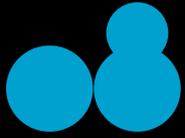


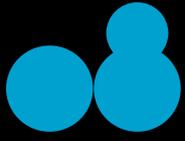
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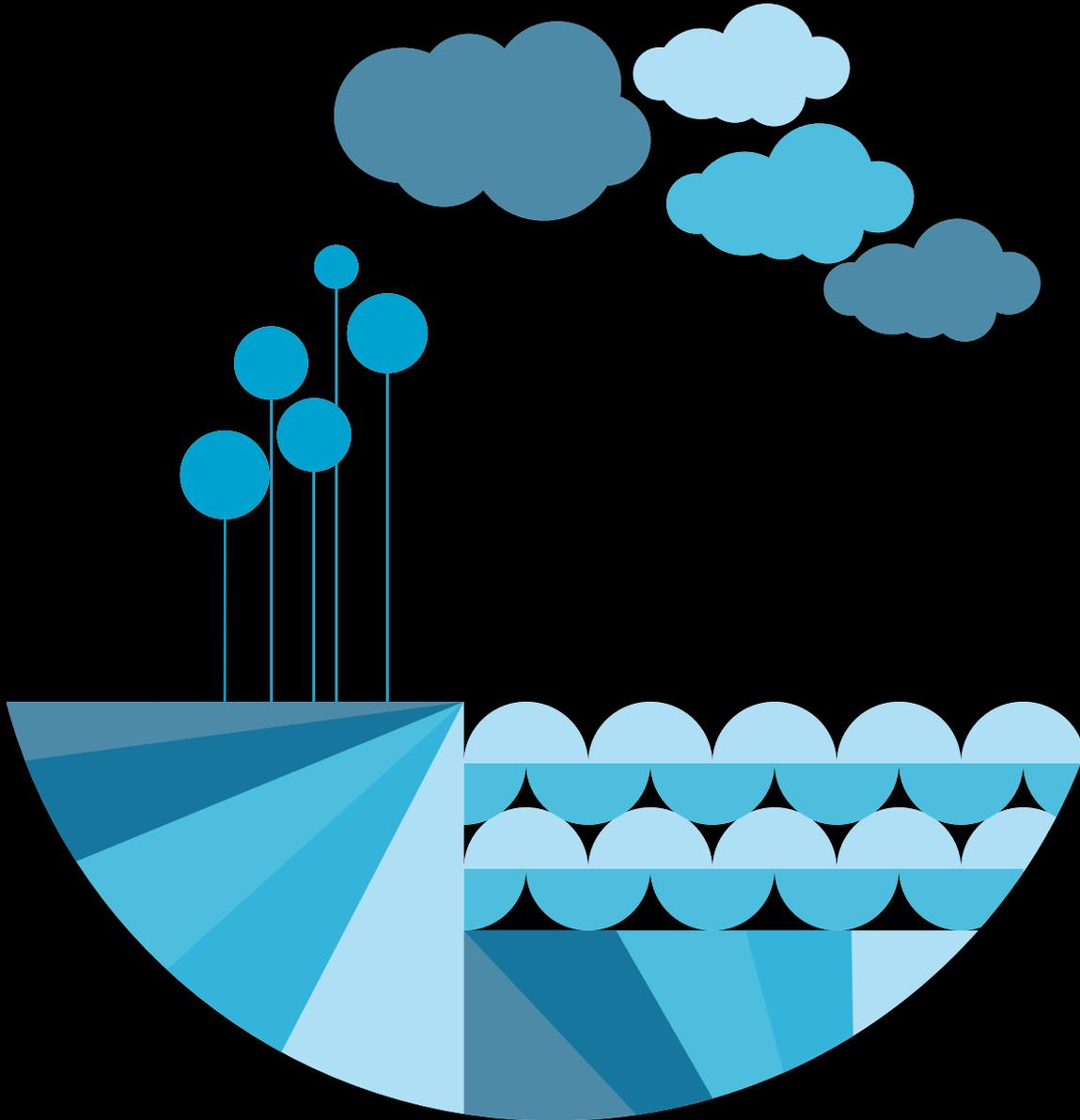


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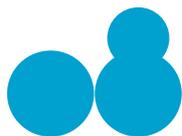


FINANCIAL ANALYSIS



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## FINANCIAL ANALYSIS

### 1. EDP GROUP'S BUSINESS

#### 1.1. EDP Group

In 2008, the EDP Group's net profit reached EUR 1,091.9 million, compared with EUR 907.3 million in 2007.

Net profit rose 20% in 2008, to EUR 1,091.9 million, due to the gains on sales of financial investments in the total amount of EUR 482 million, mainly including: (1) EUR 405 million resulting from the dilution of EDP's stake in EDP Renováveis, (2) EUR 49 million resulting from the sale of stakes in Turbogás (40%) and Portugal (27%), (3) EUR 17 million gain booked on the disposal of a 1.5% minimum interest in REN (first quarter of 2008); and (4) a EUR 4.8 million gain on sale of the 40% owned in Edinfor (first quarter of 2008). On the other hand, net profit was penalized by EUR 8 million loss resulting from the asset swap of Enersul and a shareholding control of Lajeado hydro plant, through an increase of the interest in the share capital of Investco.

#### Balance Sheet – EDP Group

EUR million	2008	2007
<b>Assets</b>		
Property, plant and equipment, net	21,126	18,756
Intangible assets, net	5,842	5,178
Financial Investments, net	524	957
Deferred tax asset	540	687
Inventories	277	283
Accounts receivable – trade, net	1,759	1,759
Accounts receivable – other, net	4,845	2,993
Financial assets held for sale	83	49
Cash and cash equivalents	714	865
<b>Total Assets</b>	<b>35,709</b>	<b>31,527</b>
<b>Equity</b>		
Share capital	3,657	3,657
Treasury stock and share premium	375	436
Reserves and retained earnings	1,241	1,264
Consolidated net profit attributable to equity holders of the parent	1,092	907
Minority Interest	2,182	1,015
<b>Total Equity</b>	<b>8,547</b>	<b>7,279</b>
<b>Liabilities</b>		
Medium/long-term debt & borrowings	10,874	10,064
Short-term debt & borrowings	3,812	2,542
Provisions	324	376
Hydrological correction account	238	228
Deferred tax liability	656	632
Accounts payable – net	11,258	10,406
<b>Total Liabilities</b>	<b>27,162</b>	<b>24,248</b>
<b>Total Equity and Liabilities</b>	<b>35,709</b>	<b>31,527</b>

#### Income Statement – EDP Group

EUR million	2008	2007	△ 08/07
Electricity sales	12,369.5	9,859.8	25.5%
Gas sales	1,226.9	920.4	33.3%
Other sales	136.5	79.0	72.7%
Services provided	161.2	151.7	6.3%
<b>Operating Revenues</b>	<b>13,894.1</b>	<b>11,010.8</b>	<b>26.2%</b>
Electricity	6,627.3	4,748.1	39.6%
Gas	823.2	585.2	40.7%
Fuel	1,482.5	1,046.8	41.6%
Materials and other goods	63.9	77.1	-17.2%
<b>Direct Activity Costs</b>	<b>8,996.9</b>	<b>6,457.3</b>	<b>39.3%</b>
<b>Gross Profit</b>	<b>4,897.2</b>	<b>4,553.5</b>	<b>7.5%</b>
Gross profit/Revenues	35.2%	41.4%	-6.1 pp
Supplies and services	735.8	684.2	7.5%
Personnel costs	573.7	577.0	-0.6%
Costs with social benefits	161.2	289.4	-44.3%
Concession rents	235.7	216.2	9.0%
Other operating costs (or revenues)	35.9	158.5	-77.3%
<b>Operating costs</b>	<b>1,742.2</b>	<b>1,925.2</b>	<b>-9.5%</b>
<b>EBITDA</b>	<b>3,154.9</b>	<b>2,628.3</b>	<b>20.0%</b>
EBITDA/Revenues	22.7%	23.9%	-0.2 pp
Provisions	32.1	42.1	-23.8%
Depreciation and amortisation	1,305.6	1,130.9	15.5%
Comp. of subsidised assets' depreciation	(113.6)	(105.0)	-8.2%
<b>EBIT</b>	<b>1,930.9</b>	<b>1,560.3</b>	<b>23.7%</b>
EBIT/Revenues	13.9%	14.2%	-0.3 pp
Gains/(losses) on sale of financial assets	481.7	262.6	83.5%
Financial income/(expense)	(942.7)	(545.8)	-72.7%
Income/(losses) from group and associated companies	34.7	23.7	46.3%
<b>Pre-tax profit</b>	<b>1,504.6</b>	<b>1,300.8</b>	<b>15.7%</b>
Income taxes	283.8	280.8	1.1%
Discontinued operations	(8.4)	-	-
Profit for the period	1,212.3	1,019.9	18.9%
<b>Equity holders of EDP</b>	<b>1,091.9</b>	<b>907.3</b>	<b>20.3%</b>
Minority interests	120.5	112.7	6.9%

Consolidated EBITDA grew 20% in 2008, to EUR 3,154.9 million, mainly driven by: (1) wind generation business supported by a larger scale of operations, (2) distribution business on higher revenues from regulated activities in Spain and costs efficiency improvements, (3) resilience from Iberian generation and supply supported by low-risk, stable profile of PPA/CMECs. Even so, EBITDA growth was penalized by the lower amount of regulatory receivables recovered during 2008 in Brazil.

### EBITDA – EDP Group

EUR million	2008	2007	△ %
IBERIAN MARKET *	2,442.3	2,009.5	21.5%
Generation and supply	1,207.9	1,225.8	-1.5%
Wind	437.9	214.1	104.5%
Distribution	769.8	455.5	69.0%
Gas	206.7	188.5	9.6%
Brazil	562.3	586.5	-4.1%
Other and Adjustments	(29.6)	(42.1)	29.7%
<b>Consolidated</b>	<b>3,154.9</b>	<b>2,628.3</b>	<b>20.0%</b>

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

The integrated EBITDA for the generation and supply business in Iberia dropped 1.5% in 2008, to EUR 1,207.9 million, largely supported by the low-risk profile of long term generation (70% of EBITDA).

The EBITDA from long term contracted generation rose 3.1%, to EUR 849.3 million. The gross profit in the contracted generation under PPAs/CMECs (Power purchasing agreement/Costs for the maintenance of contractual equilibrium system) grew 0.6% due to higher availability ratios than contracted and additional contracted margin resulting from new Sines coal plant's Desox facilities. The gross profit in special regime increased by 26% backed by a 29% surge in volumes produced in Spain (more EUR 10 million). In turn, EBITDA from liberalized generation and supply dropped 11%, dragged by operations in Spain. Gross profit from generation in Spain dropped 22% to EUR 299.6 million, penalised by lower volumes produced (minus 11%), higher sourcing costs (fuel and CO<sub>2</sub>) and a EUR 8 million cut in capacity payments. In Portugal, gross profit from liberalized generation surged 78% to EUR 166.5 million. Ribatejo CCGT kept profitability levels well above of the Iberian average both in terms of volumes (load factor of 73% versus Spain's average 49% in 2008) and margins (backed by higher average selling prices and better sourcing conditions).

The EBITDA from EDP Renováveis rose 104.5% in the period to EUR 437.9 million. In Europe, EBITDA rose 61%, propelled by capacity additions (+39%, +701 MW), 19% rise in average tariffs, resulting from higher pool prices in Spain and hedging policy followed in fourth quarter of 2008 (0.4 TWh sold at an average price of EUR 73.8/MWh), and due to high load factors. The group's US subsidiary, Horizon, consolidated as from July 2007, booked an EBITDA of EUR 139 million in 2008.

The EBITDA for distribution activity in Iberia grew 69% in the period to EUR 769.8 million in 2008. In Portugal, EBITDA rose 78.5% to EUR 687.9 million boosted by several issues: (1) human resources restructuring costs totaling EUR 38 million in 2008 and EUR 127 million in 2007, (2) recovery through 2008 electricity tariffs of EUR 118 million related to previous years' tariff deviations, in 2007 this amount was negative

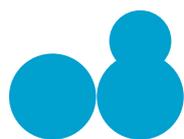
by EUR 30 million, and (3) the recognition as electricity revenues in 2008 of EUR 1.063 million of tariff deviations as a result of several deviations from ERSE's assumptions in 2008 tariffs calculation: (i) lower growth in electricity entered in the distribution grid (up 1.2% in the period), (ii) higher volume of electricity supplied by the last resource electricity supplier (more 9% year-on-year) and (iii) higher procurement costs in 2008 (EUR 76.5/MWh against EUR 50/MWh ERSE's estimate). In Spain, EBITDA rose 14% in 2008, to EUR 82 million, mainly driven by a 9.8% increase in gross profit.

The EBITDA of gas business in Iberia grew 9.6% in the period to EUR 206.7 million in 2008. Distribution and transmission regulated activities (82% EBITDA) posted a 17% rise in EBITDA, to EUR 170 million, driven by operations in Spain, which increased by 37% to EUR 150.3 million supported by a 5.3% rise in regulated revenues and by higher services rendered. In Portugal, EBITDA declined 45% mainly reflecting a lower gross profit stemming from the new concession contract, in place since July 2008. The new concession contract envisages a longer period but unchanged NPV, whereby revenues shall be lower in the first years, increasing later on. In Spain's liberalized gas activities, EBITDA declined 14% to EUR 37.4 million, penalized by the increase of gas sourcing costs.

The EBITDA of Energias do Brasil was 4.1% lower when compared with 2007, to EUR 562.3 million in 2008, little helped by a 0.3% appreciation of annual average rate of the Real against the Euro. In local currency, EBITDA declined 4.4% to BRL 1,491 million, penalised by distribution, on lower amount of regulatory receivables recovered in 2008 and adverse tariff revisions for the new regulatory periods. Note that in September 2008, Energias do Brasil completed the swap of 100% of the distribution company Enersul for a controlling stake in Investco, owner of Lajeado hydro plant. The EBITDA in generation activities increased by 27% in the period fuelled by an increase in installed capacity (more 653 MW on full consolidation of Lajeado) and an increase in electricity sales by Peixe Angical in first quarter of 2008. In distribution, EBITDA dropped 17% driven by the exclusion of Enersul of the consolidation perimeter since September 2008 onwards, reviews in Bandeirante and Escelsa tariff revisions occurred in 2007 and lower amount of recovery of previous years regulatory receivables which was partially offset by demand growth.

### Financial Results – EDP Group

EUR million	2008	2007	△ 08/07
Net financial interest	(721.8)	(539.4)	-33.8%
Net foreign exchange differences	(61.4)	11.0	-
Investment income	6.7	41.4	-
Other financials	(166.2)	(58.8)	-182.5%
<b>Financial Results</b>	<b>(942.7)</b>	<b>(545.8)</b>	<b>-72.7%</b>



## FINANCIAL ANALYSIS

The EDP Group's financial results reflect an increase by 33.8% of net financial interests in the period, following higher average gross debt level (more 27.2% of average gross debt compared with December 2007). EDP's average cost of debt decreased by 5 basis points from 5.68% in 2007 to 5.63% in 2008.

The other financials include: i) impairment losses of EUR 289.4 million in 2008, to reflect the decrease in market value of EDP's 8% stake in Sonaecom (EUR 67 million), 3.2% stake in BCP (EUR 200 million), from Ampla Energia (EUR 20.5 million) and from Energia RE (EUR 1.7 million); and ii) the inclusion of a EUR 74 million gain in 2008 related to hedging operations in energy markets from our generation activity (versus a EUR 9 million loss in 2007).

### Income/(losses) from group and associated companies

amounted to EUR 34.7 million in 2008, up from EUR 23.7 million in 2007: i) 2007 includes a EUR 12.4 million loss regarding Edinfor's contribution; and ii) 2008 includes a EUR 4.3 million contribution from Turbogás, disposed of in May 2008, in opposition to a EUR 12.9 million in 2007.

**Gains/(Losses) on sales of financial assets** include: i) a EUR 405 million gain stemming from the dilution of EDP's equity stake in EDP Renováveis as a result of the IPO; ii) a EUR 49 million gain, resulting from the sale of a 40% stake in Turbogás and a 27% stake in Portugal for a price of EUR 140 million, in May 2008; iii) a EUR 17 million gain booked on the disposal of a 1.5% minimum interest in REN in the first quarter of 2008; and iv) a EUR 4.8 million gain booked on the exercise of EDP's put option over the 40% owned in Edinfor for EUR 56.8 million, in the first quarter of 2008. Capital gains in 2007 include a EUR 259 million gain related to the sale of a 25% stake in REN.

