www.edp.pt > sustainability> environment> biodiversity.

Social:

- **Holiday camps –** HC Energia, in partnership with the NGO Solidaridad Educación y Desarrollo, sponsored holiday camps in Navalguijo (Ávila) and Espiral in Fuenlabrada (Madrid) for 120 children at risk or from poor families. During November, EDP Renewables, in Spain, carried out with the SED, training sessions on volunteering in local, national and international.

- **Children's tricycles with IV stands –** Hospital D. Estefânia was the first hospital to receive these tricycles, which were acquired during the annual EDP meetings in Portugal. The company donated one euro for each nose worn by an employee in Operation Red Nose. The money collected was invested in 20 tricycles to be distributed to the 12 hospitals where the operation works.

- **Lanterna Mágina -** Project developed by Girassolidário - Agency for the Defense of Children and Adolescents, with the support of EDP in Brazil, which aims to promote audiovisual production with teens and educators from public schools in Ribas do Rio Pardo (MS) to contribute to 'Combat Child Labor. "- 25 youth and adolescents.

8.3 LOCAL COMMUNITIES

The considerable expansion of the business, with particular focus on the construction of new generation centres, requires the involvement and active participation of local communities. EDP makes a highly substantial effort towards dialogue and the promotion of initiatives designed to live up to these communities' expectations.

Examples of this are our communication plan for the new hydroelectric power stations, which is based on surveys to measure communities' expectations. The results enabled the company to set out a number of initiatives for improving the quality of life of neighbouring populations and they are being implemented by the EDP Foundation in Portugal.

At its operating plants, EDP has been extending its environmental management systems to the European EMAS – Eco Management Audit Scheme, which provides for a close relationship with local communities and the annual publication of a plan of improvements called an environmental statement. In this context, EDP began surveys of these communities to assess their expectations and try and improve forms of dialogue.

In 2010, there were a number initiatives under way with local communities, along with others aimed at promoting energy efficiency, as described on the chapter Clients, page 82.

- **Prémio EDP Empreendedor Sustentável Sabor 2010 –** This includes a number of training and guidance services and a cash prize for the best projects aimed at creating jobs and new companies in the municipalities in which the Sabor, Picote and Bemposta dams are located. Glocal EEIG – European Economic Interest Grouping is responsible for implementing the programme and has recognised experience in promoting entrepreneurship in the Trás-os-Montes region.

- **Grupo Reflexão Novos Lagos –** This think tank includes "ambassadors" representing the different partner institutions in Projecto Barragens in Portugal and personalities from the local community and its aim is to share important information, discuss structural issues and find and propose innovative solutions for the region.

- **EDP Solidária Barragens 2010 –** This was a special programme for the 10 municipalities in Sabor, Foz-Tua, Picote and Bemposta and provided funding to the amount 200,000 euros, for eight local projects benefiting 14,500 people.

- **Orquestra Geração para Amarante e Mirandela –** EDP extended this orchestra programme to Amarante and symbolically donated 20 instruments to the first 20 young musicians aged between 10 and 12 in Amarante. In Mirandela, each of the first 27 children was given a new instrument. This agreement between the EDP Foundation and music schools has been recognised by the Ministry of Education.

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- **EDP lights up Cova da Moura –** Over a period of five days, EDP distributed 5.000 efficient light bulbs door to door to residents in the Cova da Moura neighbourhood in Amadora. Each household was given four free light bulbs and information about energy efficiency. This distribution was part a campaign to hand out 800,000 energy- saving light bulbs to residents in housing estates and historical neighbourhoods.

- **Quilombola Project –** The EDP Institute at EDP no Brasil sponsors the ethnic, cultural and environmental strengthening of the Quilombola community in Retiro de Mangaraí in Espírito Santo.

- **Celebration of Global Wind Day at two wind farms –** The Los Altos del Voltoya and Cerros de Radona wind farms received visits from Fundación Síndrome de Down de Madrid and engineering students from Universidad Nacional de Educación a Distancia. Global Wind Day is an initiative organised by the European Union, the Wind Energy Association and the Spanish Wind Energy Association.

- **Open day at Antelope Ridge Wind Farm –** The aim of the open day was to answer the local community's questions about the new wind farm in Union County (United States). More than 200 people attended the meeting at the Blue Mountain Conference Center in Oregon, where the main issues addressed were biodiversity, noise and health, landscapes and property, tourism, construction and job opportunities.

- **Annual celebration of Earth Day –** The Blue Canyon Wind Farm in Oklahoma (United States) received a visit from over 500 students and teachers from the region during the two-day celebration of Earth Day. In addition to a tour of the wind farm, there were also activities related to the subject of energy.

- **Letras de Luz –** This is a reading incentive programme by EDP no Brasil. The project has already held 70 reading capacity building workshops, had its drama groups put on 170 performances, donated 7,072 of books to municipal education bodies and received a total of 35,149 spectators.

8.4 SUPPORT TO DEVELOPMENT

2010 was primly marked by the Kakuma project, recognised internationally as innovative and conducive to economic and social wellbeing and as having medium - and long - term repercussions. A project focused on an economical sustainable development model.

KAKUMA REFUGEE CAMP

EDP joined the Office of the United Nations High Commissioner for Refugees and implemented a pilot project in Kenya to break the poverty cycle and foster sustainable development in the region through integrated action on all fronts: energy for cooking (solar stoves), electric light for families, street lighting, water supply and purification, power for public buildings (schools and hospitals, social entrepreneurship, technical training for 100 refugees, home farming and reforestation of a 10-hectare area.

This was an important contribution towards achieving the Millennium Development Goals approved by the United Nations General Assembly in September 2000.

The following projects were also worthy of note:

- **Support for earthquake victims in Haiti –** EDP started a campaign to collect funds from its employees in Portugal, Spain and Brazil, who were able to contribute through the Social Value Exchange. EDP Foundation doubled the amount of the contributions and donated them to the Red Cross (which is coordinating humanitarian support for Haiti worldwide). At the same time, in partnership with Fundação Benfica and the United Nations Development Programme, EDP joined the international solidarity movement by sponsoring the Match against Poverty and the takings went towards aid for the population of Haiti.

- **Photovoltaic panels at a health centre in Benin –** This was an initiative by Fundación Hidrocantábrico in partnership with Energía sin Fronteras and involved all HC employees. The aim was to supply power to a health centre in Benin, in Africa by installing photovoltaic panels. For each euro donated by an employee, the foundation donated two. The target was €60,900 (€20,300 from the employees and €40.600 from the foundation). The amount donated exceeded expectations, however, and went towards the purchase of vaccines and medications for the health centre.

Detailed information on the Group's Social Report in www.edp.pt> sustainability> publications and reports.

8.5 OTHER SUPPORT FOR THE COMMUNITY

EDP's activity is essential to everyone's quality of life and we continued to follow community support programmes that:

- Favour the principle of equality
- Develop knowledge and new skills
- Are ground-breaking in the areas of innovation, social entrepreneurship and education
- Help assert and disseminate art and culture, with special attention to contemporary aesthetic trends
- Encourage volunteering

Here are some of the projects undertaken in 2010:

EDUCATION, SCIENCE AND YOUNG PEOPLE

- **Portal Geração EDP -** This new portal is for children (www.geracaoedp.edp.pt) and is designed to raise young generations' awareness of the issue of energy efficiency and climate change. It comprises three different projects that interact with languages and teaching methods suited to the different levels of education in Portugal: a tua energia, o ambiente é de todos, twist and university challenge.

- **Olimpíadas da Física 2010 –** These Physics Olympics were undertaken by Sociedade Portuguesa de Física and the EDP Foundation and challenge schoolchildren all over the country to demonstrate their knowledge of physics in theoretic and practical exercises.

- **University Challenge 2010 –** This project for university students took place in Portugal and Spain (EDP Renováveis). It is an annual competition to encourage students to use their academic knowledge in an assignment or on a subject in the field of strategy and marketing. The winning group receives a study grant of €10,000 and three-month internships at EDP (Portugal, Spain or Brazil). The lecturer monitoring the project wins €3,500.

- **Arte com Energia –** This EDP competition in Brazil is for students at the 27 schools in the EDP nas Escolas Programme (1st to 5th grade or 1st to 4th series of elementary school). The idea is to encourage pupils to create art on the subject of energy. In 2010, the pupils drafted a newspaper on the subject "Biodiversity, so much different life!" Their creativity in writing, drawing and painting was assessed and the three best works won prizes.

- **Los Regeneracionistas como Formadores de Opinión –** This lecture was delivered by the historian Santos Julia, winner of the National History Award and Chaired Professor in Historia Social y Pensamiento Político, as part of a series of lectures on "La España de los tres primeros decenios del siglo XX: De la Monarquía a la República" in Spain.

- **MIT Clean Energy Prize -** EDP Inovação sponsored the event organised by MIT in the United States, in which a number of teams of young entrepreneurs participated with the idea of contributing to a better world.

ENVIRONMENT

- **"Sai para a Rua" campaign –** This campaign is part of the International Year of Biodiversity and encouraged everyone to participate in B Day in order to further knowledge of biodiversity in Portugal. Some employees in the environment area acted as hosts all over the country and accompanied some observation groups. Photographs were posted on www.biodiversity4all.org as part of a national database.

- **Fundo EDP para a biodiversidade –** In order to further scientific knowledge on biodiversity, the optimisation of conservation and improvement of the dynamics of ecosystems, EDP has been sponsoring projects in Portugal with this fund since 2007. In 2010, the four winning projects will share €500,000 and will address the habits of migratory birds (SPEA), sea-bottom forests (Centro de Ciência do Mar Algarve), riverside trees (Instituto Superior de Agronomia – UTL) and customs and know-how associated with species in Douro Internacional Nature Park (Frauga).

- **Replacement of plastic bags by 100% biodegradable bags** HC Energía now uses reusable bags made from potato starch and water-based paints and ensures that they are biodegraded and composted. It has thus brought forward its actions under the National Integrated Waste Plan promoted by the Spanish Ministry of the Environment.

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HEALTH AND SOLIDARITY

- **Do Something.pt -** This portal was developed in partnership with TESE - Associação para o Desenvolvimento and arises from the need to increase civic participation. Its aim is to encourage young people aged from 15 to 30 to volunteer. It uses street campaigns, the internet and social networks. The Do Something project believes that young people in Portugal can be a driving force for social change and can contribute to issues related to the environment, poverty, inequality, discrimination, citizenship and human rights.

- **Manual for living with people with disabilities –** In line with its diversity valuation policy, EDP no Brasil released a companionship manual of recommendations for improving culture and relations between people.

ART AND CULTURE

- **World Press Photo 10 -** World Press Photo is an exhibition in Portugal consisting of winning photographs in this photojournalism award, one of the most important in the world. This year, the judges in the 53rd edition chose 167 photographs by 62 photographers of 22 different nationalities. The winning shots were selected from among more than 100,000 entries, which was a record for the competition. The exhibition had more than 12,400 visitors over two weeks.

- **Ilustrarte – Internacional Biennial of illustration for children** This project is designed to create an international meeting place and forum for the best children's illustrations and places Portugal on the route of the most important events in this area. There were 1,400 illustrators from 61 countries competing in this year's event. In addition to the 150 illustrations selected, the exhibition included two other sections: a retrospective of the work of the German illustrator Wolf Erlbruch and a look at the work of the writer Luísa Ducla Soares, at the time of publication of her 100th book.

- **EDP Teatro a Bordo open circuit -** The project was opened in the state of Espírito Santo in Brazil and included workshops with recyclable materials and the making of toys and other items. Children from municipal schools and the local population participated. At the event, the issues addressed included safety and preservation of the environment and short films and documentaries were also screened.

- **A Arte de Fotografar -** An exhibition of the winning works in this competition was put on. It received 3,642 photos by 998 photographers from 28 São Paulo cities, in which EDP no Brasil is present.

- **Series of Christmas concerts in Camerata Revillagigedo –** The concerts were held in the cloister at Casa Miranda del Palacio de Valdecarzana, Grado, in Spain.

- **Los cuadros del Bellas Artes en el Campo –** In order to promote Oviedo, European Capital of Culture, an exhibition of paintings was organised in El Campo de San Francisco Garden in Spain, in which 24 reproductions of Goya, El Greco, Sorolla and Picasso were hung on trees.

- **Ecomuseum Terra Mater in Trás-os-Montes** This eco-museum is located in the village of Picote in the Douro Internacional Nature Park in Miranda do Douro and displays the land and heritage of the Miranda Plateau. It focuses on traditional customs that have been kept alive in the region. EDP provided funding to this project headed by Frauga, a local association local.

SOCIAL WELLBEING

- **Turma do Bem - OSCIP - Civil Organization with Public Interest -** This entailed the implementation of the "Dentistas do Bem/Brasil" project in Portugal, in which volunteer dentists treat children and adolescents aged 11 to 17 with low incomes free of charge. The patients are selected in triage of pupils from the 5th to the 9th grade at state schools and associations and institutions all over the country.

- **EDP Goods Collection Campaign -** Although this goods collection campaign took place in all the geographical locations, the results achieved in Portugal are an example of everyone's commitment, not only in giving but also in volunteering to help in the campaign.

- **Recycling Together –** EDP Escelsa in Brazil sponsors this project in the city of Castelo in Espírito Santo, which converts the collection of recyclable waste into income for 26 families.

- **5S Program –** This campaign in the + Lean programme collected 2.3 tonnes of paper separated by EDP employees, which is equivalent to 23 trees and donated them to Associação de Pais e Amigos dos Excepcionais (APAE) in Tocatins and recycling companies in São Paulo, Espírito Santo and Mato Grosso do Sul in Brazil.

- **www.voluntariadoedp.com.br –** EDP no Brasil opened Portal do Voluntariado EDP. This volunteer portal encourages its employees to devote some of their time to charity work.

SPORT

- **School, Sport and Bicas –** This programme undertaken by the EDP Foundation and ANDEMMOT - Associação Nacional de Desporto para Deficientes Motores is designed to attract more athletes to play wheelchair basketball and raise public awareness society of the issues related to sports for people with motor disabilities.

- **European Green Mobility Tour –** This tour went to Berlin, Nuremberg, Munich, Freiburg and Stuttgart so that the participants could see innovative sustainable mobility and urban transport solutions adopted by these cities and the main German companies.

- **Lisbon, OPorto and Douro Marathons and cycling Biketour** These events attract thousands of athletes in Portugal. Biketour takes place in Portugal, Spain and Brazil.

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9. ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL INDICATORS	2010					2009				
	Group	Portugal	Spain [1]	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Primary Energy Consumption (TJ)	176,519	94,788	81,643	62	26	242,878	144,472	98,341	64	n/a
Coal	81,816	45,780	36,036	n/a	n/a	132,628	81,675	50,952	n/a	n/a
Fuel Oil	1,566	1,404	162	n/a	n/a	6,105	5,909	196	n/a	n/a
Natural Gas	78,581	44,042	34,539	n/a	n/a	89,051	52,472	36,579	n/a	n/a
Blast Furnace Gas	8,058	n/a	8,058	n/a	n/a	7,996	0	7,996	n/a	n/a
Coke Gas	1,353	n/a	1,353	n/a	n/a	1,483	0	1,483	n/a	n/a
Diesel Oil	205	111	94	n/a	n/a	109	16	93	n/a	n/a
Forest waste	3,280	3,280	n/a	n/a	n/a	4,227	4,227	0	n/a	n/a
Iron and Steel industry gas	1,380	n/a	1,380	n/a	n/a	1,030	0	1,030	n/a	n/a
Fuel for vehicle fleet	281	171	22	62	26	249	172	13	64	n/a
Electricity Consumption										
Generation internal consumption (MWh)	1,815,385	1,250,389	557,922	7,074	n/d	2,429,843	1,800,337	629,506	n/k	n/k
Administrative services (MWh)	36,370	15,158	7,378	12,837	997	33,256	18,590	942	7,463	6,261
Grid losses (%)	8.6	7.5	4.0	12.3	n/a	8.32	6.84	4.97	12.68	n/a
Environmental Certification (ISO 14001)										
Production facilities certified (no.)	106	55	47	4	0	79	52	26	1	0
Net maximum installed capacity certified (MW)	15,103	9,711	3,992	1,401	0	12,633	8,835	3,347	452	0
Net maximum installed capacity certified (%)	69	92	63	80	0	62	84	63	26	0
Substations certified (no.)	21	18	0	3	n/a	3	3	0	0	n/a
Installed capacity of substations certified (MVA)	792	617	0	175	n/a	60	60	0	0	n/a
Installed capacity of substations certified (%)	2.8	3.7	0.0	2.8	n/a	0.22	0.37	0	0	n/a
Gas distribution certified (%)	100	100	100	n/a	n/a	100	100	100	0	n/a
Atmospheric Emissions										
Total Emissions (kt)										
CO_2 [2]	14,699	6,990	7,708	n/a	n/a	20,007	11,075	8,932	n/a	n/a
SO_2	9.5	3.4	6.2	n/a	n/a	17.07	8.24	8.84	n/a	n/a
NOx	18.3	10.8	7.4	n/a	n/a	33.31	21.49	11.83	n/a	n/a
Particles	0.6	0.3	0.3	n/a	n/a	1.05	0.55	0.50	n/a	n/a
Mercury (kg)	69.8	52.8	17	n/a	n/a	142	100	42	n/a	n/a
SF6 (kg)	363	256	83	24	n/a	280	227	5	48	n/a
Overall specific CO_2 emissions (g/kWh)	244	242	497	n/a	n/a	362.3	411	594	n/a	n/a
Especific emissions from thermal facilities (g/kWh)									n/a	n/a
CO_2	654	565	763	n/a	n/a	705	632	821	n/a	n/a
SO_2	0.42	0.27	0.61	n/a	n/a	0.60	0.47	0.74	n/a	n/a
NOx	0.81	0.88	0.74	n/a	n/a	1.17	1.23	0.99	n/a	n/a
Particles	0.02	0.02	0.03	n/a	n/a	0.04	0.03	0.04	n/a	n/a
GHG emissions [3]										
Direct Emissions (scope 1) ($ktCO_2$ eq)	14,744	7,015	7,722	5	2	20,039	11,100	8,933	6	n/k
Indirect emissions (scope 2) ($ktCO_2$ eq)	1,027	866	68	92	1	1,274	1,122	109	40	4
Other emissions (scope 3) ($ktCO_2$ eq) [4]	25.0	15.1	6.1	1.7	2.1	8.9	3.7	3.7	1.5	n/k
Water collected by source (10^3 x m^3)										
Ocean	1,074,512	727,889	346,622	n/a	n/a	1,606,412	1,166,003	440,409	n/a	n/a
River or stream	77,592	66,548	11,035	9	n/a	119,170	104,887	14,283	n/a	n/a
Reservoir	154	154	0	n/a	n/a	316	316	0	n/a	n/a
Artesian well	227	227	0	n/a	n/a	1,086	745	341	n/a	n/a
Well	39	14	0	25	n/a	40	12	0	28	n/a
Municipal Services	5,078	3,101	1,877	63	37	5,641	3,257	2,324	59	n/k

ENVIRONMENTAL INDICATORS	2010					2009				
	Group	Portugal	Spain [1]	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Use of water (10^3 x m^3)										
Colling water	1,150,342	793,217	357,125	n/a	n/a	1,726,053	1,271,032	455,021	n/a	n/a
Row water	7,578	5,199	2,379	n/a	n/a	6,577	4,013	2,564	n/a	n/a
Potable water	302	168	15	83	35	245	134	24	86	n/a
Wastewater (m^3)										
Wastewater from generation with treatment	3,705,478	1,591,911	2,113,567	n/a	n/a	3,624,412	1,368,573	2,255,839	n/a	n/a
Discharge into sea	1,076,223,280	728,292,687	347,930,593	n/a	n/a	1,608,305,923	1,166,689,787	441,616,136	n/a	n/a
Discharge into inland and estuary water	64,122,426	57,496,239	6,626,187	n/a	n/a	112,435,382	100,952,408	11,482,974	n/a	n/a
Waste sent to final disposal										
Total waste (t)	765,340	484,466	274,548	6,055	271	929,642	587,289	333,287	8,931	136
Total hazard waste (t)	4,741	3,896	675	58	113	3,012	1,776	1,129	91	22
Recoverd Waste (%) [5]	92	88	99	99	58	94	98	86	99	98
Main waste categories (t)										
Fly ash recovered	318,118	171,187	146,931	n/a	n/a	580,062	333,303	246,759	n/a	n/a
Used oils	503	284	137	9	73	959	600	222	58	79
PCB	236	79	140	17	0	314	0	314	0	0
Metals	2,463	1,379	518	494	72	3,072	799	685	1,525	63
Gypsum	250,533	208,585	41,947	n/a	n/a	129,179	86,736	42,443	n/a	n/a
Biodiversity										
High voltage lines in protected areas (km)	946	843	39	64.6	n/a	948	844	39	65	n/a
Medium voltade lines in protected areas (km)	12,281	7,701	616	3,963	n/a	12,930	8,383	613	3,934	n/a
Subestations in protected areas (no.)	40	18	11	11	n/a	42	19	11	12	n/a
Environmental Costs (EUR thousands)	98,477	65,723	20,027	10,559	2,169	118,898	73,693	27,793	11,428	5,984
Investment cost	74,943	56,193	7,394	9,231	2,124	86,670	62,889	11,079	9,495	3,207
Current cost	23,534	9,530	12,632	1,328	44	32,228	10,804	16,714	1,933	2,777
Compliance										
Environmental fines and penalties (EUR thousands)	36	0	36	0	0	29	0	29	0	0
Environmental Complains (no.)	366	41	297	28	0	101	89	n/k	12	n/k

(1) Includes the results of the Rest of Europe
(2) Excludes fleet and consumption and loss of natural gas
(3) See detail in the climate change chapter
(4) The increase in value of scope 3 due to the increase in items reported and not the increase of absolute emissions.
(5) Excludes data of EDP Renewables Europe.

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9.1 REDUCING ENVIRONMENTAL IMPACTS

EDP has an environmental Policy published where it stresses its goal of being a key leader in environmental management, taking into account the various stakeholders in the decision-making process and promoting good practices in this area. This Policy may be viewed at www.edp.pt> Sustainability> Environment.

MORAY FIRTH – OFFSHORE WIND FARM

This offshore wind farm project, with an installed capacity of around 1.3 GW.

The Moray Firth region of the United Kingdom is home to nationally and internationally important wildlife sites. Although the direct impact of the wind turbines is of little significance, environmental studies have been carried out (on benthic ecology, fish, marine mammals and ornithology) to prevent or at least minimise possible impacts.

A wide-ranging environmental management plan will include the wind farm construction contract, in order to ensure compliance with the conditions for the project's approval and implementation of the best and most up-to-date environmental practices.

Continuous improvement in environmental management is promoted through voluntary EMAS registrations and the maintenance of Environmental Management Systems in accordance with the ISO 14001:2004 standard and the Corporate Environmental Management System (SIGAC), implemented and certified with referrence to the same standard, which has the "corporate management of environmental policies, strategic plans and information, as well as the environmental performance of the EDP Group's organisations" as part of its scope.

The set of these systems enables EDP to correctly frame and strengthens its commitment to including significant environmental aspects in all planning and decision-making processes at the different levels of the organisation, with particular regard to assessment, control and minimisation of impact. The management's approaches to all of the more significant environmental aspects are described at www.edp.pt> sustainability> environment.

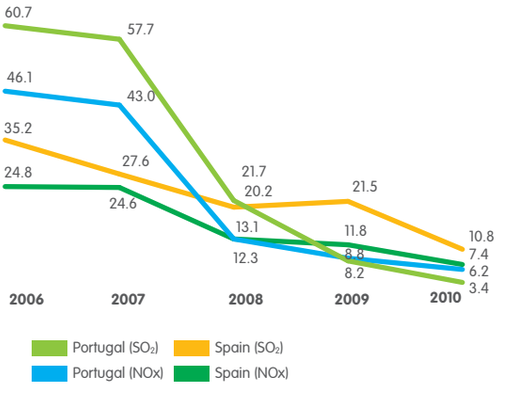
EDP has now certified environmental management systems in accordance with the ISO 14001:2004 standard; these cover 106 electricity generation facilities, corresponding to 69% of maximum net installed capacity, the maintenance of 21 substations corresponding to 2.8% of installed capacity, all gas distribution and supply activity, and the provision of laboratory testing services in specific areas, callibration of equipments in electric domain and electrotechnic studies. In addition, EDP has EMAS registration in 34 facilities, corresponding to 28% of its maximum net installed capacity.