### Capex – EDP Group

EUR million	2008	2007	% $\Delta$
Generation and supply Iberia	691.9	745.0	-7.1%
Wind	2,090.9	1,388.6	50.6%
Regulated energy networks Iberia	360.8	335.1	7.7%
Brazil	428.9	209.3	104.9%
Other	45.7	22.1	106.3%
<b>EDP Group</b>	<b>3,618.2</b>	<b>2,700.2</b>	<b>34.0%</b>
<b>Expansion Capex</b>	<b>2,838.6</b>	<b>1,935.7</b>	<b>46.6%</b>
<b>Maintenance Capex</b>	<b>779.6</b>	<b>764.5</b>	<b>2.0%</b>

**Consolidated capex** rose 34% to EUR 3,618 million in the period, essentially driven by an increase of expansion capex, (which represented 78% of total). The main growth driver of expansion capex was the investment on wind power, with a 51% (EUR 702 million) increase in the period.

In line with strategy to reduce CO<sub>2</sub> emissions, EDP had 3,330 MW of new generation capacity under construction, mainly through investments in "clean" generation by December 2008.

Capex in generation and supply business amounted to EUR 692 million in 2008. The bulk of this (69% of total) referred to expansion projects, namely in new cleaner capacity in the liberalized market. In CCGTs, Castejon 3 (EUR 196 million of total capex, EUR 4.2 million invested in 2008) and Soto 4 (EUR 223 million of total capex, EUR 50 million invested in 2008), both in Spain, started operations in January 2008 and September 2008, respectively. Additionally, construction works at Lares 1 and 2 plants in Portugal (862 MW, EUR 458 million of total capex) proceeded, with 80% of total capex already incurred (EUR 188 million in 2008) and start up of operations scheduled for July 2009 and September 2009. Also, the investment in Soto 5 (424 MW, due in 2011) totaled EUR 69 million in 2008. In hydro, expansion 2008 capex amounted to EUR 137 million including: (1) EUR 53 million upfront payment for Foz Tua concession and (2) EUR 84 million capex incurred on execution of Picote II, Bemposta II, Alqueva II (all repowerings) and Baixo Sabor (new plant). Also, investments in new special regime capacity gained pace in 2008 with EUR 29 million spent in new cogeneration (24 MW in Barreiro, due in 2010) and biomass projects (40 MW due in 2009). In terms of the non-recurrent maintenance capex it is noteworthy the EUR 58 million invested in Sines Desox and Denox new facilities in 2008. Overall, capex incurred on projects currently under construction amounted to EUR 522 million until 2008.

In April 2008, EDP paid EUR 759 million for the extension of the hydro concession of the 4,095 MW hydro plants currently under PPA/CMEC. EDP will operate these plants in the market after the end of PPA/CMEC regime. Later in July, EDP won the international tender for the construction and operation of the new Fridão and Alvito hydro plants in Portugal (450 MW capacity) which implied a payment, in January 2009, of EUR 232 million for the concession rights and will further involve EUR 666 million capex until 2016.

Capex at EDP Renováveis increased by 50.6% in the period to EUR 2,090.9 million in 2008, out of which EUR 893 million were invested in Europe and EUR 1,198 million in the USA (USD 1,768 million), reflecting the construction of 1,413 MW of gross capacity, the 769 MW under construction and advanced payments for turbine acquisitions made during the period.

Capital expenditures along 2008 with projects already in operation amounted to EUR 1,390 million (includes some late capex from 2007 projects and capex invested at the end of construction of 1,413 MW). Investments in capacity under construction and development reached

EUR 701 million, of which EUR 238 million related to advanced payments for turbine acquisitions.

In 2008, capex of distribution activity in the Portugal distribution business increased 2.6% in the period to EUR 239 million, to comply with regulatory requirements and with growth in electricity consumption. In terms of service quality, EIT adjusted for non-recurring impacts (rainstorms, high winds and summer fires), improved 4 minutes in the period to 92 minutes in 2008.

In Spain, capex of distribution activity in the period rose EUR 21 million to EUR 51 million in 2008, on the back of higher investments at our distribution grid (expansion outside Asturias and improvement of service quality).

Capex gas business in 2008 decreased by 1.2% in the period to EUR 70.5 million due to receivable of more subsidies in 2008 (+EUR 16 million) and which was mainly used to the expansion of our network (+592 km in December 2008). Transmission network in Spain increased following the ongoing construction of the Bergara-Irun pipeline (88 km extension, EUR 67.5 million expected total capex, to be fully operational by 2010YE). The new remuneration model for gas transmission in Spain improved significantly the rates of return of this pipeline, which has a higher investment cost per km than the average cost in the Spanish transmission network due to its location in a mountain region.

Capex in Energias do Brasil increased 104% in the period, to BRL 1,137 million in 2008, mostly related to the construction of Pecém coal plant (360 MW/50%) and the construction of the new Santa Fé hydro power plants (+29 MW), which will start operation in 2009. Capex in distribution activity relates to the extension and improvement in the distribution network of the concession areas of Bandeirante and Escelsa mainly due to Universalization program. Excluding Enersul, total capex increased 138% in the period, from BRL 447 million to BRL 1,044 million.

#### Financial Debt

At the end of 2008, the Group's consolidated nominal debt totaled EUR 14,661 million. Compared to the end of 2007, the nominal debt increased by 2,091 million euros, essentially due to the Group's capex in the amount of 3,618 million euros, the payment of EUR 759 million for the hydro domain extension in Portugal and the tariff deviation created in Portugal during 2008 in the amount of EUR 1,063 million.

Following the asset swap agreement between EDP – Energias do Brasil and Rede Empresas de Energia Eléctrica, S.A., the Group started to fully consolidate Investco and to not consolidate Enersul. As a result of this swap, the nominal debt of the Group decreased by 82 million euros.

The net debt of the Group at the end of 2008 amounted to EUR 13,890 million. Contributing for this, among others, was cash and equivalents and financial assets at fair value through profit or loss at EDP S.A. and EDP Finance B.V. (EUR 234 million), at the Brazilian subsidiaries (EUR 170 million) and at EDP Renováveis (EUR 265 million).

#### Nominal Financial Debt – EDP Group

EUR million	Dec 2008	Dec 2007	Change
EDP S.A. and EDP Finance BV	12,417	10,393	19%
EDP Produção	190	19	901%
EDP Renováveis	558	560	0%
Portgás	111	106	5%
HC Energia	449	433	4%
Energias do Brasil	936	1 059	-12%
Other	-	-	n.a.
<b>Nominal Debt</b>	<b>14,661</b>	<b>12,570</b>	<b>17%</b>

During 2008, EDP maintained its policy of centralizing debt at EDP S.A., EDP Finance B.V. and EDP Sucursal, which, at the end of 2008, represented 85% of the Group's consolidated debt. The remaining debt includes, essentially, debt raised by the Brazilian subsidiaries, project finance debt raised by subsidiaries of EDP Renováveis with wind generation partnership projects, as well as short term debt raised by HC Energia Group.

In January 2008, EDP S.A. signed a EUR 200 million 9-year loan agreement with the European Investment Bank, for the financing of the combined cycle plant of Lares.

In April 2008, EDP S.A. and EDP Finance B.V. signed a 5-year revolving credit facility in the amount of EUR 925 million, which was used to refinance short term debt, in line with the Group's financial policy of extending the average life of its debt portfolio and of reinforcing its financial flexibility. The loan was structured as a Club Deal with the participation of 16 international banks.

At end of October EDP Finance B.V. issued a 15 year bond in the amount of 325 million GBP, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The issue was immediately converted to euros (EUR 410 million), through the use of financial derivatives. This bond issue allowed the Group to diversify its investor base, extend the maturity profile of its debt and reinforce its liquidity in anticipation of debt maturing in 2009.

During 2008, the Group issued 2 private placements with a total nominal value of EUR 460 million.

With respect to Brazil, in February, Energest signed a 7-year loan in the amount of BRL 48 million and scheduled amortizations starting on the 3rd year. The proceeds were



## FINANCIAL ANALYSIS

used to finance investments made at the Santa Fé hydro plant.

In March, Cesa and Energest entered into a bridge loan agreement in the amount of BRL 28 million to finance repowering investments in the power plants of Rio Bonito, Mascarenhas and Suíça. This loan was replaced in February 2009 by a long term loan with BNDES.

In the first semester of 2008, Energias do Brasil contracted a 15-month bridge loan in two tranches in the amount of USD 96 million and USD 79 million respectively. The loan was agreed with 6 banks and will be used to finance the Porto de Pecem project, which involves the construction of a thermal power plant in partnership with MPX Energia S.A.

Still during 2008, a 6-year loan from BNDES amounting to BRL 128 million was fully drawn. The proceeds were used by Bandeirante, Enersul and Escelsa to cover their capex programme.

In November, Energias do Brasil agreed with BNDES a 10-year revolving credit facility in the amount of BRL 900 million with an availability period of 5 years. This facility will be used to finance distribution and generation projects of the Brazilian subsidiaries

With respect to the maturity profile, at the end of 2008 the Group's debt consisted of 25% short term and 75% long term debt.

### Debt IFRS – EDP Group

EUR million	Dec 2008	Dec 2007	Change
<b>Debt – Short term</b>	<b>3,669</b>	<b>2,441</b>	<b>50%</b>
Bonds	1,085	458	137%
Bank loans	1,204	649	86%
Other loans	8	2	308%
Commercial paper	1,372	1,331	3%
<b>Debt – Long term</b>	<b>10,992</b>	<b>10,129</b>	<b>9%</b>
Bonds	5,989	6,426	-7%
Bank loans	4,923	3,643	35%
Other loans	80	61	31%
<b>Nominal Debt</b>	<b>14,661</b>	<b>12,570</b>	<b>17%</b>
<b>Interest Accrued</b>	<b>142</b>	<b>101</b>	
<b>Fair Value Hedge Adjustments</b>	<b>-117</b>	<b>-65</b>	
<b>Debt Under IFRSs</b>	<b>14,686</b>	<b>12,606</b>	<b>17%</b>

With respect to short term financing and liquidity management, EDP S.A. continued to favor the use of its EUR 1,000 million programme of Euro Commercial Paper, which allows access to a diversified investor base at a very competitive cost and the necessary flexibility for a more efficient treasury management. In Spain, through its subsidiary HC Energía, the Group has a programme

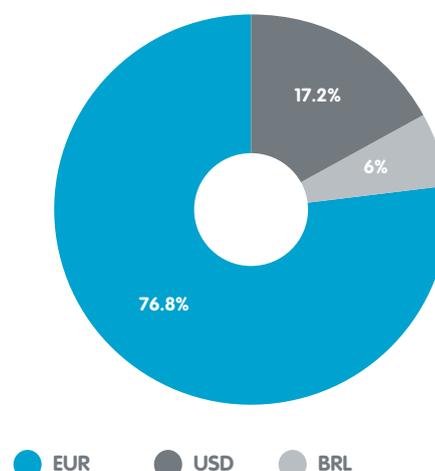
of "pagarés" (domestic commercial paper) in the amount of EUR 500 million that provides the same flexibility and efficiency for treasury management.

In line with the conservative financial policy of the Group, at the end of 2008, EDP S.A. had EUR 617 million of available committed facilities and EUR 650 million of available domestic commercial paper programmes fully underwritten. The Group's policy consists of maintaining long term credit facilities available at several financial institutions of high creditworthiness, providing liquidity and financial flexibility to its business.

At the end of 2008, the average interest rate of EDP S.A., EDP Finance B.V. and EDP Sucursal, after financial derivatives, was 4.3% and around 33.1% of the long term debt was set at a fixed interest rate.

With respect to currency, the USD denominated debt was contracted essentially to finance Horizon's acquisition and capex. The euro continues to be the main denomination currency of the Group's debt, representing 76.8%.

### Debt by Currency



## Rating

In July, following the cash in, in the amount of EUR 1,567 million resulting from the IPO of 22.5% of EDP Renováveis, S&P changed its medium/long term outlook for EDP, S.A. and EDP Finance B.V. from negative to stable.

During 2008 Moody's did not change the ratings attributed to the Group, maintaining A2 for EDP S.A. and EDP Finance B.V. and A3 for HC Energia, both with a negative outlook. In February 2009, Fitch confirmed the rating of EDP S.A., EDP Finance B.V. and HC Energia at A- with a stable outlook.

## Global Scale

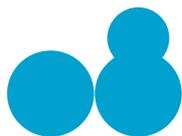
	S&P	Last Update	Moody's	Last Update	Fitch	Last Update
<b>EDP S.A. e EDP Finance BV</b>	A-/Stab/A-2	3/7/08	A2/Out-/P1	19/10/07	A-/Stab/F2	3/7/07
<b>HC Energia</b>			A3/Out-/P2	19/10/07	A-/Stab/F2	3/7/07
<b>Bandeirante</b>			Ba2/CW+	11/8/08		
<b>Escelsa</b>	BB-/Stab	16/6/08	Ba2/CW+	11/8/08		
<b>Energias do Brasil</b>			Ba2/CW+	11/8/08		

In June 2008, due to the good financial performance and the improvements on the business environment of Bandeirante, S&P increased the local scale rating of Bandeirante by 2 notches and of Escelsa by 1 notch.

In August, following the positive review of the regulatory environment of the Brazilian energy industry, Moody's placed the ratings of all Brazilian subsidiaries of EDP on credit watch for a positive review.

## Local Scale – Brazil

	S&P	Last Update	Moody's	Last Update	Fitch	Last Update
<b>Bandeirante</b>	brAA-/Posit	16/6/08	Aa3.br/CW+	11/8/08		
<b>Escelsa</b>	brA+/Stab	16/6/08	Aa3.br/CW+	11/8/08		
<b>Energias do Brasil</b>			Aa3.br/CW+	11/8/08		



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### 1.2. Business Areas

#### 1.2.1. Generation and Supply in the Iberian Peninsula

EBITDA for the integrated generation and supply business in the Iberian Peninsula showed an annual decrease of 1.5% to EUR 1,207.9 million in 2008.

##### Income Statement – Generation and Supply in the Iberian Peninsula

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>1,595.4</b>	<b>1,647.0</b>	<b>-3.1%</b>
Supplies and services	206.3	204.2	1.1%
Personnel costs	123.6	124.3	-0.5%
Costs with social benefits	38.2	59.5	-35.8%
Generation plant rentals	4.8	3.9	23.0%
Other operating costs/(revenues)	14.5	29.4	-50.6%
<b>Operating Costs</b>	<b>387.5</b>	<b>421.3</b>	<b>-8.0%</b>
<b>EBITDA</b>	<b>1,207.9</b>	<b>1,225.8</b>	<b>-1.5%</b>
Provisions	22.3	21.6	3.6%
Depreciation and amortization	422.1	388.1	8.8%
Comp. of subsidised assets' depr.	(4.0)	(4.0)	-0.2%
<b>EBIT</b>	<b>767.5</b>	<b>820.2</b>	<b>-6.4%</b>

**Gross profit** in Iberian generation and supply dropped 3.1% in 2008 largely supported by stable profile of long term contracted generation operations, responsible for 66% of gross profit generated in this division. The integrated operating costs dropped 8.0% in 2008, despite the 1.3% rise in costs stemming from new capacity on stream, operational costs benefited from tight cost control, lower provisioning and marketing expenditures in Portugal supply, resulting from shrinking activity and a decrease of human resources restructuring costs of EUR 11.6 million in 2008 and EUR 36.2 million in 2007. Operating costs were also impacted by the RD 11/2007 regarding the CO<sub>2</sub> clawback amounted EUR 62 million in 2008 (against EUR 42 million in 2007, in part off-set by a partial reversal (EUR 13 million) in 2008 of a provision (EUR 80 million) booked by the generation business in Spain in 2007, related to potential deviations between EDP's interpretation of the RD 03/2006 and the final regulatory outcome.