EDP also has a financial stake (15.5%) in the Trillo nuclear power station in Spain. Information regarding the environmental performance of this power station is available at www.cnat.es.

9.1.1 ATMOSPHERIC EMISSIONS

Apart from low-NOx burners already in place in coal power stations, it is currently being installed, at the Sines power station, a catalytic denitrification system for combustion gases , which reduces these emissions by around 70% of present levels. This project is expected to be completed at the end of 2011.

Trends of atmospheric emissions (kt)



Coal-fired power stations also have desulphurisation systems, which have reduced the specific emissions of SO_2 from thermal generation from 3.12 g/kWh, in 2007, to 0.42 g/kWh, in 2010.

9.1.2 WATER

In 2010, EDP adopted a more strategic approach to the consumption and use of water in its generation activities. For the first time, the survey on Water Disclosure Project. EDP was one of the 150 companies in the world to answer. One of the developed actions was the generation assets analisys, based on Global Water Tool. This survey showed that EDP's main installations are not located in areas currently considered to be under water stress.

EDP, nevertheless, continues to implement efficiency measures in its use of resources, in which especially water is always taken into account. Particular examples of this are the installation of dry ashing pans in the coal-fired thermal systems and of the desulphurisation system in the Sines thermoelectric power station, which in 2010 made it possible to reuse 56% of the treated effluent.

For the UHE Mascarenhas power upgrading project, EDP Brasil chose a more efficient technology that generated more energy from the same amount of turbined water.

9.1.3 WASTE AND BY-PRODUCTS

The Sines thermoelectric power station developed a project for using a mixture of fly ash with bottom ash in order to reduce the volume of waste produced and therefore the landfill space occupied.

SINES POWERSTATION

The Sines power station is the first facility in the European Economic Area to obtain a European Technical Approval (ETA) for "Modified Fly Ash SN" (a mixture of fly ash with bottom ash), so that it can now be sold and transported in the European Economic Area. www.lnec.pt/qpe/eta

The Sines power station currently has the capacity to use around 20,000 tonnes per year of bottom ash in the modified fly ash.

Replacing cement with modified fly ash in the preparation of concrete reduces the amount of cement used, which in turn reduces CO_2 emissions by about 13,000 tonnes.

Because coal ashes and calcium sulphate have been registered with REACH as substances, full use can be made of them.

In the distribution business, the maintenance of waste management is now the responsibility of the service providers, who ensure that 7,007 tonnes of waste are collected and sent to the final licensed destination. 21% is hazardous waste and 80% was for recycling.

In compliance with the Basel Convention, EDP limits the cross-border movement of its waste. Its export is limited to PCB waste or accidental cases where the country in which the waste is produced does not have the necessary techniques or facilities to eliminate it. During 2010 there was no record of this type of occurrence.

In accordance with legal requirements and deadlines, the programme for eliminating and disposing of equipment containing PCBs was completed in 2010. 236 tonnes of equipment and oil with a PCB concentration above 500 ppm were collected and sent to the final elimination destination by a licensed operator. In accordance with the applying legislation, the remaining contaminated transformers are maintained until the end of their useful life, but EDP prioritises the early elimination of this type of equipment as part of the replacement plans.

9.1.4 PREVENTION

EDP identifies environmental accidents and near-misses, promoting its registration and analisys, and takes action with the aim of immediatly correcting the circumstances in which they occurred and preventing its recurrence. Still, there were a few environmental incidents:

ENVIRONMENTAL INCIDENTS

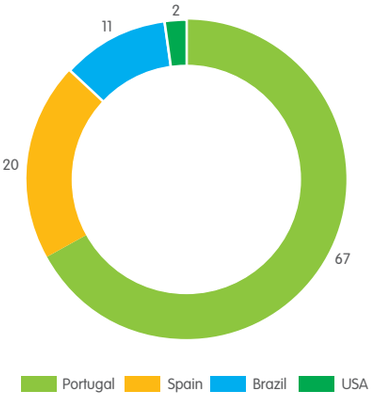
In the distribution business, there were around 245 small oil spills from transformers, amounting to an estimated total of 200 m^3 of spilled oil. In EDP Renováveis, 12 small oil spills were registered, giving originin to around 15 m^3 of spilled oil. In every case they were cleaned and its resulting waste was sent to be treated, without other environmental consequences.

In the generation business, a hydrochloric acid spill was registered while it was being unloaded to supply a tank. The area was washed and the resulting liquid effluent directed to the installation of wastewater treatment in Central, not having produced any waste or impact on the environment.

9.1.5 ENVIRONMENTAL EXPENDITURE

In 2010, EDP incurred about EUR 98 million in environmental expenditure in order to prevent, repair or minimise environmental damage. Environmental investment amounted to EUR 75 million, representing 2.8% of the Group's total investment. This consisted mainly of the amounts expended on minimising the effects of atmospheric pollution (around EUR 56 million) and on reducing the impacts on biodiversity and the land (around EUR 20 million). Environmental revenue deriving from the sale of waste and by-products amounted to EUR 6 million.

Environmental costs (%)



For more detailed environmental financial information, see note 50 to the financial statements.

It is also worth noting the environmental provisions for dismantling the Trillo nuclear power station, at a cost of EUR 22,136 thousand, and EUR 53,156 thousand for dismantling the wind farms. To face the costs related to the replacement and decontamination of the ground where power generation centres are located, the provisioning amount ascends to EUR 11,411 thousand and EUR 7,386 thousand for thermal power generation stations in Portugal and Spain.

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9.1.6 ELECTRIC AND MAGNETIC FIELDS

EDP has followed the scientific developments related to the study of the potential danger associated with long-term exposure to the electric and magnetic fields (EMFs) generated on electricity distribution lines.

As part of the Portuguese Energy Services Regulatory Authority's (ERSE) Environmental Performance Promotion Programme, EDP has launched the non-scientific publication project on EMFs and the implementation of solution types, which included the continuation of the measurement of electric and magnetic fields in installation types, as well as the study of technical solutions regarded as priorities for the application of measures to reduce EMF emissions. This project will be completed at the end of 2011.

Educational information on the effects on health of prolonged exposure to electric and magnetic fields is available at www.edp.pt.

9.1.7 NEW PROJECTS

EDP's growth strategy has prioritised the expansion of its renewable electricity generating stock, especially wind and water generation.

All EDP's businesses incorporate the environmental component in their planning and project phases. The Browsedp data base (www.browsedp.edp.pt) is accessible on the EDP website, where the Environmental Impact Assessment Studies are gradually being included in order to facilitate their availability to the general community.

EDP is forming special teams to coordinate its environmental programmes, which will make it possible to control the environmental performance of projects' entities. During 2010 the process began of collecting and consolidating the operational information that already existed in order to take this into account in future action plans and improve the performance report, available at www.edp.pt> Sustainability> Environment.

The construction of a new power plant includes an active involvement of the local communities at all stages. This involvement is enclosed by the different legal environmental impact assessment requirements. Moreover, EDP has several voluntary initiatives, oriented to local communities. Examples of those initiatives developed for the new hydropower plants under construction in Portugal, can be consulted at www.edp.pt > Sustainability> Society > Local Communities.

In Brazil, EDP is building a coal power plant to start its activity in the 3rd quarter of 2011. This power plant was conceived to grant more security to the Brazilian electric system, and is bound to cover part of electric energy supply in dry periods. The power plant is covered by an Environmental Control and Monitoring Plan that includes several initiatives, among which to be mentioned deteriorated areas recovery and fauna protection. The power plant impact is monitorized with the attendance of technical teams specialized in biology and geology.

9.2 CLIMATE CHANGE

Climate change is certainly one of the major challenges currently facing EDP and energy sector companies in general. The reasons for this are twofold: first, EDP is a company that produces carbon dioxide (CO_2) emissions, one of the gases responsible for the increase in the greenhouse effect; second, the company's assets are subject to the risks that climate change, in particular extreme climatic phenomena, tends to accentuate.

In recent years EDP has been steadily reducing the overall emissions of greenhouse effect gases from its power stations. This reduction is based mainly on the strategy of diversifying energy sources by investing heavily in power stations using more efficient and less polluting energy sources (natural gas), decommissioning oil-fired power stations and making greater use of renewable (especially wind and water) energies. The objective of this strategy is to reduce CO_2 specific emissions by 70% from 2008 to 2020 in accordance with EDP's public commitment expressed at the Copenhagen Conference on Climate Change.

The European Union Emissions Trading Scheme (EU-ETS), which covers EDP's thermoelectric installations in Iberia, is also an important market mechanism for combating climate change. The process is at present in the so-called Kyoto period (2008-2012), under which emission licences in the region of 18 Mton of CO_2 were allocated to EDP – the National Plan for the Award of Emission Licences (PNALE II) in Portugal and Planes Nationales de Asignación (PNA) in Spain.

Along with the initiatives aimed at reducing EDP's carbon footprint in terms of energy supply, EDP has also played a very active role in relation to its customers and consumers in general by improving energy efficiency and thereby reducing emissions. EDP has therefore continued and intensified its energy efficiency campaigns in the main geographic areas in which it operates, both in raising awareness and contributing towards changes in behaviour, and also in providing energy services. There is a more detailed discussion of this topic in page 82.

EDP reports its greenhouse gas (GHG) emissions, together with its reduction and performance targets and strategy for mitigation and adaptation to climate change, in the framework of the Carbon Disclosure Project. In 2010, EDP got the 2nd highest score, 90 points (compared with 75 in 2009), in the Carbon Disclosure Leadership Index - Utility sector, and was also qualified to be listed in the Carbon Disclosure Performance Index, being classified in band B (companies with scores of 51 to 80).

GROUP'S EMISSIONS OF CO_2 EQ

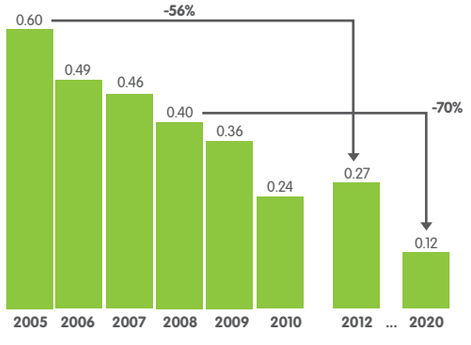
CO_2 eq Emissions	2010				
	Group	**Portugal**	**Spain**	**Brazil**	**USA**
Scope 1 ($ktCO_2$ eq)	**14,744.3**	**7,015.1**	**7,721.8**	**5.2**	**2.2**
Stationary combustion	14,698.8	6,990.4	7,708.4	n/a	n/a
SF6 Emissions	8.2	5.8	1.9	0.5	n/a
Company fleet	20.7	12.6	1.6	4.6	1.8
Natural gas consumption	4.1	0.1	3.6	n/a	0.4
Natural gas losses (T&D)	12.5	6.2	6.3	n/a	n/a
Scope 2 ($ktCO_2$ eq)	**1,027.1**	**866.0**	**68.5**	**92.0**	**0.6**
Electricity consumption in office buildings	6.2	3.4	1.5	0.7	0.6
Electricity losses (T&D)	1,020.9	862.5	67.0	91.4	n/a
Scoep 3 ($ktCO_2$ eq)	**25.0**	**15.1**	**6.1**	**1.7**	**2.1**
Business travel	8.6	1.7	3.0	1.7	2.1
Rented vehicles	0.8	0.3	0.5	n/k	n/k
Employee Commuting	2.0	0.1	1.9	n/k	n/k
Fuel and by-product transportation	3.3	2.6	0.7	n/k	n/k
Outsourcers	10.3	10.3	n/k	n/k	n/k

In 2010, in quantitative terms, there was a significant increase in the use of renewable sources, with a rise of 946 MW in installed capacity compared with 2009. Renewable assets accounted for 61.2% of the EDP Group's total installed capacity (60.7% in 2009). Renewable generation, which also benefited from the fact that, in the Iberian Peninsula, 2010 was a particularly wet year (Hydrological Index IPH=1.31) and with a wind resource above the average (Wind Index = 1.08), resulting in less use of fossil fuels, contributed 65.2% to the Group's total generation (50.5% in 2009).