#### Income Statement – Generation in the Iberian Peninsula

EUR million	Portugal			Spain		
	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>1,196.6</b>	<b>1,136.8</b>	<b>5.3%</b>	<b>331.4</b>	<b>403.9</b>	<b>-17.9%</b>
Supplies and services	109.0	102.9	5.9%	55.6	53.3	4.2%
Personnel costs	80.5	80.1	0.4%	33.3	33.0	0.9%
Costs with social benefits	36.2	48.2	-24.9%	1.7	10.9	-84.5%
Generation plant rentals	4.8	3.9	23.6%	-	-	-
Other operating costs/(revenues)	(15.1)	(9.6)	-56.9%	49.9	49.9	-
<b>Operating Costs</b>	<b>215.4</b>	<b>225.6</b>	<b>-4.5%</b>	<b>140.4</b>	<b>147.1</b>	<b>-4.6%</b>
<b>EBITDA</b>	<b>981.2</b>	<b>911.2</b>	<b>7.7%</b>	<b>191.0</b>	<b>256.7</b>	<b>-25.6%</b>
Provisions	(1.1)	1.5	-	19.0	13.8	37.6%
Depreciation and amortization	296.3	259.0	14.4%	122.8	122.1	0.6%
Comp. of subsidised assets' depr.	(3.6)	(3.6)	0.0%	(0.5)	(0.4)	-1.7%
<b>EBIT/Revenues</b>	<b>689.6</b>	<b>654.4</b>	<b>5.4%</b>	<b>49.6</b>	<b>121.3</b>	<b>-59.1%</b>

#### Income Statement – Supply in the Iberian Peninsula

EUR million	Portugal			Spain		
	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>14.0</b>	<b>20.3</b>	<b>-31.0%</b>	<b>61.4</b>	<b>82.2</b>	<b>-25.3%</b>
Supplies and services	15.8	18.2	-13.0%	34.0	31.5	7.8%
Personnel costs	4.7	4.6	2.0%	5.1	6.5	-21.4%
Costs with social benefits	0.1	0.2	-24.2%	0.2	0.2	-13.1%
Generation plant rentals	-	0.0	-	-	-	-
Other operating costs/(revenues)	(0.9)	1.2	-	(19.4)	(18.4)	-
<b>Operating Costs</b>	<b>19.8</b>	<b>24.2</b>	<b>-18.3%</b>	<b>19.9</b>	<b>19.9</b>	<b>0.2%</b>
<b>EBITDA</b>	<b>(5.8)</b>	<b>(3.9)</b>	<b>-47.3%</b>	<b>41.5</b>	<b>62.3</b>	<b>-33.4%</b>
Provisions	7.4	15.4	-52.2%	(3.0)	(1.4)	-115.2%
Depreciation and amortization	1.1	4.7	-77.7%	2.0	2.3	-14.5%
Comp. of subsidised assets' depr.	-	-	-	-	-	-
<b>EBITDA/Revenues</b>	<b>(14.2)</b>	<b>(24.1)</b>	<b>41.0%</b>	<b>42.5</b>	<b>61.4</b>	<b>-30.8%</b>

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

In June 2007, the long term contracts that EDP had with the Portuguese electricity regulated system (PPAs) were replaced by the CMECs financial system to conciliate: (1) the preservation of the NPV of PPAs, based on real pre-tax return on assets (ROA) of 8.5%, and a stable contracted gross profit over the next 10 years; and (2) the increase in liquidity of the Iberian electricity wholesale market. In terms of EDP's Profit and loss, the total gross profit resulting from CMECs' financial system will keep the same profile over the next 10 years as the former PPA.

Regarding PPA/CMECs gross profit breakdown there are now 4 components: 1) Revenues in the market, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments; 2) Annual deviation, equivalent to the difference between CMECs' main assumptions (outputs, market prices, fuel and CO<sub>2</sub> costs) and market real data, which will be paid/received by EDP, through regulated tariffs, one year after taking place; 3) PPAs/CMECs Accrued Income, reflecting the differences in the period, in terms of cash flow profile, between PPAs and CMECs assumed at the beginning of the system; 4) Base CMEC Fee, the fixed monthly fee of EUR 6.8 million EDP will receive through regulated tariffs over the 20.5 years lifetime of the CMECs system.

#### Financial Highlights – Contracted Generation in the Iberian Peninsula

EUR million	2008	2007	△ 08/07
<b>PPA Revenues</b>	-	<b>587.5</b>	-
Capacity charge	-	473.8	-
Energy charge	-	113.7	-
<b>PPA/CMEC Revenues</b>	<b>1,612.4</b>	<b>681.1</b>	<b>136.7%</b>
Revenues in the market	1,311.9	469.2	179.6%
Annual deviation – market vs. CMEC assumptions	161.7	101.6	59.2%
PPAs/CMECs accrued income	57.1	71.3	-19.9%
Base CMEC fee	81.6	39.0	109.2%
<b>PPA/CMEC Direct Costs</b>	<b>629.6</b>	<b>284.9</b>	<b>121.0%</b>
Coal	253.1	184.4	37.3%
Fuel oil	69.4	91.2	-23.9%
CO <sub>2</sub> and other costs (net)	307.1	9.3	n.m.
<b>Gross Profit PPAs/CMECs</b>	<b>982.8</b>	<b>976.8</b>	<b>0.6%</b>
Cogeneration, waste & biomass	55.7	46.0	21.0%
Mini-hydro	15.3	10.2	50.2%
<b>Gross Profit Special Regime</b>	<b>71.0</b>	<b>56.3</b>	<b>26.3%</b>
<b>Gross Profit Other</b>	<b>-</b>	<b>14.1</b>	<b>-</b>
<b>Gross Profit Total</b>	<b>1,053.8</b>	<b>1,047.2</b>	<b>0.6%</b>

In 2008, gross profit from long term contracted generation rose by 0.6% in the period fuelled by PPA/CMECs (more EUR 6 million) and special regime (more EUR 15 million).

PPA/CMECs' gross profit rose 0.6% in 2008, backed by higher than contracted availability ratios in spite of the negative impact from ongoing repowering works at two hydro plants and from some punctual unexpected outages at Sines, update of contracted gross profit's CPI-link and additional contracted gross profit resulting from the new Sines coal plant's Desox facilities (under PPA/CMEC), which involved a total investment of EUR 196 million (50% commissioned in June 2007 and the remaining in June 2008). This increase partially offset by the termination of PPA at the 165 MW Tunes gasoil plant in December 2007 (EUR 5.9 million in 2007).

Gross profit from special regime rose 26% in 2008, supported by operations in Spain (more EUR 10 million) and wider consolidation perimeter (more EUR 5.8 million). In Spain, regulatory changes paved the way for higher volumes (more 29%) and gross profit (more 44%). In Portugal, gross profit increase was mainly driven by the acquisition of Pedrogão mini-hydro plant (10 MW) consolidated as from November 2007, Vila Velha de Rodão biomass plant, consolidated since June 2008, and Pebble Hydro (11 mini-hydro plants with a 89 MW capacity and expected EBITDA in an average hydro year of EUR 18 million), consolidated as from July 2008. Finally, in Portugal it is noteworthy that output in 2008 was lower in the period due to the outage for major maintenance works

Note that, as from second half of 2007, EDP started to hedge fuel costs risk, stemming from the difference between its cost at the moment of the purchase and the cost at the moment of consumption.

#### 1.2.1.2. Liberalised Electricity Generation and Supply in the Iberian Market

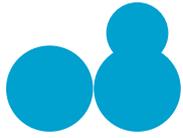
In 2008, gross profit from liberalised electricity generation and supply in the Iberian Market declined 6% in the period, dragged by operations in Spain (minus EUR 103 million).

#### Financial Highlights – Liberalised Generation and Supply in the Iberian Market

EUR million	2008	2007	△ 08/07
<b>Generation in the market</b>	466.1	475.3	-1.9%
Portugal	166.5	93.5	78%
Spain	299.6	381.8	-22%
<b>Supply</b>	75.4	102.5	-26%
Portugal	14.0	20.3	-31%
Spain	61.4	82.2	-25%
<b>EBITDA</b>	<b>541.5</b>	<b>577.8</b>	<b>-6%</b>

In Spain, gross profit from generation dropped 22% to 299.6 million, penalised by lower volumes produced (- 11%), higher sourcing costs (fuel and CO<sub>2</sub>) and a EUR 8 million cut in capacity payments.

Regarding to volumes, coal output declined 35% penalized in first quarter of 2008 by the outage for large maintenance works of Soto 3 plant and by the sharp increase of coal marginal cost in second and third quarter of 2008. In turn, output from our CCGTs rose 113% in 2008 due to start up of operations of Castejon 3 (January 2008), Soto 4 (September 2008) and higher residual thermal demand, namely in the nine months of 2008 (supporting CCGT's load factors of 46% in 2008). Finally, nuclear output was 3% lower in 2008 due to a programmed outage for maintenance works and hydro output was 3% higher in the period largely impacted



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by a surge in fourth quarter of 2008. As a result of pool prices being below HC Energía's marginal generation cost in Spain during a significant part of second and third quarter of 2008, our electricity purchases in the Spanish pool doubled in 2008 (peaking in third quarter of 2008), increasing the overall sourcing cost.

Regarding costs in 2008, it is noteworthy that EDP's low average coal production cost is backed by: (1) consumption of coal purchased in 2007 at prices around USD 90/ton, (2) concentration of coal output in the most efficient plants, namely in second and third quarter, and (3) lower CO<sub>2</sub> costs resulting from lower output, particularly in second and third quarter. As a result, average generation cost in fourth quarter of 2008 was penalised by higher coal output, leading to a tinier contribution from lower-cost blasting furnace gases and, thus, to higher coal and CO<sub>2</sub> costs, and slightly higher cost of gas, reflecting peaking brent prices in second and third quarter of 2008.

In Portugal, gross profit from liberalized generation surged 78% in 2008. This business includes mainly Ribatejo 1,176 MW CCGT, with an higher load factor (73% against average Spanish CCGTs' 49%) and more competitive conditions of gas supply. The higher load factor is explained by a lower reserve margin in Portugal, low hydro production in 2008, outage of 50% of Sines coal plant for maintenance in second quarter of 2008 and lower gas sourcing cost in last quarter of 2008 resulting from shorter adjustment time to brent's decline. The bulk of Ribatejo CCGT output in 2008 was essentially sold in the Portuguese pool with an average price EUR 5.6/MWh higher than in Spanish pool.

In the supply business, gross profit declined 26% in 2008. In Spain, despite the termination of final tariff to an equivalent 130 TWh annual consumption, prompting for a 31% increase in volumes, gross profit growth was affected by lower margins stemming from increasing competition and tougher sourcing costs. In Portugal, gross profit was penalised by the intra-group disposal of some hydro plants in December 2007 (minus EUR 8 million). The focus on the profitable B2C segments mitigated the impact from a 69% decline in volumes sold following uncompetitive market conditions versus tariffs defined by the regulator.

## 1.2.2. EDP Renováveis

EDP Renováveis were incorporated on December 4, 2007 to hold and operate EDP's growing European and North American renewable energy assets and activities. Shortly after its creation, EDP Renováveis acquired EDP's principal existing European and North American renewable energy subsidiaries, NEO and Horizon, respectively. In June 2, 2008, EDP Renováveis sets subscription price for its IPO shares at EUR 8 per share and EDP Group decreased its qualified position in EDP Renováveis to 77.5%.

### Income Statement – EDP Renováveis

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>520.2</b>	<b>13.7</b>	-
Supplies and services	106.9	2.9	-
Personnel costs and soc. benefits	38.1	1.0	-
Other operating costs/(revenues) <sup>(1)</sup>	-62.7	-1.0	-
<b>Operating Costs</b>	<b>82.3</b>	<b>3.0</b>	-
<b>EBITDA</b>	<b>437.9</b>	<b>10.7</b>	-
Provisions	-0.8	-	-
Depreciation and amortisation	207.8	6.9	-
Comp. of subs. assets' depreciation	-0.7	-0.5	-
<b>EBIT</b>	<b>231.6</b>	<b>4.3</b>	-

<sup>(1)</sup> Includes generation centre rentals.

Since EDP Renováveis was only incorporated in December 2007 and Horizon was only consolidated in EDP group as from July 2007 onwards, the 2007 information is not comparable with information for 2008.

### Income Statement – EDP Renováveis in Europe and USA

EUR million	EUROPE (NEO) <sup>(1)</sup>			USA (Horizon)		
	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>388.9</b>	<b>242.9</b>	<b>60%</b>	<b>131.3</b>	<b>31.6</b>	-
Supplies and services	55.8	38.8	44%	45.4	9.2	-
Personnel costs and soc. benefits	18.7	13.0	44%	18.0	8.4	-
Other operating costs/(revenues) <sup>(1)</sup>	7.6	0.9	775%	-70.6	-10.0	-
<b>Operating Costs</b>	<b>82.1</b>	<b>52.7</b>	<b>56%</b>	<b>-7.2</b>	<b>7.6</b>	-
<b>EBITDA</b>	<b>306.8</b>	<b>190.2</b>	<b>61%</b>	<b>138.5</b>	<b>23.9</b>	-
Provisions	-0.8	-	-	-	-	-
Depreciation and amortisation	120.1	91.2	32%	87.7	20.4	-
Comp. of subs. assets' depreciation	-0.7	-0.2	-346%	-	-	-
<b>EBIT</b>	<b>188.2</b>	<b>99.1</b>	<b>90%</b>	<b>50.8</b>	<b>3.5</b>	-

<sup>(1)</sup> The 2007 information is not comparable with information presented in segmental reporting due to the fact that 2007 information presented in this table includes holdings from NEO's Group to make comparable with 2008 information.

EDP Renováveis gross profit reached EUR 520.2 million in 2008, on the back of higher electricity output (7.8 TWh in 2008) and attractive selling prices of EUR 98/MWh in Europe (up 19% in the period) and USD 86/MWh in United States of America (including PTCs). In Europe, average selling prices benefited from an increase in pool prices in Spain. Note that even though pool prices started to show a negative trend in the fourth quarter of 2008, EDP Renováveis benefited from its hedging policy (0.4 TWh in OTC market sold at an average price of EUR 73.8/MWh). In United States of America, gross profit adjusted for PTCs and other revenues related to institutional partners reached EUR 192.5 million in 2008.

Operating costs at EDP Renováveis reached EUR 82.3 million in 2008. In Europe, operating costs increased 56% in the period, mainly driven by the business growth, which reflected into higher O&M expenses related to the entry into operation of new capacity and higher personnel costs due to the additional headcount needed to fuel the activity growth. In consequence, average operating costs per MW installed rose 11% in the period to EUR 42.8/ MW.

### Gross Profit – EDP in Europe (NEO)

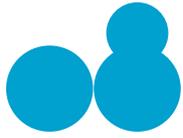
EUR million	2008	2007	△ 08/07
Portugal	98.3	72.5	36%
Spain	265.7	161.7	64%
France	16.7	9.7	73%
Wind	380.7	243.9	56%
Other & Adjustments	8.2	-1.0	-
<b>Total</b>	<b>388.9</b>	<b>242.9</b>	<b>60%</b>

In United States of America, average operating costs per MW installed, when adjusted for PTCs and other revenues related to institutional partners, reached EUR 52.7/MW in 2008.

### Gross Profit – EDP in USA (Horizon)

EUR million	2008	2007	△ 08/07
Electricity revenues & RECs	131.8	32.3	-
Electricity cost of sale	-0.5	-0.7	27.7%
<b>Gross Profit</b>	<b>131.3</b>	<b>31.6</b>	-
PTC revenues & other	61.2	12.3	-
<b>Adjusted Gross Profit</b>	<b>192.5</b>	<b>43.9</b>	-

EDP Renováveis installed 1,413 MW of gross capacity in 2008, which clearly demonstrates the company's credibility to execute its annual targets. As such, EDP Renováveis begins the year 2009 managing a portfolio with more 5,000 MW of gross capacity, corresponding to



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a total of 4,400 MW of EBITDA capacity. As of December 2008, EDP Renováveis EBITDA capacity in Europe totaled 2,477 MW, up 701 MW in the period. Note that EDP Renováveis added a new geography to its operational capacity – 47 MW installed in Belgium. The company's operating capacity in Europe is now spread over four different countries: Spain (1,692 MW), Portugal (553 MW), France (185 MW) and Belgium (47 MW). In United States of America, EDP Renováveis EBITDA capacity totaled 1,923 MW, up 669 MW in the period.

Electricity output at EDP Renováveis totaled 7.8 TWh in 2008. In Europe, electricity generation increased by 34% to 3.9 TWh in 2008, on the back of the additional capacity that came on stream in 2008 (+701 MW in the period). However, it is important to highlight that 2008 production did not fully benefit from the fourth quarter of 2008 capacity additions, as the bulk of the capacity was installed in late fourth quarter of 2008. In 2008, our wind portfolio in Europe recorded a 26% average load factor (flat in the period). In United States of America, following the strong increase in installed capacity, electricity output totaled 3.9 TWh. Load factors in the period reached 34% (versus 30% in 2007).