This situation had three immediate consequences:

- The global emission factor decreased to 0.244 t CO_2/MWh (0.362 in 2009), accentuating the downward trend seen in recent years, even exceeding the target for 2012 (0.27 t CO_2/MWh) and converging fast towards the goal for 2020 (-70% compared to 2008, or 0.12 t CO_2/MWh);
- The CO_2 licence portfolio awarded under EU-ETS resulted in a surplus of around 3.7 Mton CO_2;
- A value of CO_2 emissions avoided by the generation from renewable sources about 18 Mton CO_2, an increase of more than 30% compared to 2009.

Specific CO_2 emission reduction targets (t CO_2/MWh)



CO_2 EMISSION LICENCES GRANTED TO THE EDP GROUP IN 2010 (Kt)

Portugal			Spain		
Power plants	Licenses allocated	Real emissions	Power plants	Licenses allocated	Real emissions
Sines	5,833.32	4,438.20	Aboño	5,243.98	4,621.80
Setúbal	1,119.00	29.74	Soto de Ribera	1,455.77	884.00
Carregado	377.23	49.98	Soto 4	328.30	550.70
Barreiro	138.98	0.53	Castejón	627.45	1,043.00
Fisigen	158.29	113.81	H. Central Oviedo	27.66	30.68
Tunes	4.54	0.92	EITO Cogeneración	20.27	19.37
Ribatejo	1,423.10	1,167.34	Tercia	52.91	67.30
Energin	225.96	200.66	Intever	29.83	59.39
Soporgen	239.31	192.50	Sinova	52.91	62.03
Rôdão	1.97	0.59	Biogas y Energía	28.38	39.42
Mortágua	0.58	0.72	Sidergás Energía	271.92	330.70
Figueira da Foz	4.78	0.26			
Constância	1.97	0.20			
Lares	690.32	794.96			
Total	**10,219.33**	**6,990.42**	**Total**	**8,139.38**	**7,708.38**

Note:
1. Emissions of biomass power stations (Rôdão, Mortágua, Figueira da Foz e Constância são relatadas a 50%)
2. Includes CO_2 emissions, from Sidergás, Aboño 1 and 2 power stations, which burn gas from iron and steel works. These are different from those presented in the financial information, note 46.

Regarding the management of the CO_2 portfolio, EDP used credits acquired from CDM (Clean Development Mechanism) projects in which it participates and sold on the market the surplus from the power stations in Portugal with CMEC (Costs for Maintenance of Contractual Equilibrium).

The portfolio of CDM projects in Brazil includes five projects already registered with the Executive Board of UNFCCC and two in the

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validation process, the Santa Fé mini-hydroelectric power station and a block comprising the increase in the capacity of machines 1, 2 and 3 at the Mascarenhas power station, the Suiça power station and the Rio Bonito mini-hydroelectric power station. In 2010, 24,790 VERs (Verified Emission Reductions) conform to the VCS standard (Voluntary Carbon Standard), resulting from the repowering project of Mascarenhas hydropower plant, were sold on the European market.

CDM PROJECTS IN BRAZIL

Project	Type	Anual reductions (tCO_2e/year)	Validity	Total reductions (tCO_2e/year)
Mascarenhas	Hydro	50,466	2015 (renewable)	353,262
Paraíso	Mini-hydro	30,310	2018	303,095
S.João	Mini-hydro	32,344	2015 (renewable)	226,408
Água Doce	Wind	13,704	2013 (renewable)	95,928
Horizonte	Wind	6,227	2011 (renewable)	43,587

Global consumption of primary energy, including fleet and natural gas consumption in the gas business, was approximately 177 thousand TJ in 2010, a decrease of around 27% compared to 2009.

The thermal power plant efficiency for the different generation technologies is shown on the table above:

	2010			2009		
	Group	Portugal	Spain	Group	Portugal	Spain
Coal and fuel oil	35.9	37.6	34.1	37.6	39.3	35.0
CCGT	53.0	53.2	52.8	53.9	54.8	52.6
CHP and waste	77.9	81.8	77.9	69.4	80.0	60.4
Biomass	22.1	22.1	-	21.7	21.7	-

EDP is also present in Portugal in the RECS (Renewable Energy Certificate System), with four minihydro schemes green certified: Ponte de Jugais (19.22 MW), Sabugueiro I (13.24 MW), Desterro (12.592) and Vila Cova (23.4 MW). Use of these green certificates has been low – only by edp5d Green customers -, but new initiatives to boost this market are already underway.

9.3 BIODIVERSITY

EDP MANAGEMENT IN PROTECTED AREAS

EDP Management in Protected Areas in 2010		Portugal	Spain	Brazil	USA
Distribution Grids (km)					
HV	Overhead	843	39	65	n/a
	Underground	10	0.5	0.1	n/a
MV	Overhead	7,701	587	3,963	n/a
	Underground	788	29	10.3	n/a
No. of substations		18	11	11	n/a
Generation activity (ha)					
Area flooded by reservoirs (*)		3,426	260	0	n/a
Area assigned to wind generation		792	624	0	0
Wind Farms in sensitive areas (%)		17	11	0	0

(*) Not including Alqueva and Pedrógão

During 2010, EDP published its first Annual Biodiversity Report, explaining the strategy up to 2015 based on its Biodiversity Policy. This will be an annual report detailing the company's numerous initiatives in this area. Below is only a summary.

2010 INTERNATIONAL BIODIVERSITY YEAR

2010 Ano Internacional da Biodiversidade

In the context of its biodiversity strategy, EDP has promoted or participated in the following initiatives:

- Patronage of the official programme in Portugal, comprising a wide range of activities involving not only the scientific community but also schools, universities and the community in general.
- Internal survey on biodiversity – examining concepts related to this subject.
- Awareness-raising session broadcast live by the internal television channel – edp ON, where all employees could ask questions which were answered by the EBD and the Group's Sustainability Director.
- Promotion of B Day – International Biodiversity Day, mobilising employees and the community and contributing to the initiative www.biodiversity4all.org.
- Sponsorship of the publication of the Field Guide distributed to all EDP staff who participated in the B Day initiative.
- Programme to involve the local school community in the neighbourhood of the new hydroelectric projects, intended to be an experiment in validating an educational action plan that may serve the rest of the community in the future.

The following will be the lines of action up to 2015:

- To produce inventories of biodiversity based on production infrastructures;
- To minimise the impacts of operations on biodiversity;
- To take steps to minimise / offset impacts on species at risk that are negatively affected by the company's activities;
- To promote good practices in managing protection strips along electrical lines, giving preference to classified areas;
- To provide ecosystem services within the company;
- To administer the EDP Chair of Biodiversity established at the University of Porto.

In the context of the new Environmental Responsibility Law, EDP has been developing biodiversity inventories in the areas affected by its operations. The aim of this is to determine the basic condition of the habitats and establish practices to manage and minimise the necessary risks in order to prevent impacts both in the operational stage and in the event of an environmental emergency.

In Spain, Soto Ribera, Castejon and La Barca have developed these surveys using the autonomous communities' official fauna and flora inventories and other descriptive documents of locations catalogued as Sites of Community Interest.

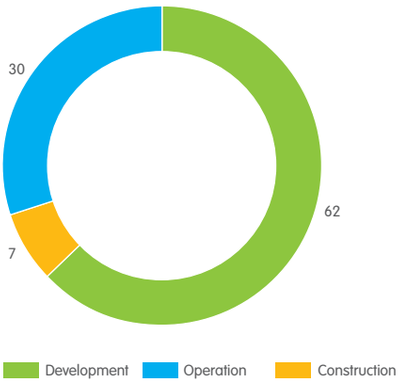
The corporate environmental certification strategy has led to the identification and systematisation of the impacts on the surrounding ecosystems through action plans for continuous improvement that include specific initiatives to minimise the impacts.

In Brazil, Enerpeixe set up a pioneering R&D project in 2010 aimed at creating an invisible barrier that prevents fish from entering the turbine area when the turbines are not operational, in place of the current rescue and save procedure. After it has been developed and tested, the project may be implemented in all Brazilian hydroelectric power stations.

Environmental monitoring continues to be very strict in the new hydroelectric power stations in Brazil, covering species such as the blue macaw, the Amazon river dolphin and the turtle. Investco's ichthyofauna (fish population) research during the stage of filling the lagoon was the most comprehensive study ever carried out in Tocantins and led to the continuation of the research by the state's federal university.

In Spain, the Soto de Robeira thermal power stations are located in a Site of Community Interest, so there is continuous control of the effluents (including thermal effluents) that spill into the Nalón river, which ensures compliance with the environmental licences granted.

Environmental studies in wind activity (%)



In the rapidly expanding area of wind generation, the environmental component is a major consideration when selecting sites and planning projects. In the operational stage there is intense monitoring of environmental impacts, particularly on fauna and flora. During 2010, 800 environmental studies were taking place inwind farms development, building and operation, from which the majority in a development and project phase.

In the distribution business, the impact on avifauna remains the most important environmental aspect, and special attention has focused most recently on the management of the vegetation in the protection strips.

In Portugal, in 2010, more than 60 km of lines were corrected, under the scope of the existing protocols, and the monitoring of approximately 54 km of electricity lines was accomplished. This one will reveal the efficiency of the measures implemented, especially the new anti-collision devices.

In its management of protection strips, Portugal has two distinct programmes of national importance:

- A project approved by ERSE (the Portuguese Energy Services Regulatory Authority) aimed at designing a manual for good practices in the management of the protection strips for high and low-voltage lines, focusing especially on regions with official environmental protection, in which there are currently 30 selected pilot cases;

- The Saflinet project for implementing a "System for Describing Good Management Practices for Fuel Management Strips related to Electricity Distribution Grids". This makes it possible, among other things, to identify the strips, predict intervention cycles and minimise the impacts on biodiversity caused by this obligatory intervention.

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FINAL STATEMENTS

The Executive Board of Directors expresses its gratitude to all those who have contributed and followed the activity of EDP during 2010.

First of all, we thank the shareholders for the support and confidence given to the current Executive Board of Directors and to each of its members.

A special word of gratitude is also due to all members of the Company Bodies responsible for the auditing and supervision of the Group, as well as for the support provided throughout the year. In particular, to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

EDP's current governance model is fully consolidated and is an example in overseeing the management activity and guarantor of the interests of all of the Group's stakeholders.

Additionally, as a result of the support granted to the Group's activities during last year, the Board wishes to thank members of the governmental bodies of countries in which EDP is present and that have assisted EDP for the benefit of the economic and social development of their respective nations.

In the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the energy sector regulators. Particularly to the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in the countries where the activity of the EDP Group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to other entities that have related with EDP during 2010, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese Association of Electricity Sector Companies – ELECPOR;
- Asociación Española de la Industria Eléctrica – UNESA;
- The European Wind Energy Association – EWEA and the American Wind Energy Association – AWEA;
- The National Association of Portuguese Municipalities and Town Councils;
- Agência Portuguesa do Ambiente and Instituto Nacional da Água;
- Environmental and social non-governmental organizations.

A particular acknowledgment is due to the EDP Group clients. We reaffirm our commitment towards excellence in providing services and fulfilling their needs. It is, and will remain, as a constant priority of the entire EDP Group.

The Board's gratitude is also extended to the suppliers, which are our partners in the implementation of the strategic plan, as well as to the various media bodies that followed closely the company during 2010. The coverage made to the various EDP activities is a driver that demands additional accuracy and professionalism from all those who cooperate with the Company.

Finally, a special thank you to all EDP employees, whose contribution, commitment, competence and energy were crucial elements to the results achieved by the Company.

The 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

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Under the terms of the Article 30 of the Company Constitution, the Executive Board of Directors proposes that the Net Profit is appropriated as follows:

APPROPRIATION OF PROFIT

COMPANY NET PROFITS	2010
- Legal Reserve	36,256,784.77 €
- Dividends	621,611,411.55 €
- Donations to Fundação EDP	7,000,000.00 €
- Retained Earnings	60,267,499.12 €
Net Profit	**725,135,695.44 €**

The dividend proposed is EUR 0.17 per share.