### 1.2.3. Distribution in the Iberian Peninsula

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

The distribution business in the Iberian Peninsula showed an EBITDA of EUR 769.8 million in 2008, representing 69% increase in the period.

#### Income Statement – Distribution in the Iberian Peninsula

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>1,640.2</b>	<b>1,369.6</b>	<b>19.8%</b>
Supplies and services	344.3	316.1	8.9%
Personnel costs	194.7	207.1	-6.0%
Costs with social benefits	135.7	233.8	-42.0%
Concession fees	227.5	208.7	9.0%
Other operating costs / (revenues)	(31.8)	(51.6)	38.4%
<b>Operating Costs</b>	<b>870.4</b>	<b>914.1</b>	<b>-5.3%</b>
<b>EBITDA</b>	<b>769.8</b>	<b>455.5</b>	<b>69.0%</b>
Provisions	(1.3)	(17.1)	-
Depreciation and amortization	369.4	377.2	-2.1%
Compensation of subsidised assets' depreciation	(90.5)	(88.3)	-2.4%
<b>EBIT</b>	<b>496.8</b>	<b>183.8</b>	<b>170.3%</b>

#### 1.2.3.1. Distribution in Portugal

Integrated gross profit from distribution grid and last resource supply activities rose 20.9% in the period to EUR 1,482.1 million in 2008. According to Decree-Law 165/2008, of August 21, tariff deviations from years prior to 2008 now benefit from the same regulatory/legal framework as tariff deficits. As such, EDP Distribuição and EDP Serviço Universal booked as electricity revenues in 2008 an amount of EUR 1.063 million.

Electricity inflow into EDP Distribuição distribution grid increased 1.2% in the period or 0.9% year-on-year adjusted for temperature and working days. Electricity distributed stood 3.6% below ERSE's forecast used in the calculation of 2008 tariffs, mostly reflecting the slowdown of Portuguese economy. This lower consumption, coupled with a consumption mix (per hour, per voltage, etc) different from ERSE's assumption, led to a tariff deviation in the distribution grid activity.

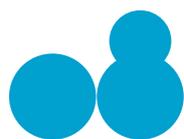
The volume of electricity supplied to regulated clients by EDP Serviço Universal rose 9% in the period to 45.3 TWh in 2008, more than 6% above the regulator's assumption in 2008 tariffs, given the significant switching of clients from the liberalized market to the regulated supplier as a result of the increase in market prices when compared to the 2008 last resource tariff. In 2008, EDP Serviço Universal electricity procurement cost was EUR 76.5/MWh vs. the regulator's assumption of EUR 50/MWh.

In December 2008, ERSE announced a 4.9% average annual increase for 2009 electricity tariffs in Portugal (new regulatory period: 2009-2011) as well as the recognition of an accumulated tariff deficit of EUR 1,276 billion with reference to December 2008 (created in 2007-2008, plus interests).

The Decree-Law 165/2008, from August 21<sup>st</sup>, defines that this tariff deficit/deviations, to be supported by EDP is to be recovered, plus interests (Euribor + 90 basis points), through the tariffs applicable to all electricity consumers, as from January 1, 2010, and for a 15 years period. The same DL also allows the tariff deficit to be transferred to a third party without recourse, recognizing the undeniable right to its receipt. Note that when setting 2009 electricity tariffs, ERSE assumed a 3.3% average increase in consumption and an average electricity purchase cost of EUR 70.8/MWh. Despite an expectation of lower consumption for 2009, ERSE assumption in terms of electricity purchase cost is well above what the market has been witnessing in the past few months, which should therefore ease the pressure over the electricity system in what concerns future tariff deficits/deviations.

#### Income Statement – Distribution in Portugal

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>1,482.1</b>	<b>1,226.1</b>	<b>20.9%</b>
Supplies and services	284.3	260.2	9.3%
Personnel costs	173.8	181.4	-4.2%
Costs with social benefits	132.1	217.2	-39.2%
Concession fees	227.5	208.7	9.0%
Other operating costs / (revenues)	(23.5)	(24.8)	-5.4%
<b>Operating Costs</b>	<b>794.3</b>	<b>842.7</b>	<b>-5.7%</b>
<b>EBITDA</b>	<b>687.9</b>	<b>383.4</b>	<b>79.4%</b>
Provisions	(1.5)	(16.8)	91.3%
Depreciation and amortization	340.4	345.3	-1.4%
Compensation of subsidised assets' depreciation	(91.8)	(85.5)	-7.3%
<b>EBIT</b>	<b>440.7</b>	<b>140.3</b>	<b>214.1%</b>



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### Electricity Sales and Gross Profit – Distribution in Portugal

EUR million	2008	2007	△ 08/07
Electricity sales & tariff deviations and deficits	6,014.9	4,622.9	30.1%
Purchases	4,562.1	3,414.1	33.6%
<b>Electricity Gross Profit</b>	<b>1,452.7</b>	<b>1,208.7</b>	<b>20.2%</b>
(-) 2006/08 tariff deficit reposition (Jan-Feb)	(2.4)	-	-
(-) 2007 tariff deficit recognition Reposition	85.9	-	-
<b>Adjusted Electricity Gross Profit</b>	<b>1,369.2</b>	<b>1,208.7</b>	<b>13.3%</b>
Tariff deviation to receive/(return)	0	58.3	-99.8%
<b>Total Allowed Revenues</b>	<b>1,369.3</b>	<b>1,267.1</b>	<b>8.1%</b>

Controllable operating costs (supplies & services and personnel costs) increased 3.8% in the period, on the back of an increase in supplies and services, which was driven by higher costs imposed by new legislation (Law 12/2008: namely a change from bi-monthly to monthly invoicing, among other) and by an increase in IT services and back-office costs.

Personnel costs decreased 1.9% in the period excluding, indemnities and personnel costs capitalization, reflecting the 6% decrease of the number of employees in the period. In consequence, the clients/employee efficiency ratio improved 7% year-on-year. Costs with social benefits decreased EUR 68 million in the period on the back of lower Human Resources Restructuring costs – EUR 38 million in 2008, regarding 148 early retirements that signed to leave in the first quarter of 2009, versus EUR 127.3 million in 2007.

#### 1.2.3.2. Distribution in Spain

In 2008, electricity distributed in Asturias increased by a mere 0.6% in the period, on the back of a 2.1% year-on-year decrease in consumption from High Voltage clients. Gross profit from our electricity distribution activity in Spain increased 9.8% annual to EUR 158.1 million in 2008, reflecting a 5.5% increase in regulated revenues recognized in the 2008 tariffs and a EUR 6 million increase in services rendered due to the regulatory revenues (EUR 5.3 million).

### Income Statement – Distribution in Spain

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>158.1</b>	<b>143.9</b>	<b>9.8%</b>
Supplies and services	59.9	55.9	7.3%
Personnel costs	20.9	25.7	-18.8%
Costs with social benefits	3.6	16.6	-78.3%
Other operating costs / (revenues)	(8.3)	(26.3)	68.4%
<b>Operating Costs</b>	<b>76.1</b>	<b>71.9</b>	<b>6.0%</b>
<b>EBITDA</b>	<b>81.9</b>	<b>72.1</b>	<b>13.7%</b>
Provisions	0.1	(0.4)	-
Depreciation and amortization	29.3	31.9	-8.1%
Compensation of subsidised assets' depreciation	(3.6)	(2.8)	-25.1%
<b>EBIT</b>	<b>56.1</b>	<b>43.4</b>	<b>29.2%</b>

### Regulated Revenues – Distribution in Spain

EUR million	2008	2007	△ 08/07
Transmission	6.4	6.2	3.7%
Distribution	130.8	123.7	5.8%
Supply	8.0	7.7	3.3%
<b>Revenues Regulated</b>	<b>145.2</b>	<b>137.6</b>	<b>5.5%</b>

Operating costs increased 6% in the period to EUR 76 million in 2008. Excluding from 2007 operating costs the EUR 11 million impact related to RD 871/2007 and a EUR 3.4 million revenue booked under other operating costs/revenues, operating costs would have decreased 11.7% year-on-year. Supplies and services reflect an increase in O&M costs, which was more than compensated by a reduction of social benefits costs – the year 2007 includes a EUR 15.8 million cost related to the expected evolution of employees remuneration, to reflect a change in HC Energía labour agreement.

All in all, EBITDA from our Spanish distribution activity increased 13.7% in the period to EUR 82 million in 2008.

In 2008, electricity tariffs in Spain were not enough to cover for electricity procurement costs, which translated into a EUR 252 million 2008 tariff deficit for HC Energía. In January 2008, electricity tariffs in Spain have been increased by 3.3% and by an additional 5.6% in July, assuming a EUR 61.1/MWh average wholesale price of electricity for the second half of 2008. Tariff deficit for Spain amounted to EUR 5.6 billion in 2008 and Spanish utilities and the Spanish government are currently negotiating the best way to avoid similar shortfalls in the future.

The 2007 tariff deficit for Spain's electric system, which amounted to EUR 1.3 billion, was securitized in June 2008. Cash proceeds received by HC Energía in July due to this deal amounted to EUR 79 million (with interests). As from 2007, 2006 tariff deficit is being recovered through tariffs, for a 15 years period.

### 1.2.4. Gas in the Iberian Peninsula

EDP's gas business in Iberian Peninsula is mainly focused on the regulated distribution activity. Naturgas has increased its presence in the Spanish liberalised market. EDP's assets in this business area include: Naturgas, in Spain (with an indirect shareholding of 63.5%), and in Portugal, EDP Gás (72% fully consolidated).

#### Income Statement – Gas in the Iberian Peninsula

EUR million	Portugal			Spain			Total		
	2008	2007	△ 08/07	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>46.9</b>	<b>52.6</b>	<b>-10.9%</b>	<b>255.7</b>	<b>223.3</b>	<b>14.5%</b>	<b>298.0</b>	<b>274.8</b>	<b>8.4%</b>
Supplies and services	14.4	12.1	18.7%	42.5	40.9	4.0%	52.5	52.1	0.8%
Personnel costs	4.2	5.3	-19.5%	22.6	20.4	10.8%	26.5	25.6	3.2%
Costs with social benefits	0.1	0.2	-69.5%	0.5	0.4	12.0%	0.6	0.7	-17.8%
Other operating costs/(revenues)	5.7	-0.0	-	5.5	8.1	-32.6%	11.8	8.0	48.3%
<b>Operating Costs</b>	<b>24.3</b>	<b>17.6</b>	<b>38.7%</b>	<b>71.1</b>	<b>69.8</b>	<b>1.8%</b>	<b>91.3</b>	<b>86.4</b>	<b>5.7%</b>
<b>EBITDA</b>	<b>22.5</b>	<b>35.0</b>	<b>-35.7%</b>	<b>184.7</b>	<b>153.5</b>	<b>20.3%</b>	<b>206.7</b>	<b>188.5</b>	<b>9.6%</b>
Provisions	-0.0	0.3	-	0.4	-0.5	-	0.4	(0.2)	-
Depreciation and amortization	11.8	12.9	-8.8%	35.5	33.7	5.2%	47.2	46.6	1.3%
Comp. of subsidised assets' depr.	-1.4	-1.4	-0.2%	-3.2	-1.6	98.1%	-4.6	(3.0)	52.3%
<b>EBIT</b>	<b>12.2</b>	<b>23.3</b>	<b>-47.6%</b>	<b>151.9</b>	<b>121.8</b>	<b>24.8%</b>	<b>163.6</b>	<b>145.0</b>	<b>12.8%</b>

#### 1.2.4.1. Gas – Regulated Activity

Gas regulated activity includes EDP Gás Distribuição and EDP Gás Serviço Universal (ex-Portgás), distribution and regulated supply companies with gas distribution concession in the north of Portugal, and Naturgas gas distribution and transmission networks in the Basque Country and Asturias in Spain.

#### Income Statement – Gas Regulated Activity in Iberian Peninsula

EUR million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>230.5</b>	<b>207.4</b>	<b>11.2%</b>
Supplies and services	38.7	38.6	0.3%
Personnel costs	23.0	23.1	-0.2%
Costs with social benefits	0.5	0.6	-20.5%
Other operating costs/(revenues)	(1.3)	0.4	-
<b>Operating Costs</b>	<b>60.9</b>	<b>62.7</b>	<b>-2.9%</b>
<b>EBITDA</b>	<b>169.6</b>	<b>144.7</b>	<b>17.2%</b>
Provisions	0.5	(0.3)	-
Depreciation and amortization	46.8	45.5	2.9%
Comp. of subsidised assets' depr.	(4.6)	(3.0)	52.3%
<b>EBIT</b>	<b>126.9</b>	<b>102.5</b>	<b>23.8%</b>

#### Income Statement – Gas Regulated Activity in Portugal and Spain

EUR million	Portugal			Spain		
	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>42.1</b>	<b>52.6</b>	<b>-20.0%</b>	<b>188.4</b>	<b>154.8</b>	<b>21.7%</b>
Supplies and services	12.8	12.1	5.6%	25.9	26.5	-2.1%
Personnel costs	4.2	5.3	-19.5%	18.8	17.8	5.4%
Costs with social benefits	0.1	0.2	-69.5%	0.4	0.4	12.4%
Other operating costs/(revenues)	5.7	(0.0)	-	-7.0	0.5	-
<b>Operating Costs</b>	<b>22.8</b>	<b>17.6</b>	<b>29.6%</b>	<b>38.2</b>	<b>45.1</b>	<b>-15.5%</b>
<b>EBITDA</b>	<b>19.3</b>	<b>35.0</b>	<b>-44.9%</b>	<b>150.3</b>	<b>109.6</b>	<b>37.1%</b>
Provisions	(0.0)	0.3	-	0.5	(0.5)	-
Depreciation and amortization	11.8	12.9	-8.8%	35.0	32.5	7.5%
Comp. of subsidised assets' depr.	(1.4)	(1.4)	-0.2%	(3.2)	(1.6)	98.1%
<b>EBIT</b>	<b>9.0</b>	<b>23.3</b>	<b>(0.6)</b>	<b>117.9</b>	<b>79.2</b>	<b>48.9%</b>

Gas regulated activity showed a 17.2% growth of EBITDA to EUR 169.6 million in the period. The volume of gas distributed in Portugal grew by 5.5% in 2008 with volume growth accelerating to more 8.7% in the period in fourth quarter of 2008 following the new connection of a large industrial client in September 2008 (Leça's Refining Plant). The volume of gas distributed by Naturgas in Spain rose by 2.2% in 2008, following a 1.3% decline in fourth quarter of 2008, driven by a decline in demand from the industrial



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segment. The number of clients connected increased by 46,000 in 2008 and there was an increase in the extension of our networks by 7.0% year-on-year to 9,048 Kms.

### Regulated Revenues – Gas Regulated Activity in Portugal and Spain

EUR million	2008	2007	% Δ	Abs. Δ
Portugal	42.1	52.6	-20.0%	-10.5
Spain	150.3	142.8	5.3%	+7.6
Transmission	16.6	16.2	2.7%	+0.4
Distribution	130.1	118.2	10.0%	+11.9
Regulated supply	3.6	8.4	-56.4%	-4.7

In Spain, our gas regulated revenues showed an increase by 5.3% to EUR 150 million in 2008:

- Gas distribution regulated revenues grew by 10.0% to EUR 130 million reflecting 3.7% in the period increase in the number of supply points in our distribution network to 690,000 customers (25,000 additional customers connected), and a 6.9% annual increase in the extension of our gas distribution network to 5,519 kms. The volume of gas distributed grew 2.2% year-on-year comparing with a 1.7% decrease of conventional gas demand in the Spanish market;
- Gas transmission regulated revenues grew by 2.7% in the period to EUR 16.6 million, as a result of an increase in the remuneration of new investments;
- Regulated supply revenues fell 56% in the period to EUR 3.6 million, reflecting the end of gas supply regulated tariff by June 2008. From July 2008 onwards this business line includes only the last resource regulated gas supply activity in the Basque and Asturias regions.

Gross profit in Spain from other activities not included in regulated revenues increased from EUR 12 million in 2007 to EUR 38 million in 2008, due to new mandatory services to clients such as inspections and meter rentals which were imposed by the legislative change occurred in 2007, and a EUR 14 million impact from accounting of the upfront connection fee paid by new clients due to the end of regulated tariffs.