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1. GRI COMPLIANCE

This Annual Report was prepared according to Global Reporting Initiative guidelines. The following table shows the GRI indicators according to the Supplement for the Electricity Sector, fully disclosed. For the new partially responses, commitments for future disclosures are included, as well as the reason for its omission. In www.edp.pt > Sustainability > Reports it can be consulted a complete GRI table.

The following table also links Global Compact principles to the information disclosed within the report, reinforcing the commitment of EDP with this initiative.

EDP GRI TABLE

Source of information		Global Compact
1. STRATEGY AND ANALYSIS		
	Page 20; 134	
2. ORGANIZATIONAL PROFILE		
Annexes - Page 176		
EU1	Page 36; 40; 44; 60	
EU2	Page 36; 40; 44; 60	
EU3	Page 79	
EU4	Page 48; 60	
EU5	Page 99	
3. REPORT PARAMETER		
Report Profile		
Annexes - Page 272		
Report Scape and Boundary		
Annexes - Page 272		
Check		
Annexes - Page 272		
4. GOVERNANCE		
Governance		
4.1	Page 109; www.edp.pt> corporate governance	
4.2	Page 111; www.edp.pt> corporate governance	
4.3	www.edp.pt> corporate governance > governing bodies	
4.4	Page 118; 151	
4.5	Page 142-143	
4.6	www.edp.pt> about edp> Corporate Governance > Independence and incompatibilities Statement	
4.7	Page 12	
4.8	Page 8; www.edp.pt > about edp> Our Commitments	
4.9	Page 66; www.edp.pt > sustainability > Approach to Sustainability > Organisation > Internal Organisation	
4.10	Page 142-143	
Commitments to External Initiatives		
4.11	Page 98; 133	
4.12	www.edp.pt > sustainability > Approach to Sustainability > Participations	
4.13	www.edp.pt > sustainability > Approach to Sustainability > Participations	
Stakeholder Engagement		
4.14	Page 68; www.edp.pt > sustainability > stakeholders	
4.15	Annexes - Page 176-177	
4.16	Annexes - Page 176-177	
4.17	Page 68	
5. MANAGEMENT APPROACH		
ECONOMIC PERFORMANCE		
MANAGEMENT APPROACH		
EU6	Page 28; 30; www.eco.edp.pt	
EU7	Page 71; 82-83; www.edp.pt > sustainability > environment > climate change	
EU8	Page 71	
EU9	Page 70-71	
PERFORMANCE		
EC1	Page 19	
EC2	Page 99; 135; 183	
EC3	Note 3 in Financial statements, Page 186; Note 35, page 222	
EC4	Page 19 (1)	
MARKET PRESENCE		
EC5	Page 73	
EC6	Page 84	
EC7	Page 74	

EDP GRI TABLE

Source of information		Global Compact
INDIRECT ECONOMIC IMPACTS		
EC8	Page 88 (2)	
EC9	Page 88	
EU10	Page 29	
EU11	Page 100	
EU12	Page 94	
ENVIRONMENTAL PERFORMANCE		
MANAGEMENT APPROACH		
Materials		
www.edp.pt > Sustainability > Environment> Performance		
Water		
www.edp.pt > Sustainability > Environment> Performance		
Biodiversity		
www.edp.pt > Sustainability > Environment> Performance; Biodiversity Report		
Emissions, Effluents and Waste		
www.edp.pt > Sustainability > Environment> Performance		
MATERIALS		
EN1	Page 94	7; 8
EN2	non existant	
ENERGY		
EN3	Page 94	7; 9
EN4	Page 94	
EN5	Page 94	
EN6	Page 83	
EN7	Page 94; www.eco.edp.pt	
WATER		
EN8	Page 94	7; 8
EN9	n/k	
EN10	n/m (3)	
BIODIVERSITY		
EN11	Page 100	7; 8
EN12	www.edp.pt> sustainability > Environment > Biodiversity > Impact on Biodiversity	
EU13	www.edp.pt> sustainability > Environment > Biodiversity > Biodiversity Report	
EN13		
EN14		
EN15		
EMISSIONS, EFFLUENTS AND WASTE		
EN16	Page 94	8
EN17	Page 94	
EN18	Page 99	
EN19	n/m (2)	
EN20	Page 94	
EN21	Page 94; www.edp.pt > Sustainability > Environment> Performance	
EN22	Page 94	
EN23	Page 97	
EN24	Page 97	
EN25	n/k	
PRODUCTS AND SERVICES		
EN26	Page 96	7
EN27	n/a (5)	
COMPLIANCE		
EN28	Page 94	8
TRANSPORTE		
EN29	n/k	7

EDP GRI TABLE

Source of information		Global Compact
ENVIRONMENTAL INVESTMENTS		
EN30	Page 97; note 50 in financial statements, Page 252	7; 8; 9
SOCIAL PERFORMANCE		
MANAGEMENT APPROACH		
EU14	Page 76	
EU15	Page 74	
EU16	Page 77; 86	
EMPLOYMENT		
LA1	Page 73-74 (6)	6
LA2	Page 73-74	
LA3	n/k	
EU17	Page 73-74	
EU18	Page 94 (2)	
LABOR/MANAGEMENT RELATIONS		
LA4	Page 73 (2)	1; 3
LA5	Page 77 (2)	
OCCUPATIONAL HEALTH AND SAFETY		
LA6	Page 77	1
LA7	Page 73	
LA8	Page 73	
LA9	n/k	
TRAINING AND EDUCATION		
LA10	Page 73	6
LA11	www.edp.pt> sustainability> publications> sustainability reports> EDP Social Report 2010	
LA12	100%	
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	Page 73-74	2; 6
LA14	Page 73-74	
HUMAN RIGHTS		
INVESTIMENT AND PROCUREMENT PRACTICES		
HR1	100%; referred to in general terms of purchase of the EDP	1
HR2	Page 86 (7)	
HR3	Page 76	
NON-DISCRIMINATION		
HR4	Page 125	1; 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	0%; Page 73; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics	1; 3
CHILD, FORCED AND COMPULSORY LABOR		
HR6	Page 76; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (clause 3.1.2)	1; 4; 5
HR7	Page 76; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (clause 3.1.2)	
SECURITY PRACTICES		
HR8	n/k	1
HR9	0	

EDP GRI TABLE

Source of information		Global Compact
SOCIETY		
MANAGEMENT APPROACH		
EU19	Page 98	
EU20	www.edp.pt> sustainability> environment> biodiversity> minimising the impact on biodiversity> environmental impact management in Peixe Anglical Hydroelectric Power Plant	
EU21	Page 78; 98	
COMMUNITY		
SO1	Page 96; www.edp.pt> sustainability> environment	
EU22	0	
CORRUPTION		
SO2	100%; Page 132: SCIRF Model; Page 86: Value Chain	10
SO3	Page 76: EDP Ethics training	
SO4	Page 125	
PUBLIC POLITIC		
SO5	www.edp.pt> about edp> principles and policies; www.edp.pt> sustainability> stakeholders> dialog > governmental institutions); www.edp.pt> sustainability> approach to sustainability> participations	
SO6	www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (Clause 4.1.2)	
ANTICOMPETITIVE BEHAVIOUR		
SO7	n/k	10
COMPLIANCE		
SO8	Page 116 (8)	
PRODUCT RESPONSABILITY		
MANAGEMENT APPROACH		
EU23	Page 80	
EU24	Page 82	
CUSTOMER HEALTH AND SAFETY		
PR1	Page 77; www.edp.pt> Sustentabilidade> Prevenção e Segurança> Segurança e Cidadania; www.edp.pt> Sustentabilidade> Ambiente> Desempenho> Campos Eléctricos e Magnéticos	
PR2	0	
EU25	Page 73	
PRODUCT AND SERVICE LABELING		
PR3	(10)	
PR4	n/k	
PR5	Page 80-81	
MARKETING COMMUNICATIONS AND COSTUMER PRIVACY		
PR6	non existant	
PR7	non existant	
PR8	n/k	
COMPLIANCE AND PRODUCT ACCESS		
PR9	n/m (8)	
EU26	0% (9)	
EU27	Page 81	
EU28	www.edpdistribuicao.pt > Qualidade > Documentação > Relatórios de Qualidade de Serviço (2)	
EU29	Page 48 (Portugal e Espanha); Page 81 (Brasil)	
EU30	Page 36; 39 (11)	

Core sector indicators
Core indicators
Aditional indicators

n/k – not available
n/a – not applicable
n/m – not material
(1) The information will be broken down in accordance with GRI, in the next report.
(2) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2012.
(3) The use of recycled water is not materially relevant
(4) EDP finalized its old air conditioned system remover plan.
(5) The product (electricity and gas) sold by the company is not packed.
(6) EDP has an ongoing characterization of its suppliers, which will provide in 2011
(7) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2013.
(8) The monetary value of fines for EDP is mostly due to flaws in the supply and use of products and services.
(9) According to national regulators.
(10) In Portugal and Spain CO_2 emissions are reported on invoices.
(11) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2011.

GRI COMPLIANCE

Our reporting score was A+, as confirmed by KPMG, and confirmed by Global Reporting Initiative, page 293.

annexes

CONTENTS AND ORGANIZATION

This Annual Report combines economic and financial aspects, along with social and environmental performance, allowing a wider view of business. The report is separated in 5 different sections: EDP; Business; Contribution to Sustainability; Corporate Governance Report and Financial in Information, describing the company's performance between 1 January and 31 December 2010 along with the most important events occurred in the first quarter of 2011. In addition to this annual report:

- EDP reports quarterly to the market and key sustainability information is made available on-line;
- Keeps on-line qualitative and quantitative information both operational and environmental.
- Annual and sustainability reports from the Group's companies operating in Spain and Brazil are also published and may complement information about the sustainability performance of those companies.

Detailed information about contents and organization of EDP´s Annual Report is available in www.edp.pt > Sustainability > Reports.

AA1000 APS (2008)

Dialog with their stakeholders is a commitment of the company expressed in EDP's Principles for Sustainable Development: Ensure an open, transparent and trustful relationship with the different stakeholder group; Establish stakeholder communication channels and integrate their concern; Report performance in a credible, objective way in its economical, environmental and social dimensions.

During 2009, EDP started a thorough process to assess the company's maturity level, in its strategic, procedural and operational approach, against AA1000 APS (2008) standards. These standards, supported in three main principles: Inclusion, Materiality and Response, are important to increase the effectiveness of how EDP communicates and promotes dialogue, replying to the expectations and increasing requirements of different stakeholders.

This process is being developed at a corporate level, including an analysis of the Portuguese specificities, along with the ones from the main EDP Companies, such as EDP renewable; HC Energía and EDP Brazil. Within different maturity stages, the challenge is to guaranty a strategic alignment along with specific approaches to local expectations. It is EDP goal to maintain common strategic priorities within all its companies, letting specific issues be dealt according with its local importance. Harmonization procedures will be set in 2011.

VERIFICATION ACCORDING TO AA1000 AS (2008)

EDP Asked KPMG the verification according to AA1000 AS (2008), Type 2. The verification process includes not only the information disclosed in the EDP's Annual Report 2010, but also the alignment of EDP's practices with the principle of inclusion, materiality and response. In www.edp.pt > Sustainability > Stakeholders > Dialog is available a list with the main stakeholder segments of EDP, as well as the description of the main practices in place, according with AA1000 standard.

PRINCIPLE OF INCLUSION

A stakeholder is all and any agent with influence and being influenced by the company activities, in a direct or indirect way. An inclusive company promotes participation of stakeholders in the development of a strategic response to sustainability. EDP recognises this principle in its engagement processes e commits itself to improve the process of stakeholder identification, guaranteeing that the stakeholder perspective is always considered.

From all the initiatives developed it was possible to improve the knowledge about the concerns and expectations of different stakeholders and continue the action plans ongoing. It is believed that its results will contribute to a continuous improvement of EDP's sustainability performance.

PRINCIPLE OF MATERIALITY

The macro-economic context, where the challenges of sustainability are increasing, summing up with the diversity of EDP's stakeholders, results in a large and complex list of important issues, which must be prioritised according to its relevance and significance. An issue is considered material when it influences the decision, the action and the performance of an organization and its stakeholders.

EDP's material issues were identified through the Accountability's methodology, which ensures a balanced and cleared assessment of data collected internally and throughout the different channels opened for different stakeholders: Satisfaction surveys; surveys to perceive the opinion stakeholders have on EDP's sustainability performance; workshops to discuss and assess the level of engagement, etc.

Comparing the 2009 material issues, in 2010 Climate Change and Environmental Protection are still the main concerns, with Innovation, renewable energies and energy efficiency arising as shared priorities.

All these issues are covered by the Annual Report and an action plan is being developed to reinforce the engagement around these issues, specifically to identify new opportunities to strengthen partnerships with different stakeholders.

PRINCIPLE OF RESPONSE

Organization ensures the principles of response through the improvement of its sustainability performance, as a result action plans and decisions, in a continuous dialog with its stakeholders.

EDP has a set of policies, with objectives and goals framed in processes and initiatives where engagement with stakeholders is continuously being reinforced. Improve the focus of these initiatives in the material issues, ensuring the right stakeholders are involved will allow the company to be more effective in achieving those goals, common to those stakeholders.

For more information about the initiatives in place, please consult www.edp.pt > Sustainability > Stakeholders > Dialog.

MAIN INITIATIVE DURING 2010

During 2008, EDP carried out a thorough identification of all its stakeholders and since then, has ongoing:

- a revision of the above mentioned process, having approved already a corporate Coordination Area for Stakeholder Relations (see page 125).
- During 2010:
  - The Executive Board met with the Environmental and Sustainability Board – an external advisory statutory body (see page 117);
  - A workshop with experts on different suitability subjects was conducted to discuss about sustainability strategies and material issues for the company;
  - Surveys were conducted comprising local communities, living in the surroundings of generation facilities under operation;
  - Satisfaction surveys were conducted and the reinforcement of the investors' engagement channels was performed;
  - Surveys were also conducted comprising NGO and Suppliers;
  - Meetings and workshops were promoted with media, suppliers and public authorities;
  - An internal training session was conducted to clarify AA1000 principles, as well as to reinforce the use of these principles on stakeholders engagement processes.

With several initiatives being conducted within an annual basis, the challenge in to ensure an effective and efficient dialog between different parties, as well as promote the best practices within all EDP's Companies.

During 2011, EDP will promote feedback to all participants, as well as will develop action plans to guaranty the focus on material issues.

In section Contribution to Sustainability, page 67, it can be consulted some specific commitments for 2011.

CORPORATE CONSOLIDATION CRITERIA

The EDP organisation structure (pages 24 and 25), in the business section displays the range of companies covered by the annual report and in page 189, the consolidation perimeter.

The same consolidation criteria were used as in 2009. The following accounting methods were adopted for the consolidation of accounts:

- Full consolidation method: where the parent company holds the majority of voting rights (% control) in the subsidiary, either directly or indirectly. The results of such subsidiaries are reported at 100%.
- Proportional consolidation method: where a company included in the accounting consolidation perimeter runs another company together with one or more companies not included in the perimeter. In this case, only the results corresponding to the percentage stake in the jointly-controlled company are reported.

All the companies consolidated using both methods are listed in Note 52 to the financial statements in the annual report, page 254.

The checks were conducted by an independent organisation, KPMG Advisory, Consultores de Gestão, Lda, which was selected in 2008 on the basis of an invitation to tender in Portugal, submitted to four companies of recognised experience in the field.

GLOSSARY

For a better understanding of the report, our on-line glossary includes definitions of the quantitative indicators given at www.edp.pt/pt/pages/glossário.aspx

annexes - external checks

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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December, 2010 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2010 (showing total assets of 40,488,853 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 7,854,558 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,078,925 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.

3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 2.940.000 Euros - Pessoa Colectiva nº PT 502 161 078 - Inscrito na O.R.O.C. nº 189 - Inscrito na C.M.V.M. nº 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- verification of the consolidation procedures and of the application of the equity method;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the overall adequacy of the consolidated financial statements' presentation; and
- assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code (*"Código das Sociedades Comerciais"*).

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2010, the consolidated results of its operations, the consolidated cash flows , the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC n.º 1013)

annexes - external checks

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2010

(This report is a free translation to English from the Portuguese version)

To the Shareholders of
EDP – Energias de Portugal, S.A.

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.

2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.

4 Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, the consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the consolidated financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC n.º 1013)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 2.840.000 Euros - Pessoa Colectiva Nº PT 502 161 078 - Inscrita na O.R.O.C. Nº 189 - Inscrita na C.M.V.M. Nº 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at for the year ended 31 December, 2010 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2010 (showing total assets of 18,167,608 thousand Euros and shareholders' equity of 6,702,149 thousand Euros, including a net profit of 725,136 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that presents fairly the financial position of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;

b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, that is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, financial position or results of the company.

3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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Matriculada na Conservatória do registo Comercial de Lisboa sob o Nº PT 502 161 078

annexes - external checks

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:

- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the overall adequacy of the financial statements' presentation; and
- assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code (*"Código das Sociedadees Comerciais"*).

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2010, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March, 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC n.º 1013)

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2010

(This report is a free translation to English from the Portuguese version)

To the Shareholders of
EDP – Energias de Portugal, S.A.

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.

2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.

4 Within the scope of our mandate, we have verified that:

i) the balance sheet, the statements of income, of cash flows, of changes in equity, the comprehensive income and the related notes, present adequately the financial position and the results of EDP;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR

KPMG & Associados
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Jean-éric Gaign (ROC n.º 1013)

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annexes - external checks

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 2010 financial year, and according to Nº 1 item c) of article 245º of the Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the respective consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S. A., and subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2011

António Luis Guerra Nunes Mexia, Chairman

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manoel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer – Corporate Centre

STATEMENT

With reference to 2010 financial year, and according to Nº 1 item c) of article 245º of the Securities Code, I hereby declare that, to my best knowledge, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared in accordance to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the respective consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, performance and position of EDP – Energias de Portugal, S. A. and subsidiaries included in the consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2011

annexes - external checks

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INDEPENDENT LIMITED ASSURANCE REPORT

**(This Report is a free translation to English from the Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)**

To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.

Introduction

1 We were engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A ("EDP") to provide limited assurance on the sustainability information included in the chapter "Contribution to sustainability" of the EDP's Annual Report ("the Report") for the year ended 31 December 2010.

Responsibilities

2 The Executive Board of Directors of EDP is responsible for:

- The preparation and presentation of the sustainability information in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "GRI Evaluation" of the Report, and the information and assertions contained within it;
- For determining EDP's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
- For establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

3 Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the sustainability information included in the chapter "Contribution to sustainability" of the Report is free from material misstatement.

We have also conducted our engagement in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2), to provide a moderate level of assurance, which covers not only the nature and extent of the organization's adherence to the AA1000APS, but also evaluates the reliability of performance information as indicated in the appendix "GRI evaluation".

These Standards require that we comply with applicable ethical requirements, including independence requirements.

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KPMG

Scope

4 A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Contribution to sustainability" of EDP's Annual Report ("the Report") for the year ended 31 December, 2010, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
- Interviews with relevant staff at corporate and business unit level responsible for providing the sustainability information in the Report.
- Visits to sites operating in Portugal, Spain, Brazil and United States of America, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
- Comparing the information presented in the chapter "Contribution to sustainability" of the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
- Reading the information presented in the chapter "Contribution to sustainability" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

5 The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

6 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

7 Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Contribution to sustainability" and appendix "GRI evaluation" of EDP's Annual Report for the year ended 31 December 2010 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "GRI evaluation" of the Report. Additionally, and also based on the procedure performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "GRI evaluation" of the 2010 Annual Report.

Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusivity principle

EDP has made an important effort in the identification and prioritization of relevant stakeholders at corporate and regional level. It is recommended that EDP continues working to define the processes and mechanisms that allow EDP to develop the process already started, objectively and homogeneously throughout the entire Group.

annexes - external checks

In relation to the Materiality principle

During 2010, EDP carried out an internal work that allowed the identification of material issues for the relevant stakeholders and integrated at corporate level, in the regions where it operates. It is recommended the implementation of a process that provides a periodic update of material issues.

In relation to the Responsiveness principle

EDP has implemented, in Portugal, a series of mechanisms to give response to material issues. It is recommended the development and implementation of similar processes in the other regions where EDP operates in order to give responses locally.

8 Our limited assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been prepared only with the objective of stating to EDP those matters we have been engaged to state in this limited assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 3 March 2011

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Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Jean-éric Gaign (ROC nr. 1013)

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Independent Report on the Internal Control System of EDP Group for the year ended 31 December, 2010

**(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)**

Introduction

1 We were engaged by EDP – Energias de Portugal, S.A. ("EDP" or "the Company") to perform a work to assess the design and operating effectiveness of the Company's and its subsidiaries ("EDP Group") internal control system over the consolidated financial reporting, for the period from 1 January 2010 to 31 December 2010.

Responsibilities

2 The Executive Board of Directors is responsible for the design, implementation and maintenance of an adequate internal control system over the consolidated financial reporting, as well as for evaluating its effectiveness.

3 Our responsibility is to perform the work in order to assess whether there was compliance, in all material respects, of the internal control system over the consolidated financial reporting of EDP Group, with the requirement described in paragraph 2 above.

Scope

4 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants in order to assess whether, in all material respects, there was compliance of EDP Group's internal control system over the consolidated financial reporting with the requirement described in paragraph 2 above.

5 The internal control system over the consolidated financial reporting is a process designed, as described in paragraph 2 above, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The internal control system over the consolidated financial reporting includes policies and procedures that:

- respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and those charged with governance within EDP Group; and
- provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.

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annexes - external checks

6 The assessment work consisted in performing procedures to obtain evidence about the system's description and its design and operating effectiveness. The procedures performed were based on the auditor's judgment, including the risk assessment of the description not being properly presented and controls not being designed efficiently or operating effectively. Our procedures included testing, on a sample basis, the operating effectiveness of controls, to the extent considered necessary. Accordingly, our examination included:

- obtaining an understanding of the internal control system over the consolidated financial reporting;
- assessing the risk that a material weakness exists;
- testing and evaluating the design and operating effectiveness of internal control based on the assessed risk; and
- performing such other procedures as we considered necessary in the circumstances.

7 Because of inherent limitations, including the possibility of collusion or management override of controls, internal control system over the consolidated financial reporting may not prevent, or detect and correct material misstatements due to fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

8 We believe that our work provides a reasonable basis for our conclusion.

Conclusion

9 To the best of our knowledge, based on the procedures performed as described above, we conclude that, in all material respects:

- The control procedures tested in terms of design and operating effectiveness of the internal control system required to meet the objectives mentioned in paragraph 2 above during the period from 1 January 2010 to 31 December 2010;
- Existing controls that represent the internal control system over the consolidated financial reporting of EDP Group were properly designed during the period from 1 January 2010 to 31 December 2010;
- Existing controls to achieve the objectives referred to in paragraph 2 above, operated effectively during the period from 1 January 2010 to 31 December 2010;

adequately ensure that the objectives referred to in paragraph 2 above have been achieved.