In Portugal, a new concession contract was signed with the Portuguese State (this new concession with a 40 years duration, starting in January 2008), which versus the old contract imply lower revenues in the first years and higher revenues in the last years maintaining the net present value (NPV) of the concession.

This new reality is in place since July 2008, when a new regulatory period started, which will last until June 2011, with

the regulated return on assets set at 9%. As a result, in 2008 our gas regulated revenues decreased by 20% in the period to EUR 42.1 million, reflecting not only the new concession contract but also including in 2008 a EUR 5 million loss on previous years gas losses in our network. The extension of our network in Portugal increased 7.8%, the number of supply points increased 11.8% year-on-year (clients/Km, up from 64 in 2007 to 66 in 2008) and the volume of gas distributed grew 5.5% (average consumption per client fell 5.6% annual).

Operating costs decreased by 2.9% due to gains booked in other operating costs/revenues.

### 1.2.4.2. Gas – Liberalised Activity

Gas liberalised activity includes gas supply business, through Naturgas and HC Energía in Spain and EDP Gás.Com in Portugal. EBITDA from gas liberalised activity decreased 14.2% in the period, to EUR 37.6 million.

### Income Statement – Liberalised Activity in Iberian Peninsula

EUR million	2008	2007	Δ 08/07
<b>Gross Profit</b>	<b>72.1</b>	<b>68.5</b>	<b>5.3%</b>
Supplies and services	18.2	14.4	26.3%
Personnel costs	3.8	2.6	48.7%
Costs with social benefits	0.1	0.1	9.3%
Other operating costs/(revenues)	12.5	7.6	62.9%
<b>Operating Costs</b>	<b>34.5</b>	<b>24.7</b>	<b>39.9%</b>
<b>EBITDA</b>	<b>37.6</b>	<b>43.8</b>	<b>-14.2%</b>
Provisions	-0.1	0.1	-
Depreciation and amortization	0.5	1.2	-60.2%
Compensation of subsidised assets' depreciation	-	-	-
<b>EBIT</b>	<b>37.2</b>	<b>42.6</b>	<b>-12.6%</b>

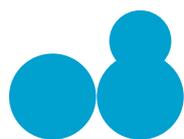
Gas sourcing activity is currently based on an existing 4.5bcm/year portfolio of long term contracts which include 4 contracts currently at cruise speed in terms of deliveries (1bcm/year with Trinidad & Tobago, currently swapped with Gas Natural, 0.5bcm/year with ENI, 1.2bcm/year with Galp and 0.5bcm/year with Gas Natural) and a contract of 1.3bcm/year with Sonatrach, signed in 2007, with deliveries started in April 2008, which is expected to reach cruise speed by 2010. This portfolio of gas sourcing contracts is managed on an integrated way taking into consideration the fuel needs of our current 2,400 MW CCGT fleet, the 800 MW CCGT capacity currently under construction and other gas supply to final clients in Spain and Portugal. The increase of 36% in the volume of gas supplied to clients in 2008 is related with an integrated management of the existing contracts and the delivery of the first gas volumes by Sonatrach in April 2008. During 2008, EDP had to satisfy

gas demand through gas purchases in the spot market of 0.3 bcm.

The volume of gas sold to clients in the retail liberalized market grew by 36% against a 1.7% decrease of conventional gas demand in the Spanish gas liberalized market in the period. This growth rate above market average was similar both in the industrial segment, with the closing of new contracts with some large clients, and in the residential segment, following a 51.3% increase in the number of clients (more 213,000 clients in the period). Note that gas supply tariffs ended in Spain by June 2008, leading to the switching to the liberalized market (more 132,000 in the first half of 2008 versus second half of 2008) of all the clients that were still in the system.

Average gross margin per MWh sold in gas supply decreased by 30% in the period, due to an increase in the average purchase cost in line with the movement of CMP and the increase of oil price during the third quarter of 2008 with negative impact in fourth quarter of 2008 gas sourcing cost. It is expected that the strong decrease in oil prices recorded in fourth quarter of 2008 will have a positive impact in average gross margin over the next quarters.

The increase of operating costs is related to the reinforcement of commercial platform in Spain, namely through higher marketing and commercial team costs.



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### 1.2.5. Brazil

EDP's activities in Brazil, through Energias do Brasil (owned 71.9% by EDP), were negatively affected by the reduction of the amount of regulatory receivables recovered in 2008 and the adverse tariff revisions for the new regulatory periods. In 2008, Energias do Brasil's contribution to consolidated EBITDA benefited from 0.3% appreciation of the average annual rate of Real against the Euro, with an average BRL/EUR rate of 2.66 in 2007 evolving to 2.65 in 2008 (more EUR 2 million impact on EBITDA).

The conclusion of the asset swap, in September 2008, involving the exchange of Enersul's share capital for a controlling stake in Investco (holder of Lajeado hydro plant concession), implied the exclusion of Enersul from the consolidation perimeter and the full consolidation of Lajeado hydro plant since the same date.

#### Income Statement – Energias do Brasil

BRL million	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>2,257.4</b>	<b>2,587.0</b>	<b>-12.7%</b>
Supplies and services	383.8	408.6	-6.1%
Personnel costs and soc. benefits	282.1	316.2	-10.8%
Other operating costs/(revenues)	100.6	302.7	-66.8%
<b>Operating Costs</b>	<b>766.4</b>	<b>1,027.5</b>	<b>-25.4%</b>
<b>EBITDA</b>	<b>1,490.9</b>	<b>1,559.5</b>	<b>-4.4%</b>
Provisions	22.3	43.3	-48.6%
Depreciation and amortization	483.2	325.9	48.2%
Comp. of subsid. assets' depreciat.	(22.6)	(24.5)	7.8%
<b>EBIT</b>	<b>1,008.0</b>	<b>1,214.7</b>	<b>-17.0%</b>

In 2008, Energias do Brasil's EBITDA retreated 4.4% to BRL 1,491 million. EBITDA in generation activity increased by 27% in the period impacted by an increase in installed capacity and a one-off increase in electricity sales by Peixe Angical in first quarter of 2008, taking advantage of higher prices in the residual electricity market. In distribution activity, EBITDA decreased by 17.4% driven essentially by the exclusion of Enersul from the consolidation perimeter from September 2008 onwards, reviews in Bandeirante and Escelsa tariff revisions occurred in 2007 and lower amount of recovery of previous years regulatory receivables which was partially offset by demand growth. EBITDA of liberalized supply increased by 8.9% year-on-year, following an increase in volume sold and average selling price.

Operating costs of Energias do Brasil decreased by 25.4% in the period. Excluding Enersul and Lajeado from consolidation perimeter, operating costs decreased by 14.5% annual, due to the following:

- a. supplies and services' decreased 6.1% in the period and, excluding Enersul and Lajeado from consolidation perimeter, rose 1% below inflation (9.8% IGPM 12 months);
- b. "Other operating costs" declined 67% supported by:
  - i) provision in third quarter of 2007 due to reduction of Enersul's Regulated Asset Base and ii) a decrease in provisions for doubtful clients in distribution.

On December 2008, BNDES approved BRL 900 million revolving credit facility for investments of Energias do Brasil Group. The funds approved are available for utilization for five years, with a total maturity of up to ten years for each withdrawal. Energias do Brasil will use these resources to finance the investment projects of the group's distribution companies (Bandeirante and Escelsa), as well as the construction and repowering of small hydro power plants.

### Income Statement by Business Area – Energias do Brasil

BRL million	Distribution			Generation			Supply		
	2008	2007	△ 08/07	2008	2007	△ 08/07	2008	2007	△ 08/07
<b>Gross Profit</b>	<b>1,515.2</b>	<b>1,999.2</b>	<b>-24.2%</b>	<b>664.5</b>	<b>516.0</b>	<b>28.8%</b>	<b>77.8</b>	<b>73.6</b>	<b>5.7%</b>
Supplies and services	308.6	353.7	-12.8%	42.4	30.8	37.9%	5.2	5.5	-4.8%
Personnel costs and soc. benefits	231.7	259.1	-10.6%	28.4	26.5	7.2%	5.6	7.7	-27.5%
Other operating costs/(revenues)	58.5	276.3	-78.8%	25.8	12.1	112.7%	15.8	13.4	-
<b>Operating Costs</b>	<b>598.8</b>	<b>889.1</b>	<b>-32.6%</b>	<b>96.6</b>	<b>69.4</b>	<b>39.2%</b>	<b>26.6</b>	<b>26.5</b>	<b>0.1%</b>
<b>EBITDA</b>	<b>916.4</b>	<b>1,110.1</b>	<b>-17.4%</b>	<b>567.9</b>	<b>446.5</b>	<b>27.2%</b>	<b>51.2</b>	<b>47.0</b>	<b>8.9%</b>
Provisions	18.5	43.4	-57.4%	0.2	(0.1)	-	-	-	-
Depreciation and amortization	234.1	228.8	2.3%	102.9	81.7	25.9%	0.3	0.3	-5.2%
Comp. of subsid. assets' depreciat.	(22.6)	(24.5)	7.8%	-	-	-	-	-	-
<b>EBIT</b>	<b>686.4</b>	<b>862.3</b>	<b>-20.4%</b>	<b>464.7</b>	<b>364.9</b>	<b>27.3%</b>	<b>50.9</b>	<b>46.7</b>	<b>9.0%</b>

#### 1.2.5.1. Generation and Supply in Brazil

All Energias do Brasil's installed capacity is under long term contracts (PPAs) with prices adjusted to inflation and an average maturity of 15 years. In 2008, Energias do Brasil's installed capacity increased from 1,044 MW to 1,697 MW as a result of the conclusion of asset swap operation which allow Energias do Brasil a full consolidation of Lajeado/ Investco (903 MW).

The generation volumes sold increased by 15.1% is explained by an increase in installed capacity of the group and higher energy availability in the Group's power plants.

Average selling price increased by 12.2% due to additional contract of Lajeado with Grupo Rede (above other contracts of EDP Lajeado), the readjustment of some contracts and the start of new contracts with higher prices in Energest and adjustment of contacted prices to inflation.

Overall, gross profit grew by 29% due to an increase in volumes, an increase in the average selling price and a seasonal increase of energy sales in the first quarter of 2008 by Peixe Angical which allowed it to take advantage of higher prices in the residual electricity market in that quarter (more BRL 14 million).

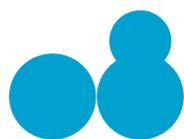
#### Gross Profit – Generation in Brazil

BRL million	2008	2007	△ 08/07
Lajeado	173.8	94.1	84.6%
Peixe Angical	297.9	268.4	11.0%
Energest (13 Hydro plants)	192.8	153.4	25.6%
<b>Total</b>	<b>665</b>	<b>516</b>	<b>28.8%</b>

In 2008, the capex incurred in Pecém coal plant amounted BRL 474 million. The construction of Pecém started in July 2008, project in which it holds a 50% stake in partnership with MPX Mineração e Energia. The conditions contracted in the electricity auction promoted by the Brazilian regulatory authorities include the availability of an installed capacity of 615 MW for a 15-year term starting in January 2012 and a gross margin of BRL 417.4 million per year (amount at 2007 nominal prices to be updated at inflation) with the full pass through of fuel costs. According to the engineering and procurement signed with suppliers, the new plant will represent a USD1.2 billion capex. The project is to be financed with 75% of long term debt with the Brazilian development bank BNDES and in the market.

Regarding new hydro capacity, the total investment in these projects amounted BRL 162 million in 2008. Santa Fé hydro plant will have an installed capacity of 29 MW (assured energy of 16 MW) and should start-up in July 2009. Additionally, ANEEL ratified a 17.5 MW and a 5 MW power upgrade in the Mascarenhas and Rio Bonito Hydro Plant. The additional capacity should be fully operational by the end of 2009. The ratification process for the 2.3 MW power upgrade to Suíça Hydro Plant is currently in progress, and should be operational in 2009. Assured energy from both power upgrades (11.7 average MW) has been contracted in the liberalised market at BRL 130/MWh.

In June 2008, EDP Renováveis Brasil (EDP Renováveis 55%; Energias do Brasil 45%) acquired 100% of CENAEL for BRL 51.3 million. CENAEL has 2 wind farms currently in operation with an installed capacity of 13.8 MW. The energy is contracted through Proinfa program (9 MW) and a bilateral agreements (4.8 MW). Following the approval of this operation in February 2009, the transaction was completed in February and CENAEL should be fully consolidated as from February 2009.



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Trading and supply activity is carried out by Enertrade in the free market through services of energy supplying to large industrial clients. In 2008, we showed a stable performance with the maintenance of relevant volumes and margins.

### 1.2.5.2. Distribution in Brazil

Distribution gross profit in 2008 decreased 24.2%. Considering only Bandeirante and Escelsa, gross profit fell by 18.9% following (1) a 2.1% growth in the volume of electricity distributed in the period (2) negative impact from new regulatory periods (3) decrease in cash-in through tariffs of regulatory receivables accumulated in previous years in the period, and (4) higher than expected energy costs vs. the ones assumed in tariffs' calculation which will be recover in the next annual tariff revisions. On a normalized base, gross profit decrease by 1.7% year-on-year.

#### Gross Profit – Distribution in Brazil

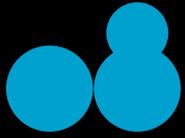
BRL million	2008	2007	Δ 08/07
<b>IFRS Gross Profit</b>	<b>1,515</b>	<b>1,999</b>	<b>-24.2%</b>
Rationing losses and Parcela A	38	(102)	-
Adjustments of tariff revisions	-	(174)	-
Tariff dev. in recuperation	(198)	(236)	16.0%
Tariff dev. to be recovered	91	(6)	-
Others	17	6	176.5%
<b>Brazilian GAAP Gross Profit</b>	<b>1,462</b>	<b>1,487</b>	<b>-1.7%</b>

1. Recurrent growth of electricity distribution gross profit: volume of electricity distributed in Bandeirante and Escelsa increased by 2.1% in 2008 following a 3% decline of the volume distributed in fourth quarter of 2008, driven by a lower activity in the exporting industrial sector, namely in the Escelsa concession area. Considering only electricity volumes supplied directly by Bandeirante and Escelsa to final clients, and excluding electricity distributed in our concession areas to large industrial consumers, which are supplied directly in the free wholesale market (third-party access), electricity supplied by Bandeirante and Escelsa rose by 4.9% in 2008. The number of clients connected rose 3.5% in the period.
2. Tariff Revisions: The start of new regulatory periods for distribution companies Bandeirante (from October 2007 until September 2011) and Escelsa (from August 2007 until July 2010), for which the regulator set a return on regulated asset base of 15% before taxes (previously was 17%), had a negative impact on the gross profit of these companies. Remind that these companies have annual tariff readjustments to reflect the annual evolution of assumptions such as CPI and energy costs. The positive impact from the recent tariff readjustments of Bandeirante (October 2008) and Escelsa (August

2008) will have a larger impact on gross profit during 2009.

3. Recovery through tariffs of regulatory receivables accumulated in the past: The regulatory receivables which the system owed us due to lower than expected gross profit in past periods and that our distribution activity is recovering through tariffs decreased 76% in the period from BRL 567 million to BRL 139 million (79% year-on-year from BRL 339 million to BRL 72 million from Bandeirante and Escelsa). In 2008, our distribution activity (Bandeirante and Escelsa) had total regulatory receivables of BRL 150 million, which should be recovered over the next quarters, meaning that Energias do Brasil distribution gross profit is expected to continue to be positively impacted by the cash-in through tariffs of these receivables.
4. Negative tariff deviation: Distribution gross profit in 2008 includes a BRL 91 million (BRL 60 million from Bandeirante and Escelsa) negative tariff deviation from energy procurement costs higher than the ones set in the regulator's assumptions for tariff calculation. This negative impact will be recovered by EDP through higher tariffs in the next annual tariff.