Lisbon, 3 March 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.

annexes - extract from the minutes of the general meeting of edp shareholders

---------- Extract of Minute no. 1/2011 of the EDP's General Shareholders' Meeting ----------

--- On the fourteenth of April of two thousand and eleven, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Rua Ofélia Diogo da Costa, number 39, in Oporto. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating. ----------

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started the meeting by explaining the participation procedures in the present General Shareholders' Meeting and the respective functioning and, afterwards, assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. António Bernardo de Menezes e Lorena de Sèves, and by the Company Secretary, Ms. Maria Teresa Isabel Pereira, verified the regularity of the notice to convene the meeting through the mandatory publications made at the Ministry of Justice's, CMVM's, NYSE Euronext Lisbon's and EDP's websites (apart from the publication made in the Euronext's Official Listing Bulletin of 17th of March of 2011). ----------

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the participants list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present. ----------

The Chairman of the General Shareholders' Meeting and the Company Secretary then verified the percentage of the share capital present or represented at the General Shareholder's Meeting – which, adding the correspondence votes, represented 58.2966% of the share capital and 57.3830% of the voting rights –, based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder.----------

The Chairman of the General Shareholders' Meeting stated also that the exercise of participating and voting rights at the General Shareholders' Meeting was not prejudiced by the transfer of shares after the registration date, nor was dependent from the respective block between registration date and the present date. Nevertheless, the Chairman of the General Shareholders' Meeting referred that shareholders that declared their intention to participate at the General Shareholders' Meeting and, meanwhile, transferred ownership of their shares between registration date and the General Shareholders' Meeting were obliged to communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission.----------

The Chairman of the General Shareholders' Meeting mentioned, afterwards that shareholders who, by professional title, own shares on its own name, but on behalf of clients, may vote on a different way with its shares, as long as, beyond the participating statement and the sending, by the respective financial intermediary, of the shares' registry statements, they had presented to the Chairman of the General Shareholders' Meeting, until the 6th April 2011, sufficient and proportional evidence of (i) identification of each client and number of shares to vote on its account (it is considered as sufficient evidence the indication of the name and the tax number) and (ii) vote instructions, which shall be specific for each different item of the agenda and shall be given by each client. The Chairman of the General Shareholders' Meeting referred then that in case one shareholder has designated several representatives regarding shares held in different book-entry registries, and these representatives vote in a different way regarding the same proposal, all the expressed votes may be annulled. If any of the representatives does not attend the General Shareholders' Meeting, the votes of the representatives present will be considered, as long as all of the representatives vote in the same way. The presence at the General Shareholders' Meeting of a shareholder that has designated one or more representatives revokes the representation powers conferred.----------

The Chairman of the General Shareholders' Meeting also stated that, according to article 14, no. 3 of EDP's By-laws, votes from a shareholder owning category A shares issued on its own account or on behalf of another shareholder would not be cast in the event that they exceeded 5% of the total votes, as well as, since such restriction does not apply to category B shares, the shareholders Parpública – Participações Públicas, SGPS, S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., could vote with more than 5% of the voting rights attached to the share capital. ----------

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were complied with, namely, that the proposals and other information in relation to the items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law. ----------

(...)

--- Mr. Rui Eduardo Ferreira Rodrigues Pena initiated the works of the General Shareholders' Meeting's by submitting to discussion Item One in the agenda, with the following content: "*Resolve on the individual and consolidated accounts' reporting documents for the 2010 financial year, including the sole management report (which includes a chapter regarding corporate governance), the individual accounts and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of individual and consolidated accounts.*" ----------

The Chairman of the General Shareholders' Meeting requested to the Chairman of the Executive Board of Directors and to the Chairman of the General and Supervisory Board to present the accounts' reporting documents, and started by giving permission to speak to Mr. António Luís Guerra Nunes Mexia. ----------

(...)

The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia and granted permission to the Chairman of the General and Supervisory Board, Mr. António de Almeida, to present the opinion and activity report of the corporate bodies chaired by him related to 2010 exercise. ----------

(...)

With the conclusion of the discussion and since no more person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 257 404 232 votes, corresponding to 2 257 404 232 shares, which represent 61.7361% of the share capital. As the abstentions are not considered, the sole management report, the other accounts' reporting documents for the 2010 financial year and the opinion of the General and Supervisory Board were approved by majority of the votes cast (with 99.9998% of votes in favour).----

--- The Chairman of the General Shareholders' Meeting continued with the works and read Item Two of the agenda with following content: "*Resolve on the proposal for the allocation of profits in relation to the 2010 financial year*". Afterwards asked the Company Secretary to read the proposal of the Executive Board of Directors, in the following terms: ----------

"In accordance with article 30/1 of the by-laws of EDP, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocation of profits, in the total value of € 725 135 695.44: ----------

Legal reserve	*€ 36 256 784.77* ----------
Dividends (the proposed dividend is € 0,170 per share)	*€ 621 611 411.55* ----------
Endowment to EDP Foundation	*€ 7 000 000.00* ----------
Profit forwarded	*€ 60 267 499.12"*----------

The Chairman of the General Shareholders' Meeting thanked the Company Secretary and granted permission to the Chairman of the Executive Board of Directors, who mentioned the criteria and reasons of the proposal of allocation of profits presented.----------

The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia and allowed the Chairman of the General and Supervisory Board to speak, in order to present the main highlights of Fundação EDP patronage initiatives. ----------

(…)

Subsequently, and since no more person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 247 120 960 votes, corresponding to 2 247 120 960 shares, which represent 61.4549% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9998% of votes in favour). ----------

--- Initiating Item Three of the agenda, the Chairman of the General Shareholders' Meeting read the respective content *"General appraisal of the management and supervision of the company, in accordance with article 455 of the Portuguese Companies Code"*. Afterwards, the Chairman of the General Shareholders' Meeting ask the Company Secretary to read the proposal presented by the shareholders Parpública – Participações Públicas, (SGPS), S. A., Caixa Geral de Depósitos, S.A., Caja de Ahorros de Asturias, José de Mello Energia, SGPS, S.A., Senfora, SARL, Banco Espírito Santo, S.A., Banco Comercial Português, S.A., and Sociéte Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach"), with the following content: ----------

"Pursuant to article 455 of the Portuguese Companies Code, ----------

The Shareholders propose: ----------

1. – A vote of confidence and praise to the Executive Board of Directors and to each of its members for the performance of their offices during 2010 financial year. ----------

2. – A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2010 financial year. ----------

3. – A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2010 financial year". ----------

Following that, the Chairman of the Shareholders Meeting questioned shareholders to waive the reading of the opinion presented by the General and Supervisory Board regarding the vote of confidence on the Executive Board of Directors for the 2010 financial year since the same is extensive and known by all. Since shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission for the Chairman of the General and Supervisory Board to speak (…). ----------

Since none of the persons attending the meeting asked to speak, the Chairman of General Shareholders' Meeting informed shareholders that General Shareholders' Meeting resolved to split this item of the agenda in four sub-items, as the vote process would be more efficient. Stated that, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A1) of the agenda – "A vote of confidence and praise to the Executive Board of Directors and to each of its members for the performance of their offices during 2010 financial year" – having been issued 2 257 171 020 votes, corresponding to 2 257 171 020 shares, which represent 61.7297% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9574% of votes in favour).----------

Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A2) of the agenda – *"A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2010 financial year"* – having been issued 2 257 097 420 votes, corresponding to 2 257 097 420 shares, which represent 61.7277% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9469% of votes in favour).----------

Afterwards, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A3) of the agenda – *"A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2010 financial year"* – having been issued 2 257 454 105 votes, corresponding to 2 257 454 105 shares, which represent 61.7375% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9403% of votes in favour).----------

At last, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3B) of the agenda – Opinion of the General and Supervisory Board regarding the vote of confidence on the Executive Board of Directors for the 2010 financial year – having been issued 2 081 135 085 votes, corresponding to 2 081 135 085 shares, which represent 56.9155% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9469% of votes in favour). ----------

The Chairman of the General Shareholders' Meeting read the content of Item Four of the agenda - *"Granting authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and its subsidiaries"* - and questioned shareholders to waive the reading of the proposal presented by the Executive Board of Directors since the same is extensive and known by all. Since shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to the Executive Board of Directors for the presentation of such proposal. ----------

(…)

Afterwards, and since no one more person ask to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal contained in Item Four of the agenda, having been issued 2 218 576 797 votes, corresponding to 2 218 576 797 shares, which represent 60.6742% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9499% of votes in favour). ----------

--- In relation to Item Five of the agenda, the Chairman of the General Shareholders' Meeting read the referred Item – *"Granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and its subsidiaries"* – and, as it had already happened within the previous item, questioned the present shareholders on the waiver of the reading the proposal, since the same is extensive and known by all. The reading of the proposal was waived and Mr. Nuno Maria Pestana de Almeida Alves explained briefly the contents of the referred proposal (…)----------

annexes - extract from the minutes of the general meeting of edp shareholders

Since no one ask to speak the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 218 382 464 votes, corresponding to 2 218 382 464 shares, which represent 60.6689% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9054% of votes in favour). ----------

--- The Chairman of the Shareholders' Meeting carried out with the works and moved to Item Six of the agenda, with the following content "*Resolve on the members of the Executive Board of Directors remuneration policy presented by the Remuneration Committee of the General and Supervisory Board*". Considering the extension of the statement and since the same in known by the shareholders, the Chairman of the Shareholders' Meeting questioned to waive the reading of the document, with the following content: ----------

"*Statement to the General Shareholders' Meeting of 14th April 2011 regarding remuneration policy of EDP – Energias de Portugal, S.A. Executive Board of Directors Member' for the 2009-2011 term of office* ----------

1. *On the General Shareholders' Meeting held on the 16th April 2010, it was approved the Executive Board of Directors members' remuneration policy for the 2009-2011 term of office, which was duly executed in accordance to the resolution taken.* ----------
2. *It is recalled that the remuneration policy applicable to the Executive Board of Directors is focused on a guarantee of alignment between the behavior of the executive directors and the company's long term interests. On the basis of a benchmarking analysis, it was created, for that effect, a remuneration package sufficiently competitive in order to attract and retain quality managers, based on a fixed component and on an incentive scheme that reflects the company performance on a perspective of economic and financial sustainability and not only in a short term. With this purpose, the variable part of the remuneration that depends on the achievement of middle and long term goals was reinforced, which is aligned with orientations and recommendations of institutions like the European Commission and CMVM and with several international studies.*----------
3. *As it was defined for the period of the current term of office (three year period 2009-2011) and as it is being fully executed, it is hereby recorded that the referred remuneration policy is in accordance to the terms and conditions detailed on the communication addressed to the General Shareholders' Meeting, last year, by this Remuneration Committee, which is available, for consultation effects, at EDP' website (www.edp.pt) and it is proposed to maintain it in the same terms until the end of the current mandate."*----------

Since the shareholders waived the reading of the statement referred above, the Chairman of the General Shareholders' Meeting granted permission to Mr. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board to speak. Mr. Alberto João Coraceiro de Castro, after presenting its compliments to the shareholders, presented a brief resume of the statement prepared by the Committee chaired by him (…). ----------

Concluded the presentation, the Chairman of the General and Shareholders' Meeting thanked Mr. Alberto João Coraceiro de Castro and declared open the discussion. ----------

As no one ask to speak, the Chairman of the General Shareholders' Meeting submitted to vote Item Six of the agenda, having been issued 2 203 841 267 votes, corresponding to 2 203 841 267 shares, which represent 60.2713% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 98.5159% of votes in favour). ----------

Afterwards, representative of Parpública – Participações Públicas (SGPS), S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., Mr. Joaquim Reis, asked permission to speak to inform that the entities that he is representing require to be included on the present minutes the following vote statement: ----------

"Being in force a policy of restraint and reduction of the remunerations of office holders on administration, management and control of companies with participations held by the State, which is manifest on the strategic orientations defined by the Government, namely through Dispatch no. 11420/2009, from the Treasury and Finance Secretary of State and through Dispatch no. 5696-A/2010 from the Finance Ministry of State and through RCM no. 4/2011, recommendations also issued by the Portuguese Parliament in the scope of Law no. 55-A/2010, dated 27th December, which approved the Law of 2011 State Budget.----------

These orientations are being applicable on companies where the State holds a participation of majority. On companies where the State does not hold the majority of capital and votes, the public shareholder shall also pursue for the compliance of such rules, essentially when the Country is passing through as austere conjuncture and is obliged to proceed with drastic remunerations reductions on Administrative Public Sector and also on its Corporative Sector. ----------

On the General Shareholders' Meeting held in 2010, Parpública and Capitalpor vote against the "Remuneration Policy of the members of the Board of Directors" and, on that occasion, presented a Vote Statement where it was expressed the nature of our disagreement. ----------

This same General Shareholders' Meeting resolved to approve the Remunerations Policy for the term of office correspondent to the current mandate of this Executive Board of Directors.----------

Considering that the statement about "Remuneration Policy of the members of the Board of Directors" for the years 2010 and 2011 presented by the Remuneration Committee of the General and Supervisory Board, within the scope of item 6. of the agenda of the present shareholders' meeting pursues the same principles of the proposal presented last year, its is maintained the divergence regarding the understanding that Parpública and Capitalpor have on the orientations defined on this matter. ----------

Although, as the referred remuneration policy for the 2009-2011 mandate obtained the accordance of the majority of the shareholders on the 2010 General Shareholders' Meeting and as EDP is a company listed in the stock market with high importance on the capitalization of Portuguese stock market and with a high level of dispersion and variety of shareholders, where the State, through Parpública and Capitalpor, holds a minority participation, and nevertheless the divergences referred regarding the policy defined for the current term of office, it intends to abstain on this item, respecting, by this, the majority resolutions adopted previously and contributing for the reliance of the governance model of the company, surpassing any disagreement that may interfere with the company." ----------

--- The Chairman of the General Shareholders' Meeting read then the content of Item Seven of the agenda - "*Resolve on the remaining members of corporate bodies remuneration policy presented by the Remuneration Committee elected by the General Shareholders' Meeting*" and, as in the previous proposals, questioned shareholders to waive the reading of the statement with the following content: ----------

"Statement of the Remuneration Committee of EDP – Energias de Portugal, S.A. on the Corporate Bodies' Remuneration Policy ----------

1. Pursuant to article 11, number 2, paragraph d), of EDP – Energias de Portugal, S.A.'s by-laws, it is the General Shareholders Meeting's responsibility to appoint a Remuneration Committee with the obligation to determine the remuneration of the corporate bodies' members, except for the remuneration of the directors (Executive Board of Directors), which, pursuant to article 27 of the referred by-laws, shall be determined by a Committee appointed by the General and Supervisory Board (GSB). ----------

2. EDP – Energias de Portugal, S.A.'s by-laws provides, in article 8, number 1 that the Company's Corporate Bodies are: ----------

a) General Shareholders Meeting (GSM) ----------
b) General and Supervisory Board (GSB) ----------
c) Executive Board of Directors (EBD)----------
d) Statutory Auditor ----------
On the other hand, the Articles of Association provide yet for the existence of other Corporate Bodies, with statutory dignity: ----------
e) Environmental and Sustainability Board (ESB)----------
f) Remuneration Committee, appointed by the Annual General Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters which on the Articles of Association, also assumes the denomination of Audit Committee. ----------
g) GSM's Board.----------
These are the EDP-Energias de Portugal, S.A.'s corporate bodies. ----------
3. It is, therefore, the Remuneration Committee's responsibility to determine the remuneration of the members of the following corporate bodies: General Shareholders Meeting's Board and members of the GSB; Auditor and Environmental and Sustainability Board. The Committee for the Monitoring of Financial Matters or Audit Committee shall be dealt with together with the other GSB' Committees. ----------
4. The Company's GSM, assembled on 15 of April, 2009, has appointed as members of the Remuneration Committee: ----------
- José Manuel Galvão Teles, President ----------
- Parpública – Participações Públicas (SGPS), S.A., Member, initially represented by João Plácido Pires, replaced in May, 2010 by José Castel-Branco ----------
- Carlos Veiga Anjos, Member ----------
to exercise their mandate along the triennium from 2009 to 2011.----------
5. When complying with the powers assigned to them by the GSM, the Remuneration Committee has determined, in late 2009, early 2010, the remunerations of the members of EDP's corporate bodies, for the triennium 2009 to 2011 (with the exception of the EBD), although with the express reservation that the Committee would fulfil its duty to accompany, every year, the activity of the respective corporate bodies. ----------
After around 3 to 4 months, the Remuneration Committee, in compliance with Law 28/2009, of 19th of June, was asked, for the first time, to submit to the GSM, a proposal for the approval of the Statement on the Corporate Bodies' Remuneration Policy. ----------
The GSM, gathered on the 16th of April, 2010, has decided to reject the Statement submitted, which it did, however, without presenting any alternative and without, commenting on any aspect of the Statement or the Remuneration Policy to be adopted by EDP.----------
Whether during the GSM, whether at any other moment, the Remuneration Committee has never, until now, received the slightest criticism or the slightest remark on the remuneration's policy the shareholders perceive to be pursued by EDP. Excluding, obviously, in what concerns the position of the Government, transmitted directly to the Remuneration Committee, as well through the Vote Statement presented by Parpública at the referred GSM. ----------
Therefore, taking into account the circumstances described, there was nothing new that, in any way, might have influenced the decision to be taken or justify any other measure. ----------
This is why all resolutions taken by the Remuneration Committee are valid and effective, no censorship can be appointed to them, as was confirmed by the opinion of the law experts who have been heard. ----------
6. Arrived here, at the door of the 2011 GSM, the Remuneration Committee has the duty of, beyond being accountable to its shareholders as to its activity, comply with the provisions of the referred Law 28/2009, submitting for the GSM's appraisal, its proposal of a Statement on the Company's Remuneration Policy.----------
This is precisely what the Committee is doing before the shareholders, hoping that it will be able to interpret, understand and respect what is on each person's thoughts. ----------
7. As one can easily understand, the Remuneration Committee has imposed to itself the greatest tranquillity, judgement and openness of mind in order to present to the shareholders with a Statement proposal that meets their legitimate aspirations as true owners of the company. -----
Taking into account the economical and social situation, both at international and national level, it cannot be left unsaid that, on the one hand one must seek to implement a policy of compensation moderation, out of respect for the escalation of the social distress and, on the other hand, it is just as essential to advocate for a remuneration policy that has as underlying principle the criterion of fair compensation for the value of the work performed, recognizing the due personal merit and the merit of the team. Having always as background the actual economic and financial situation of the company and its evolution and results, not forgetting the essential framework on the economic situation of the country and even the world. ----------
8. Thus, one shall comply with the provisions of Point 7 of the Agenda of the Annual General Shareholders Meeting, to take place on the 14th of April. ----------
Given the above, the Remuneration Committee, appointed by the General Shareholders Meeting, pursuant to number 1 of article 2 of Law 28/2009, of 19th of June, hereby submits to the appraisal of the shareholders the remuneration policy of the members of EDP – Energias de Portugal, SA.' corporate bodies, to which its competence respects. ----------
Proposal for the Corporate Bodies' Remuneration Policy----------
In pursuit of its assignments, this Committee has been guided by both general and specific criteria.----------
With respect to the general aspects, one took into account mainly the following guiding principles: ----------
(i) The demand for a remuneration policy based, as much as possible, in the evaluation and incentive of a well-judged in which the merit shall be duly compensated. ----------
(ii) The national and international comparison examples of remuneration of the various members of the corporate bodies in companies with higher market capitalization and similar Iberian companies. ----------
(iii) The most recent recommendations from the European Union and CMVM. ----------
(iv) In the present circumstances of serious economic crisis and financial constraint, the moderation in compensation, with the objective of complying with the demands of a greater social justice in the general framework of the country, as well as within the various remuneration regimes of the company. ----------
EDP's corporate bodies' remuneration policy shall, in sum, be simple, transparent, moderate, adapted to the conditions of the work performed and the company's economical situation, but also, competitive, so that it is able to guarantee the value creation purpose for the shareholders and other stakeholders. ----------

annexes - extract from the minutes of the general meeting of edp shareholders

Established the criteria which preside to the Company's remuneration policy, and weighted the various factors at stake, this Committee proposes, in general lines, the following measures: ----------
(i) The remuneration of the members of the GSB, including its President, shall be set below than those assigned to the members of the EBD, namely as to the non attribution of a variable remuneration component or a Retirement Savings Plan. ----------
(ii) Considering the fact that the country is experiencing difficulties as a generalized consequence from the economic, financial and social crisis in the world, one shall proceed to remuneration adjustments towards contention – which, at this moment, shall not go further than 10% - and, in any case, one shall always take into account the merits of the performance of the members of each body, so that the cohesion, stability and company's development is not at risk.----------
(iii) There shall be no adjustments on the remuneration of the members of the Audit Committee, the value of the remunerations of the previous tenure shall remain the same, despite the fact that there is a progressive increase in work and in the responsibility of the members of this Committee.----------
The present circumstances, in which the companies with national relevance develop their activity, deserve, from our point of view, a particular care in the development of the value chain which, beyond the economical aspects, reveals its social sustainability image, whereby we request the best reception, from this General Shareholders Meeting, to the proposal that we now submit." ----------
Afterwards, having the shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to Mr. José Manuel Archer Galvão Teles, Chairman of the Remuneration Committee elected by the General Shareholders' Meeting to speak. Mr. José Manuel Archer Galvão Teles started by complimenting shareholders present and subsequently, reported to the General Shareholders Meeting that, considering the content of the proposal to be discussed prepared by the Remuneration Committee chaired by him, his exposition would be brief. (…) ----------
Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote Item Seven of the agenda, having been issued 2 203 812 471 votes, corresponding to 2 203 812 471 shares, which represent 60.2705% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 71.4614% of votes in favour).----------
--- Regarding Item Eight of the agenda, the Chairman of the General Shareholders' Meeting read the respective content – "*Resolve on the election of two members of the General and Supervisory Board, for the current 2009-2011 term of office.*" – and expressed its special thanks to Mr. Fernando Manuel Barbosa Faria de Oliveira and to Mr. Vasco Maria Guimarães José de Mello, as they resigned the office of members of the General and Supervisory Board. Following that, the Chairman of the General Shareholders' Meeting informed the shareholders that as it would be submitted to vote the election of two members of the General and Supervisory Board, this item of the agenda was split in two sub-items, which would be vote autonomously. ----------
The Chairman of the General Shareholders' Meeting questioned the present shareholders on the waiver of the reading the proposal presented by the shareholders Parpública – Participações Públicas (SGPS), S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A. with the following content: ----------
"*Considering that Mr. Fernando Manuel Barbosa Faria de Oliveira presented its resignation as member of the General and Supervisory Board, the shareholders Parpública – Participações Públicas (SGPS), S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A. resolve to propose the election of Parpública – Participações Públicas (SGPS), S.A., which holds a participation in EDP corresponding to 25.05% of its share capital, as member of the General and Supervisory Board, with effects until the term of the current 2009-2011 office.*" On the information note regarding Parpública – Participações Públicas (SGPS), S.A., disclosed to the shareholders within the legal deadline, it is mentioned the identification elements of the referred company. ----------
As the reading of the proposal was waived, the Chairman of the General Shareholders' Meeting questioned the present shareholders on the waiver of the reading the proposal presented by the shareholders José de Mello Energia, SGPS, S.A. and Parpública – Participações Públicas (SGPS), S.A., with the following content:----------
"*Considering that Mr. Vasco Maria Guimarães José de Mello presented its resignation as member of the General and Supervisory Board, the shareholders José de Mello Energia, SGPS, S.A. and Parpública – Participações Públicas (SGPS), S.A., resolve to propose the election of José de Mello Energia, S.A., which holds a participation in EDP corresponding to 4.82% of its share capital, as member of the General and Supervisory Board, with effects until the term of the current 2009-2011 office.*" On the information note regarding José de Mello Energia S.A., disclosed to the shareholders within the legal deadline, it is mentioned the identification elements of the referred company.----------
Since none of the presented members asked to speak about this item, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding the election of Parpública – Participações Públicas (SGPS), S.A. as member of the General and Supervisory Board, having been issued 2 218 732 817 votes, corresponding to 2 218 732 817 shares, which represent 60.6785% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.8006% of votes in favour). ----------
Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding the election of José de Mello Energia, S.A. as member of the General and Supervisory Board, having been issued 2 218 543 496 votes, corresponding to 2 218 543 496 shares, which represent 60.6733% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.8371% of votes in favour). ----------
--- Concluded the discussion and resolution in relation to all of the items in the agenda, the Chairman of the General Shareholders' Meeting expressed its gratitude to all presents for the collaboration demonstrated which was decisive for the good performance of this General Shareholders' Meeting and highlighted the results achieved by EDP – that was able to raise its equity capital and demonstrate a resilient position on its dividend policy – being an example for the Country and for Portuguese State. (…)----------
--- There being no further business, the meeting was closed at nineteen hours and fifty minutes, in relation to which the present minute was drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary.----------

Lisbon, April 19th, 2011

The Company Secretary
Maria Teresa Isabel Pereira

annexes - statement GRI application level check

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **EDP - Energias de Portugal S.A.** has presented its report "2010 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

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19 April 2011, Amsterdam

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because EDP - Energias de Portugal S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assuranceProvider and for deciding the scope of the assurance.

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