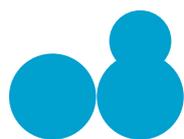
ANNUAL REPORT 2008  
FINANCIAL REPORT

**FINANCIAL STATEMENTS**

31 DECEMBER 2008







**Consolidated Income Statement  
for the years 31 December 2008 and 2007**

Notes	2008			2007			
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	
	(Thousands of Euros)	(Thousands of Euros)	(Thousands of Euros)	(Thousands of Euros)	(Thousands of Euros)	(Thousands of Euros)	
Turnover	6	13.671.204	222.859	13.894.063	10.657.838	352.940	11.010.778
Cost of consumed electricity	6	-6.558.250	-69.023	-6.627.273	-4.636.109	-111.991	-4.748.100
Cost of consumed gas	6	-823.200	-	-823.200	-585.227	-	-585.227
Changes in inventories and cost of raw materials and consumables used	6	-1.544.024	-2.381	-1.546.405	-1.120.189	-3.794	-1.123.983
		<u>4.745.730</u>	<u>151.455</u>	<u>4.897.185</u>	<u>4.316.313</u>	<u>237.155</u>	<u>4.553.468</u>
Other operating income / (expenses)							
Other operating income	7	226.242	2.431	228.673	157.292	3.105	160.397
Supplies and services	8	-707.783	-27.985	-735.768	-643.744	-40.443	-684.187
Personnel costs	9	-557.676	-15.998	-573.674	-554.650	-22.313	-576.963
Employee benefits	9	-159.400	-1.800	-161.200	-286.893	-2.477	-289.370
Other operating expenses	10	-454.918	-45.362	-500.280	-414.153	-120.917	-535.070
		<u>-1.653.535</u>	<u>-88.714</u>	<u>-1.742.249</u>	<u>-1.742.148</u>	<u>-183.045</u>	<u>-1.925.193</u>
		3.092.195	62.741	3.154.936	2.574.165	54.110	2.628.275
Provisions	11	-27.994	-4.077	-32.071	-34.482	-7.613	-42.095
Depreciation and amortisation expense	12	-1.276.581	-29.009	-1.305.590	-1.091.942	-38.916	-1.130.858
Compensation of amortisation and depreciation	12	110.712	2.885	113.597	101.192	3.815	105.007
		<u>1.898.332</u>	<u>32.540</u>	<u>1.930.872</u>	<u>1.548.933</u>	<u>11.396</u>	<u>1.560.329</u>
Gain from the sale of financial assets	13	481.732	-	481.732	262.561	-	262.561
Other financial income	14	1.175.092	11.005	1.186.097	608.907	14.695	623.602
Other financial expenses	14	-2.112.605	-16.194	-2.128.799	-1.141.870	-27.551	-1.169.421
Share of profit of associates	20	34.687	-	34.687	23.708	-	23.708
Profit / (loss) before tax		<u>1.477.238</u>	<u>27.351</u>	<u>1.504.589</u>	<u>1.302.239</u>	<u>-1.460</u>	<u>1.300.779</u>
Income tax expense	15	-274.474	-9.325	-283.799	-281.057	209	-280.848
Profit after taxes and before gains/(losses) from discontinued operations		<u>1.202.764</u>	<u>18.026</u>	<u>1.220.790</u>	<u>1.021.182</u>	<u>-1.251</u>	<u>1.019.931</u>
Gains / (losses) on sale of discontinued operations	45	-	-8.448	-8.448	-	-	-
<b>Net profit / (loss) for the year</b>		<u>1.202.764</u>	<u>9.578</u>	<u>1.212.342</u>	<u>1.021.182</u>	<u>-1.251</u>	<u>1.019.931</u>
<b>Attributable to:</b>							
Equity holders of EDP		1.089.569	2.297	1.091.866	908.036	-784	907.252
Minority interests	32	113.195	7.281	120.476	113.146	-467	112.679
Net profit / (loss) for the year		<u>1.202.764</u>	<u>9.578</u>	<u>1.212.342</u>	<u>1.021.182</u>	<u>-1.251</u>	<u>1.019.931</u>
Earnings per share (Basic and diluted) - Euros	29	<u>0,30</u>	<u>0,00</u>	<u>0,30</u>	<u>0,25</u>	<u>0,00</u>	<u>0,25</u>

LISBON, 5 MARCH 2009

THE ACCOUNTANT  
N.º 17713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## Consolidated Balance Sheet as at 31 December 2008 and 2007

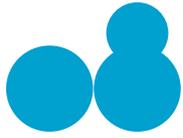
	Notes	2008 (Thousands of Euros)	2007 (Thousands of Euros)
<b>Assets</b>			
Property, plant and equipment	16	21.125.562	18.756.295
Intangible assets	17	2.649.816	2.173.141
Goodwill	18	3.192.484	3.004.783
Investments in associates	20	172.754	251.807
Available for sale investments	21	350.887	705.260
Deferred tax assets	22	539.878	687.265
Trade receivables	24	112.044	136.748
Debtors and other assets	25	2.637.703	1.447.033
<b>Total Non-Current Assets</b>		<b>30.781.128</b>	<b>27.162.332</b>
Inventories	23	276.800	282.595
Trade receivables	24	1.646.613	1.622.428
Debtors and other assets	25	1.632.172	669.102
Tax receivable	26	544.740	834.129
Financial assets at fair value through profit or loss	27	83.227	49.034
Cash and cash equivalents	28	713.587	864.711
Assets classified as held for sale	39	30.828	42.386
<b>Total Current Assets</b>		<b>4.927.967</b>	<b>4.364.385</b>
<b>Total Assets</b>		<b>35.709.095</b>	<b>31.526.717</b>
<b>Equity</b>			
Share Capital	29	3.656.538	3.656.538
Treasury stock	30	-126.532	-65.741
Share premium	29	501.992	501.992
Reserves and retained earnings	31	1.241.316	1.264.105
Consolidated net profit attributable to equity holders of the parent		1.091.866	907.252
<b>Total Equity attributable to equity holders of the parent</b>		<b>6.365.180</b>	<b>6.264.146</b>
Minority interests	32	2.181.729	1.014.612
<b>Total Equity</b>		<b>8.546.909</b>	<b>7.278.758</b>
<b>Liabilities</b>			
Medium and long term financial debt	34	10.874.311	10.064.346
Employee benefits	35	1.833.887	1.715.377
Provisions	36	323.719	376.041
Hydrological correction account	33	237.822	227.686
Deferred tax liabilities	22	655.947	632.479
Trade and other payables	37	4.867.083	4.464.517
<b>Total Non-Current Liabilities</b>		<b>18.792.769</b>	<b>17.480.446</b>
Short term financial debt	34	3.812.014	2.541.646
Trade and other payables	37	4.153.100	3.649.890
Tax payable	38	388.462	575.977
Liabilities classified as held for sale	39	15.841	-
<b>Total Current Liabilities</b>		<b>8.369.417</b>	<b>6.767.513</b>
<b>Total Liabilities</b>		<b>27.162.186</b>	<b>24.247.959</b>
<b>Total Equity and Liabilities</b>		<b>35.709.095</b>	<b>31.526.717</b>

LISBON, 5 MARCH 2009

THE ACCOUNTANT  
N.º 17713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS



**Consolidated Statement of Recognised Income and Expense for the years  
ended 31 December 2008 and 2007**

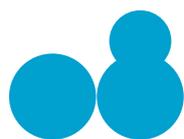
(Thousands of Euros)

	2008		2007	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Exchange differences on consolidation	-234.921	-208.640	56.930	57.393
Fair value reserve (cash flow hedge)	-56.667	-2.447	16.279	762
Tax effect from the fair value reserve (cash flow hedge)	17.112	996	-826	-16
Fair value reserve (available for sale investments)	-88.324	1.779	-23.070	-
Tax effect from the fair value reserve (available for sale investments)	13.504	-	6.158	-
Actuarial gains / (losses)	-136.790	-3.677	155.009	9.935
Tax effect from the actuarial gains / (losses)	4.156	1.250	-6.928	-3.378
<b>Net profit for the year recognised directly in equity</b>	<b>-481.930</b>	<b>-210.739</b>	<b>203.552</b>	<b>64.696</b>
Net profit for the year	1.091.866	120.476	907.252	112.679
<b>Total gains and losses recognised in the year</b>	<b>609.936</b>	<b>-90.263</b>	<b>1.110.804</b>	<b>177.375</b>

## Statement of Changes in Consolidated Equity for the years ended 31 December 2008 and 2007

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Minority Interests
<b>Balance as at 31 December 2006</b>	<b>6.534.896</b>	<b>3.656.538</b>	<b>501.992</b>	<b>392.946</b>	<b>967.650</b>	<b>84.651</b>	<b>-14.542</b>	<b>5.589.235</b>	<b>945.661</b>
Fair value reserve variation (cash flow hedge) net of taxes	16.199	-	-	-	15.453	-	-	15.453	746
Fair value reserve variation (available for sale investments) net of taxes	-16.912	-	-	-	-16.912	-	-	-16.912	-
Actuarial gains / (losses) variation net of taxes	154.638	-	-	-	148.081	-	-	148.081	6.557
Exchange differences arising on consolidation	114.323	-	-	-	-	56.930	-	56.930	57.393
Net profit for the year	1.019.931	-	-	-	907.252	-	-	907.252	112.679
Total gains and losses recognised in the period	1.288.179	-	-	-	1.053.874	56.930	-	1.110.804	177.375
Transfer to legal reserve	-	-	-	25.784	-25.784	-	-	-	-
Dividends paid	-401.385	-	-	-	-401.385	-	-	-401.385	-
Dividends attributable to minority interests	-27.086	-	-	-	-	-	-	-	-27.086
Purchase and sale of treasury stock	-38.065	-	-	-	13.770	-	-51.835	-38.065	-
Share - based payments	1.566	-	-	-	930	-	636	1.566	-
Minority interests resulting from acquisitions and changes in the method of consolidation	-65.429	-	-	-	-	-	-	-	-65.429
Liability for purchase options over minority interests	-15.909	-	-	-	-	-	-	-	-15.909
Other reserves arising on consolidation	1.991	-	-	-	1.991	-	-	1.991	-
<b>Balance as at 31 December 2007</b>	<b>7.278.758</b>	<b>3.656.538</b>	<b>501.992</b>	<b>418.730</b>	<b>1.611.046</b>	<b>141.581</b>	<b>-65.741</b>	<b>6.264.146</b>	<b>1.014.612</b>
Fair value reserve variation (cash flow hedge) net of taxes	-41.006	-	-	-	-39.555	-	-	-39.555	-1.451
Fair value reserve variation (available for sale investments) net of taxes	-73.041	-	-	-	-74.820	-	-	-74.820	1.779
Actuarial gains / (losses) variation net of taxes	-135.061	-	-	-	-132.634	-	-	-132.634	-2.427
Exchange differences arising on consolidation	-443.561	-	-	-	-	-234.921	-	-234.921	-208.640
Net profit for the year	1.212.342	-	-	-	1.091.866	-	-	1.091.866	120.476
Total gains and losses recognised in the period	519.673	-	-	-	844.857	-234.921	-	609.936	-90.263
Transfer to legal reserve	-	-	-	25.108	-25.108	-	-	-	-
Dividends paid	-454.937	-	-	-	-454.937	-	-	-454.937	-
Dividends attributable to minority interests	-42.633	-	-	-	-	-	-	-	-42.633
Purchase and sale of treasury stock	-71.094	-	-	-	-8.971	-	-62.123	-71.094	-
Share - based payments	1.801	-	-	-	469	-	1.332	1.801	-
Minority interests resulting from EDP Renováveis IPO	1.128.248	-	-	-	-	-	-	-	1.128.248
Purchase of treasury stock - Energias do Brasil	-190.383	-	-	-	-	-	-	-	-190.383
Assets swap - Energias do Brasil	387.302	-	-	-	15.714	-	-	15.714	371.588
Minority interests resulting from acquisitions and changes in the method of consolidation	-10.491	-	-	-	-	-	-	-	-10.491
Other reserves arising on consolidation	665	-	-	-	-386	-	-	-386	1.051
<b>Balance as at 31 December 2008</b>	<b>8.546.909</b>	<b>3.656.538</b>	<b>501.992</b>	<b>443.838</b>	<b>1.982.684</b>	<b>-93.340</b>	<b>-126.532</b>	<b>6.365.180</b>	<b>2.181.729</b>



**Consolidated and Non-consolidated Cash Flow Statements for the years ended 31 December 2008 and 2007**

	(Thousands of Euros)			
	Group		Company	
	2008	2007	2008	2007
<b>Cash flows from Operating activities</b>				
Cash receipts from customers	12.313.739	10.806.930	2.269.327	1.218.553
Cash paid to suppliers	-9.298.076	-7.243.762	-2.212.431	-1.073.878
Cash paid to personnel	-848.195	-728.888	-36.942	-12.672
Concession rents paid	-221.974	-213.173	-	-
Other receipts / (payments) relating to operating activities	-45.278	-146.410	-115.716	114.968
<b>Net cash from operations</b>	<b>1.900.216</b>	<b>2.474.697</b>	<b>-95.762</b>	<b>246.971</b>
Income tax received / (paid)	-155.709	-204.546	15.982	188.731
<b>Net cash from operating activities</b>	<b>1.744.507</b>	<b>2.270.151</b>	<b>-79.780</b>	<b>435.702</b>
<b>Discontinued activities</b>	<b>68.898</b>	<b>125.890</b>		
<b>Continuing activities</b>	<b>1.675.609</b>	<b>2.144.261</b>		
<b>Cash flows from Investing activities</b>				
Cash receipts relating to:				
Financial assets	249.252	552.126	153.995	689.791
IPO EDP Renováveis	1.538.958	-	-	-
Property, plant and equipment and intangible assets	30.116	9.735	1.849	5.941
Investment grants	92.560	143.803	5	-
Interest and similar income	117.582	81.791	389.522	244.356
Dividends	34.971	78.966	418.135	439.252
	<b>2.063.439</b>	<b>866.421</b>	<b>963.506</b>	<b>1.379.340</b>
Cash payments relating to:				
Financial assets	-425.223	-2.345.041	-124.903	-2.173.059
Property, plant and equipment and intangible assets	-4.367.284	-2.742.078	-33.926	-3.893
Investment grants	-	-	-	-834
	<b>-4.792.507</b>	<b>-5.087.119</b>	<b>-158.829</b>	<b>-2.177.786</b>
<b>Net cash from investing activities</b>	<b>-2.729.068</b>	<b>-4.220.698</b>	<b>804.677</b>	<b>-798.446</b>
<b>Discontinued activities</b>	<b>-49.094</b>	<b>-60.682</b>		
<b>Continuing activities</b>	<b>-2.679.974</b>	<b>-4.160.016</b>		
<b>Cash flow from Financing activities</b>				
Receipts / (payments) relating to loans and interest	1.710.414	2.321.776	389.037	1.011.636
Interest and similar costs	-712.902	-661.643	-510.466	-369.357
Receipts / (payments) relating to derivative financial instruments	101.936	-1.317	-19.725	41.868
Dividends paid	-454.937	-401.385	-454.937	-401.385
Treasury stock sold / (purchased)	-72.623	-35.643	-65.536	-35.643
Advances received from wind activity institutional partnerships - Horizon	319.985	775.428	-	-
	<b>891.873</b>	<b>1.997.216</b>	<b>-661.627</b>	<b>247.119</b>
<b>Discontinued activities</b>	<b>12.263</b>	<b>-60.224</b>		
<b>Continuing activities</b>	<b>879.610</b>	<b>2.057.440</b>		
<b>Net increase in cash and cash equivalents</b>	<b>-92.688</b>	<b>46.669</b>	<b>63.270</b>	<b>-115.625</b>
Effect of exchange rate fluctuations on cash held	-54.193	-5.498	-	-
<b>Net increase / (decrease) cash and cash equivalents resulting from perimeter variations</b>	<b>-4.243</b>	<b>71.309</b>		
Cash and cash equivalents at the beginning of the year	864.711	752.231	119.609	235.234
<b>Cash and cash equivalents at the end of the year (*)</b>	<b>713.587</b>	<b>864.711</b>	<b>182.879</b>	<b>119.609</b>
<b>Discontinued activities</b>	<b>32.067</b>	<b>4.984</b>		
<b>Cash and cash equivalents from continuing operations at the end of the year</b>	<b>681.520</b>	<b>859.727</b>		

(\*) See details of "Cash and cash equivalents" in Note 28.

## Company Income Statement for the years ended 31 December 2008 and 2007

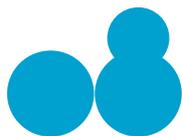
	Notes	2008	2007
		(Thousands of Euros)	(Thousands of Euros)
Turnover	6	2.322.526	1.240.047
Cost of consumed electricity	6	-1.830.374	-878.792
Changes in inventories and cost of raw materials and consumables used	6	<u>-400.351</u>	<u>-249.214</u>
		<u>91.801</u>	<u>112.041</u>
Other operating income / (expenses)			
Other operating income	7	20.764	19.294
Supplies and services	8	-107.347	-101.784
Personnel costs	9	-10.003	-14.186
Employee benefits	9	-177	-103
Other operating expenses	10	<u>-11.447</u>	<u>-57.995</u>
		<u>-108.210</u>	<u>-154.774</u>
		-16.409	-42.733
Provisions	11	-1.519	-12.026
Depreciation and amortisation expense	12	<u>-5.805</u>	<u>-5.716</u>
		<u>-23.733</u>	<u>-60.475</u>
Gains/(losses) on the sale of financial assets	13	15.164	231.985
Other financial income	14	2.282.728	1.193.152
Other financial expenses	14	-1.796.055	-870.519
Share of profit of associates		-	<u>113</u>
Net profit / (loss) before tax		478.104	494.256
Income tax expense	15	<u>72.874</u>	<u>7.902</u>
<b>Net profit / (loss) for the year</b>		<u><u>550.978</u></u>	<u><u>502.158</u></u>

LISBON, 5 MARCH 2009

THE ACCOUNTANT  
N.º 17713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS



Company Balance Sheet as at 31 December 2008 and 2007

	Notes	2008	2007
		(Thousands of Euros)	(Thousands of Euros)
<b>Assets</b>			
Property, plant and equipment	16	107.038	82.450
Intangible assets	17	41	56
Investments in subsidiaries	19	9.506.408	8.347.450
Investments in associates	20	49.773	66.988
Available for sale investments	21	134.159	198.857
Deferred tax assets	22	60.716	-
Debtors and other assets	25	5.911.157	5.939.598
Total Non-Current Assets		<u>15.769.292</u>	<u>14.635.399</u>
Inventories	23	27.744	-
Trade receivables	24	18.390	40.458
Debtors and other assets	25	2.830.973	1.645.801
Tax receivable	26	95.437	88.334
Financial assets at fair value through profit or loss	27	232	3
Cash and cash equivalents	28	182.879	119.609
Assets classified as held for sale	39	-	44.500
Total Current Assets		<u>3.155.655</u>	<u>1.938.705</u>
Total Assets		<u>18.924.947</u>	<u>16.574.104</u>
<b>Equity</b>			
Share Capital	29	3.656.538	3.656.538
Treasury stock	30	-120.437	-65.741
Share premium	29	501.992	501.992
Reserves and retained earnings	31	1.681.607	1.668.108
Net profit / (loss) for the year		<u>550.978</u>	<u>502.158</u>
Total Equity		<u>6.270.678</u>	<u>6.263.055</u>
<b>Liabilities</b>			
Medium and long financial debt	34	2.859.631	3.178.922
Provisions	36	79.014	29.580
Hydrological correction account	33	237.822	227.686
Deferred tax liabilities	22	-	53.253
Trade and other payables	37	2.401.840	3.155.911
Total Non-Current Liabilities		<u>5.578.307</u>	<u>6.645.352</u>
Short term financial debt	34	5.360.236	2.945.367
Trade and other payables	37	1.704.896	709.719
Tax payable	38	10.830	10.611
Total Current Liabilities		<u>7.075.962</u>	<u>3.665.697</u>
Total Liabilities		<u>12.654.269</u>	<u>10.311.049</u>
Total Equity and Liabilities		<u>18.924.947</u>	<u>16.574.104</u>

USBON, 5 MARCH 2009

THE ACCOUNTANT  
N.° 17713

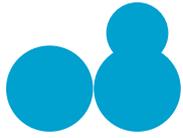
THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

**Statement of Changes in Company's Equity for the years ended  
31 December 2008 and 2007**

(Thousands of Euros)

	Total Equity	Share Capital	Share Premium	Legal Reserve	Reserves and retained earnings	Treasury stock
<b>Balance as at 31 December 2006</b>	<b>6.187.626</b>	<b>3.656.538</b>	<b>501.992</b>	<b>392.946</b>	<b>1.650.692</b>	<b>-14.542</b>
Fair value reserve variation (cash flow hedge) net of taxes	700	-	-	-	700	-
Fair value reserve variation (available for sale investments) net of taxes	10.455	-	-	-	10.455	-
Net profit for the year	502.158	-	-	-	502.158	-
Total gains and losses recognised in the period	513.313	-	-	-	513.313	-
Transfer to legal reserve	-	-	-	25.784	-25.784	-
Dividends paid	-401.385	-	-	-	-401.385	-
Purchase and sale of treasury stock	-38.065	-	-	-	13.770	-51.835
Share - based payments	1.566	-	-	-	930	636
<b>Balance as at 31 December 2007</b>	<b>6.263.055</b>	<b>3.656.538</b>	<b>501.992</b>	<b>418.730</b>	<b>1.751.536</b>	<b>-65.741</b>
Fair value reserve variation (cash flow hedge) net of taxes	951	-	-	-	951	-
Fair value reserve variation (available for sale investments) net of taxes	-26.171	-	-	-	-26.171	-
Net profit for the year	550.978	-	-	-	550.978	-
Total gains and losses recognised in the period	525.758	-	-	-	525.758	-
Transfer to legal reserve	-	-	-	25.108	-25.108	-
Dividends paid	-454.937	-	-	-	-454.937	-
Purchase and sale of treasury stock	-64.999	-	-	-	-8.971	-56.028
Share - based payments	1.801	-	-	-	469	1.332
<b>Balance as at 31 December 2008</b>	<b>6.270.678</b>	<b>3.656.538</b>	<b>501.992</b>	<b>443.838</b>	<b>1.788.747</b>	<b>-120.437</b>



## Notes to the Financial Statements for the years ended 31 December 2008 and 2007

### 1. Operations of the EDP Group

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

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

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

#### Activity in the energy sector in Portugal

##### Electricity

The National Electricity Framework's (SEN) basis of organization, operations and activities are established by the Decree-Law 29/2006 of 15 February, which transposes the principles of the Directive n.º 2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July.

The National Electricity Framework (SEN) includes the activities of generation and supply of electricity under free competition conditions, subject to licensing, and the activities of transmission and distribution provided through the award of public service concessions.

##### Generation

The generation of electricity covers the generation under ordinary and special regimes. Under the ordinary regime, where EDP Group is represented by EDP Gestão da Produção, S.A., electricity is generated and sold under free market conditions, in organized markets or through bilateral agreements, being subject only to licensing.

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being remunerated based on the principle of the costs avoided to the system, plus an environmental reward representing the benefits of using renewable energy resources. The PRE is subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and Erenova — Novas Energias, S.A., among others.

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

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

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law extends the period on which the companies, owning the hydroelectric plants relating to the various dams, can operate the public hydric resources. The extension of the operating period, and the consequent extension of the useful life of the related hydraulic fixed assets, implied a payment by the holders of the hydroelectric plants of an amount of economic and financial compensation. On that basis, the Government (INAG), REN and EDP Gestão da Produção de Energia signed on 8 March 2008, several service concession arrangements for which EDP Gestão da Produção de Energia paid approximately 759,000 thousand Euros for the extension of the period to operate the public hydric domain of the 26 hydroelectric plants with an installed capacity of 4,095 MW, for an additional average period of 26 years.

On 4 January, the Portuguese national plan for emission allowances (PNALE) was approved for the period 2008-2012, through the Ministers Council Resolution number 1/2008, being denominated PNALE II.

On 27 June 2008, EDP received a notification from the Portuguese Competition Authority regarding the permission of EDP Produção to operate the hydroelectric power stations of Alqueva and Pedrógão, for a period of 35 years, as well as the acquisition of 80% of Pebble Hydro, Lda and Janeiro de Baixo, Lda. In addition, EDP assumed a temporary transfer, for a period of 5 years, of Agueira-Raiva's (360 MW) management of operations to a third party, selected through a limited tender, still in progress.

##### Distribution

The activities of transmission, distribution and supply of last resort of electricity are regulated by ERSE, an autonomous public entity, responsible for preparing, issuing and applying regulations, as well as for setting out the access charges to the network and the tariffs for electricity supply to the regulated market customers.

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

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-voltage network and a low voltage distribution network, also under public service concessions. The service concession for the medium and high-voltage network is granted for a period of 35 years.

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

#### *Supply*

The Electricity supply market is open to competition, subject only to a licensing regime. Suppliers have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE. The activity of supply of last resort, including universal public service obligations, is guaranteed by EDP Serviço Universal, S.A., a company wholly owned by EDP Distribuição.

#### *Electric Energy Price Regime*

In the free market, electricity tariffs are agreed between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are set by ERSE.

Regarding the activities of transmission, distribution and supply of last resort (CUR) of electricity, the law establishes the right for a remuneration set by ERSE, in accordance with the terms of the Tariff Regulation, to ensure an economic and financial balance assuming an efficient management.

#### *Public Domain Assets*

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but can not dispose of them for private commerce purposes while they are related with public domain regime.

### **Gas**

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

In 2008 the concession arrangements of natural gas distribution were approved between the Government and Portgás, S.A. These arrangements reflect the issues defined by Decree-Law 30/2006 and Decree-Law 140/2006, of 15 February and 26 June, respectively, regarding the applicable principles and rules of distribution and supply of natural gas, including, among other factors, the legal split of these entities and the grant of a license of supplier of last resort in the area of influence of each concession, to the corresponding distributor.

On 1 July 2008, the tariffs set by ERSE in accordance with its competences and subject to the terms of the Tariff Regulation went into force. The approved tariffs will be enacted between July 2008 and June 2009 (gas year 2008-2009).

### **Activity in the energy sector in Spain**

#### **Electricity**

In Spain, Hidroeléctrica del Cantábrico (Hidrocantábrico) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, Hidrocantábrico generates, transmits, distributes and supplies electricity. Production is based essentially on classic coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

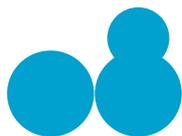
#### *Electric Sector Regulation*

On 27 November 1997 the Electric Sector's Law 54/1997 was approved which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and Energy and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July went into force, amending the Law 54/1997, to adapt it to Directive 2003/54/EC of the European Council of 26 June 2003 on common rules for the internal market of electricity.

The referred Law 54/1997, as amended, provides the following basic principles:

#### *Generation*

Since 1 January 1998 electricity generation operates in a free market competition basis, which covers the purchase and sale of energy and other services related to the distribution of electricity.



## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forwards market and the intraday market, as well as technical issues, complementary services, deviations management and unorganised markets. The organisation and regulation of the market for electric power generation is defined and developed by Royal Decree 2019/1997 of 26 December.

Electric energy is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of September 27, which revised the tariffs of electricity from 1 October 2007, replaced the concept of "power availability" from the remuneration of electricity generation by the concept of "capacity payments" stated in Article 16 of the Law 54/1997 (amended by Law 17/2007), which sets a retribution of the availability service - for the procurement of capacity in the medium term - and the incentive to invest in long-term capacity.

The installation of new generation units is liberalized, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in its generation units as deemed most appropriate, with the restrictions applicable to the environment.

### *Distribution*

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission system. The responsibility for the economic management of the system is guaranteed by the Compañía Operadora del Mercado Español de Electricidad, S.A..

The entities and qualified consumers have free access to the transmission and supply networks, setting out a system of "tariff" for traffic. The payment/charges for the transmission and distribution activities is set by the regulatory entity.

The Law 54/1997 provides that the payment for each entity must meet criteria based on developing costs for the activity, considering the distribution areas characteristics, among other parameters. On 14 June 1999, the Order of the Ministry of Industry and Energy, established the criteria and payment for the distribution activity from the year 1998. The overall payment is based on the existing fee as at 31 December 1997, projected for the future (starting 1998) according to the changes in electricity demand, the price index for consumption and certain efficiency standards.

The retribution of transmission activity is set by a model based on physical units as well as standard costs of investment, operation and maintenance. The new wording of the Law 54/1997 amended by Law 17/2007 began to regulate the payment of costs to reduce the environmental impact, with a maximum limit of 3% of retribution.

The current text of Law 54/1997 also provides that the transmission activity will be performed by a single entity, for which all transmission facilities will be transferred before 6 July 2010. There is also a distinction made between the primary transmission system (facilities > 380 kV and with international networks and extra-peninsular island systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and less but fulfilling the functions of transmission).

### *Supply*

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalised the supply market starting 1 January 2003. Additionally, since 1 January 2009, the distributors can no longer act as suppliers (sell electricity) acting strictly as network operators.

### *Electricity Tariffs Regime*

The Royal Decree 1634/2006 of 29 December was published on 30 December 2006 and set the electricity tariff from 1 January 2007. This standard sets an average rate increase of 4.30%, and established that, on a quarterly basis, from 1 July 2007, the Government, by Royal Decree, will make changes to the tariffs for the sale of electricity used by distribution companies, reviewing the costs derived from the activities required to supply electricity, the permanent costs of the system and the costs of diversification and security of supply. The Order ITC/2794/2007 of 27 September, reviews the power tariffs from 1 October 2007 as determined by the Royal Decree 1634/2006.

The Order ITC/3860/2007 of 28 December was published on 29 December 2007 revising the electricity tariffs from 1 January 2008. This Order assumed an increase in tariffs and access to the electricity network of 3.3%, except for (i) full tariffs sales to distributors of the DT 11 of the Electricity Sector Law which are increased by 5.42% and (ii) access to the electricity network 2.0.A and 2.0. A DH (domestic) for those that maintain the power terms and reduced between 40% and 20% of the energy terms.

In accordance with the 4th Additional Provision of the Royal Decree 871/2007 of 29 June, on 1 July 2008 high tension electricity general tariffs and power capacity hourly tariffs were eliminated, so customers previously subject to them changed to the free market. The only remaining tariffs are those of low-voltage customers, the rate "D" of distributors and G4 tariff for large industrial customers.

On 1 January 2009 integral tariffs were abolished. From this date, and for the supply of certain types of consumers, mainly domestic, the government set maximum prices that take into account the tariff of last resort. The delivery will be made by suppliers appointed for this purpose.

#### *Emission rights*

The Royal Decree 1866/2004 of 6 September, amended by Royal Decree 60/2005 of 21 January and by Royal Decree 777/2006 of 23 June, approved the national plan of emissions allowances 2005-2007 in compliance with the provisions of Royal Decree-Law 5 / 2004 of 27 August, which transposed to the Spanish legislation the Directive 2003/87/EC, establishing a system of trading emission rights in order to reduce the emissions and meet the targets set in the Kyoto Protocol on Change Climate. This Royal Decree was approved on behalf of the European Community under the Council Decision of 25 April 2002. The aforementioned plan results in an implementation for a period of 3 years which began on 1 January 2005. The emission rights granted free of charge to the electricity sector for the period 2005-2007 amounted to 264.6 million tons.

The Royal Decree 1402/2007, published on 29 October 2007, approved the final version of the Plan for the period 2008/2012. The attribution amounted to 152 million tonnes per year, including a reserve for new entrants, 6 million tonnes per year. From this amount 54.4 million tonnes per year were allocated to the electricity sector, which means a reduction of almost 12% on 1990 emissions and 38% of the allocation for the period 2005-2007.

#### **Gas**

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

Law 34/1998, approved on 7 October 1998, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market .

The aforementioned legislation identifies the following operators in the context of the supply of natural gas by pipeline:

- Transmission companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas;
- Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as build, maintain and operate such facilities in order to bring natural gas to the consumption points;
- Suppliers, companies that hold access to the facilities owned by third parties, purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;
- Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the gas basic network and secondary transmission network. This role is engaged by ENAGÁS, S.A.

The supply activity is open to competition. The regasification, strategic storage, transmission and distribution are regulated activities.

The remuneration of regulated activities in the natural gas sector is established by Ministerial Order and includes the tariffs for natural gas and manufactured gas by pipeline, tolls and related rights of access to gas facilities given to third parties.

#### **Activity in the energy sector in Brazil**

##### **Electricity**

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

In August 2008, Energias do Brasil made an exchange with "Grupo REDE" of the entire interest held in Enersul (a distributor of electricity in the State of Mato Grosso do Sul) by the corporate shares held by Rede Energia in Rede Lajeado Energia S.A. ("Rede Lajeado") and Investco S.A. ("Investco"), as well as corporate shareholdings held by Rede Power in Rede Lajeado and Tocantins Energia S.A. This transaction enabled EDP Energias do Brasil to consolidate its position in the electricity generation sector in the State of Tocantins in northern Brazil.

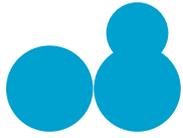
The Brazilian electricity sector has undergone major structural and institutional changes in recent years, having migrated from a monopoly run by the state to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalized system (or not regulated).

##### *Regulated system*

In the regulated system, consumers buy electricity at prices set by ANEEL from its local distributor who in return buys electricity through public auctions regulated by ANEEL. The distribution companies estimate the amount of electricity to engage in auctions and they are obliged to purchase 100% of their needs. Failure to comply with the supply of energy to its markets may result in fines. Public auctions began in late 2004 and did not directly replace the agreements already established between the generation and distribution companies.

##### *Liberalized system*

In the liberalized system, electricity is traded between generation companies, independent producers of energy, auto-producers, suppliers and free consumers. Potentially free consumers, with a contracted power greater than 3 MW, may choose to change their electricity supplier. A consumer who chooses the liberalized system may only return to the regulated system by notifying its local distributor with five years in advance, or a lesser term if agreed with the distributor.



NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2008

*Generation*

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand and in the adjustment of medium, short term and daily market for deviations.

The electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

- Generation companies, being the electricity dispatched to the public service of distribution;
- Independent producers, who assume the risk of the sale of electricity with distributors or directly with free consumers;
- Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

*Transmission*

The Brazilian transmission system, with a capacity above 230 kV, is divided into transmission and sub-transmission networks, depending on the disaggregation level of the consumers market. The primary network is responsible for the transmission of electricity to large consumers and the supply of energy to any consumer of high dimension. The secondary network is basically an extension of the primary network with the objective of delivering electricity to small consumers and providing energy to large industrial customers.

*Distribution*

The service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover smaller areas than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a fully regulated environment, with a remuneration based on operating costs and type of assets. The acquiring costs of energy established with the generation companies are fully passed to consumers through tariffs.

*Supply*

Supplier companies that do not have electrical systems, are authorized to act exclusively in the purchase and sale of electricity to distribution companies, authorized agents or free consumers. Prices are set freely.

*Public Domain Assets*

In Brazil, fixed assets used in distribution and supply activities are binded to these services and can not be removed, sold, transferred or used as mortgage without the prior and express consent of the regulator (ANEEL).

**Activity in the Renewables energies sector**

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewables energies sector.

On 4 July 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousand Euros, of which 980,121 thousand Euros relates to the capital increase and 586,605 thousand Euros relates to the share premium.

As at 31 December 2008, EDP Renováveis Group had a total gross installed capacity of 5,052 MW, operating in Portugal (553 MW), Spain (2,109 MW), France (185 MW), Belgium (47 MW) and the United States (2,158 MW).

**Electricity**

*Generation*

As at 31 December 2008, EDP Renováveis, the subsidiary of EDP Group for the renewables energies sector, holds the share capital in Nuevas Energías de Occidente, S.L. (NEO) and Horizon Wind Energy, LLC (Horizon), operating respectively in Europe and in United States of America.

NEO operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania and Brazil. NEO's main subsidiaries are: Eternova (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors) and Relax Wind Parks (wind farms in Poland). As at 31 December 2008, Spain and Portugal are the most relevant geographical markets where NEO operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of Horizon, which develops, manages and operates wind farms in the United States of America. Horizon holds a series of projects in operation and a pipeline of projects under development for the construction of wind farms.

#### *Regulatory framework for the activities in Spain*

Royal Decree 436 of 12 March 2004 was published on 24 March 2004 and sets out the methodology to be used for updating and systematizing the legal and economic regime relating to electrical power production under the special regime, which includes the generation of electricity using renewable sources of energy, cogeneration, biomass and waste. This Royal Decree replaces the former Royal Decree 2818/1998 and unifies regulations applicable to special regime energies. The Royal Decree also defines a system whereby the owners of the electrical installation are entitled to sell the production or surplus of electrical power to distributors. A regulated price can be received for this sale, or production and surplus can be sold directly on the daily market, futures market or through a bilateral agreement, in which case a market-negotiated price would be received, plus an incentive for participation in the agreement and a premium if the installation was entitled to receive it.

Royal Decree 661 of 25 May 2007 was published on 26 May 2007 and regulates electrical power produced under the special regime. This Royal Decree replaces Royal Decree 436 of 12 March 2004 and updates regulations on electrical power production under the special regime, whilst maintaining the basic structure of the regulation. The economic framework set out in this Royal Decree maintains the same system of payment for power produced under the special regime, whereby the owner of the installations can opt to sell its power at a regulated price, for the programming periods only, or sell the power directly on the daily market, futures market or through a bilateral agreement, in this case receiving the negotiated price plus a premium.

The main changes to the Royal Decree include a modification to the regulated price and premiums and the introduction of a system of variable premium for certain technologies, such as wind power. The owners of wind power installations officially entering into service prior to 1 January 2008 can opt to adhere to the transitory regime established in the first transitory provision, which stipulates that the owners of these installations may maintain the prices and premiums established in the aforementioned Royal Decree until 31 December 2012.

The NEO Group has opted to sell on the market the power of all its installations currently in operation and to remain in the transitory regime established in the new Royal Decree 661/2007, for all wind power installations officially entering into service prior to 1 January 2008.

#### *Regulatory framework for the activities in Portugal*

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May 1998, as amended by Decree-Law No. 168/99 dated 18 May 1999, Decree-Law No. 312/2001 dated 10 December 2001 and Decree-Law No. 339-C/2001 dated 29 December 2001. Also relevant is Decree-Law No. 33-A/2005, dated 16 February 2005, which establishes the current amounts used in the remuneration formula applicable to energy produced by means of renewable resources and the deadlines for the application of such remuneration formula.

The main feature of the legal framework for renewable energy power generation in Portugal is that the national network operator or the regional distribution operator must purchase all electricity produced by renewable producers who hold an operating license. The construction and operation of a wind farm depends on the allocation of a network connection point issued by the State Energy Department "Direcção Geral de Geologia e Energia-DGGE". The issue of the point of connection occurs upon the request of the promoters during limited periods of time set by the DGGE or by means of a public tender procedure. Award of connection points by direct negotiation is exceptional.

Decree-Law No. 225/2007 dated 31 May, establishes a set of regulations associated to renewable energies, foreseen in the National Strategy for Energy, and has reviewed the formula used in estimating the remuneration of electricity supply generated by renewable power stations and delivered to the network of the National Electric System, as well as the procedures for the attribution of the available power in the same network and the deadlines to obtain licenses for the establishment of renewable power stations.

Still in the context of renewable energies, Decree-Law No. 363/2007, dated 2 November, has established the legal regime applicable to electricity generation by micro-generating power stations, using renewable resources as primary energy or generating electricity and heat. The electricity generators able to access this activity are those that have a low tension electricity purchase agreement.

#### *Regulatory framework for the activities in the United States of America*

Federal, state and local energy laws and regulations regulate the development, ownership, business organization and operation of electric generating facilities and the sale of electricity in the United States. All project companies within the Group in the United States operate as exempt wholesale generators ("EWGs") or qualifying facilities ("QFs") under federal law or are dually certified. In addition, most of the project companies in the United States are regulated by the Federal Energy Regulatory Commission ("FERC") and have market-based rates on file with FERC.

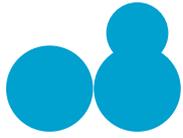
EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale rates. An EWG cannot make retail sales of electric energy and may only own or operate the limited interconnection facilities necessary to connect its generating facility to the network.

## **2. Accounting policies**

### **a) Bases of preparation**

The accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the consolidated result of its operations and the financial position of the company and all its subsidiaries (the EDP Group or the Group) and the Group's interest in associates, for the years ended 31 December 2008 and 2007.

EDP S.A.'s Executive Board of Directors approved these consolidated financial statements on 5 March 2009. The financial statements are presented in thousand Euros, rounded to the nearest thousand.



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

The EDP Group's consolidated financial statements for the years ended 31 December 2008 and 2007 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

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

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

The Group adopted IFRS 7 - Financial Instruments - Disclosures in the preparation of 31 December 2008 and 2007 financial statements. The impact of the adoption of this standard relates to additional disclosures requirements, without any impact in the equity of the Group. In addition, in 2007, the Group adopted IFRIC 8 - Scope of Application of IFRS 2, IFRIC 9 - Revaluation of Embedded Derivatives and IFRIC 10 - Interim Financial Statements and Impairment. Additionally in 2008, the Group adopted the changes to IAS 39 and IFRS 7 - Financial Instruments - Disclosures, IFRIC 11 - IFRS 2 - Group and Treasury Shares Transactions and IFRIC 14 - IAS 19 - The limit of a defined benefit asset, minimum pending requirements and their interaction. The adoption of these interpretations did not have any impact in the financial statements of EDP Group.

In accordance with IFRS 3 - Business Combinations, adjustments to the provisional fair values of identifiable assets, liabilities or contingent liabilities that result from the purchase price allocation, with impact on the amount of goodwill determined in previous periods, originate a reclassification of the comparative financial information, reflecting these adjustments, with effect from the date of acquisition.

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

#### **b) Basis of consolidation**

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

##### *Subsidiaries*

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

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

##### *Associates*

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

The existence of significant influence by the Group is usually evidenced by one or more of the following ways:

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

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

#### *Jointly controlled entities*

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

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

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

#### *Goodwill*

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

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

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

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

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

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

#### *Purchases of minority interests and dilution*

When accounting for transactions with minority interests, the Group applies the Parent Company Model consistently for both purchases and sales to minority interests.

In an acquisition of minority interests, the difference between the fair value of the minority interests acquired and the consideration paid, is accounted against goodwill. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The difference between the percentage of the interests held in the identifiable net assets acquired and the fair value of the liability, is recorded as goodwill. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised as an adjustment to the cost of the business combination, against goodwill and the effect of the financial discount of the liability (unwinding) is recognised as a financial expense in the consolidated income statement.

When an interest in a subsidiary is disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the group, plus the carrying value of goodwill on that subsidiary, is recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. The gains or losses resulting from that dilution are accounted for by the Group in the income statement of the period.

The Group recognises in the income statement of the period the gains and losses related to a dilution of interest in a subsidiary resulting from share capital increases or sale of an investment.

#### *Investments in foreign operations*

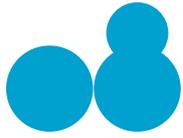
The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated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

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

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

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

On disposal of a foreign subsidiary, the related exchange differences, previously recognised in reserves, are accounted for in the income statement.



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*Balances and transactions eliminated on consolidation*

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

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

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

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

**Hedge accounting**

The Group uses financial instruments to hedge interest rate and exchange rate risks and price risks resulting from its operational and financing activities. Derivatives not qualified for hedging under IAS 39 are accounted for as trading instruments.

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

- (i) At the inception of the hedge there is formal documentation of the hedge;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
- (v) The hedge of a forecasted transaction must be highly probable and must be exposed to changes in cash flows that could ultimately affect net profit or loss.

*Fair value hedge*

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

*Cash flow hedge*

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

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

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

*Net investment hedges*

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

#### *Effectiveness*

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

#### **e) Other financial assets**

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

##### *Financial assets at fair value through profit or loss*

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

##### *Available-for-sale financial assets*

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

#### **Initial recognition, measurement and derecognition**

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

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

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

#### **Subsequent measurement**

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

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

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

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

#### **Reclassifications between categories**

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

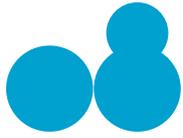
#### **Impairment**

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

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

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security (above 20%), and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

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



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

**f) Financial liabilities**

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

**g) Equity instruments**

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

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

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

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

**h) Property, plant and equipment**

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

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

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

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

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery	
Hydroelectric generation	32 to 65
Thermoelectric generation	25 to 40
Wind generation	20
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other equipment	10 to 25

*Borrowing cost and other directly attributable costs*

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the borrowings of the enterprise that are outstanding during the period. The capitalisation of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses, directly attributable to the acquisition and construction of the assets, such as cost of materials and personnel expenses are also capitalised as part of the cost.

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

Under the terms of Decree-law 344-B/82, low-tension electricity distribution concessions do not involve the sale of the assets by the entity that grants the concessions (Municipalities), who maintain the ownership of the property, without prejudice to their allocation to use by the Group. These assets are allocated to the concession and are recorded under Property and equipment, with an equivalent amount being recorded as medium and long-term liability under Creditors and other liabilities (Decree-law 344-B/82 Regularisation Account), Note 37.

The Property, plant and equipment allocated to the concessions is stated at cost less accumulated depreciation and impairment losses. Depreciation on these assets is calculated on the same basis and at the same rates as the Company's own Property, plant and equipment, using the straight-line method over their estimated useful lives. The depreciation charge of the year is compensated in the depreciation caption (Note 12), by the reduction, of an equal amount, of the medium and long-term liability recorded under Creditors and other liabilities.

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

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

#### **i) Intangible fixed assets**

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

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

##### *Acquisition and development of software*

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

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

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

##### *Concession rights to distribute electricity and gas*

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

##### *Concession right to use the public hydric domain*

Concession rights to use de public hydric domain are booked as intangible assets and amortised on a straight-line basis over the period of the concession, which currently does not exceed 45 years. The Group accounts for as concession rights the financial compensations for the use of public domain assets, whenever compensations are paid by the Group subsidiaries.

##### *Industrial property and other rights*

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

#### **j) Leases**

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

##### *Operating leases*

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

##### *Finance leases*

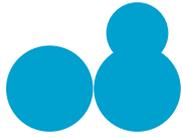
Finance leases are recognised by the lessee, at the start of the lease term, as assets and liabilities at the fair value of the leased asset which is equivalent to the present value of the future lease payments.

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

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

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

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



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*Determining whether an Arrangement contains a Lease*

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

**k) Investment property**

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

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

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

**l) Inventories**

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

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

Emission rights held by the Group for sale in the ordinary course of business are accounted for as inventories and measured at fair value, at each balance sheet date, against income statement.

**m) Accounts receivable**

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

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

**n) Employee benefits**

**Pensions**

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

*Defined benefit plans*

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

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

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

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

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

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

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

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

The assets of the plans comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

#### *Defined contribution plans*

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

#### **Other benefits**

##### *Medical benefits and other plans*

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

##### *Variable remuneration paid to employees*

In accordance with by-laws of some Group companies, the shareholders approve in the Annual General Meeting a variable remuneration to be paid to the management and employees (bonus), following a proposal made by the Executive Board of Directors. The variable remuneration is charged to income statement in the year to which it relates.

#### **o) Provisions**

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

##### *Provisions for dismantling and decommissioning*

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

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

#### **p) Recognition of costs and revenues**

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

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

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

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

#### **q) Financial results**

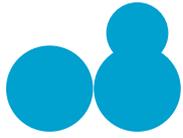
Financial results include interest cost on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, gains and losses on financial instruments and changes in the fair value of hedged risks.

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

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

#### **r) Income tax**

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



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Deferred taxes arising from the revaluation of cash flow hedge derivatives and financial assets available for sale recognised in shareholders' equity are recognised in the profit and loss in the period the results that originated the deferred taxes are recognised.

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

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

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

The Group compensates, as established in IAS 12, paragraph 74 the deferred tax assets and liabilities if, and only if:

- (i) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**s) Earnings per share**

Basic earnings per share are calculated by dividing individual and consolidated net income attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the year, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

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

**t) Stock options remuneration program**

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is equal to the listed price of the shares at the grant date.

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

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

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

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

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

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

**v) Cash and cash equivalents**

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

**w) Segment reporting**

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

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

#### **x) Tariff adjustments**

In regulated activities, the regulator establishes, through tariff adjustments, the criteria to recognise revenues or expenses of one period in future financial periods. Tariff adjustments, accounted for under EDP consolidated financial statements, represent the difference between the amounts invoiced by regulated companies (based on the applicable tariffs published by the regulator ERSE in the month of December of the previous year), and the regulated revenue calculated based on real costs. The tariff adjustments are recovered through the electricity tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators to recover the tariff adjustments under a regime similar to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Electricity sales the effects resulting from the recognition of tariff adjustments, against Debtors and other assets. According to the referred Decree-Law, the tariff adjustments of the regulated operators determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method of recovering the tariff adjustments until its complete payment. The Decree-Law also allows the transfer, in total or partially, of the right to receive the tariff adjustment to third parties, through future electricity tariffs.

#### **y) CO2 licenses and greenhouse effect gas emission**

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

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

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

#### **z) Cash Flow Statements**

The Cash Flow Statement is presented under the direct method, according to which gross cash flows from operating activities, finance activities and investment activities are disclosed in the face of the cash flow statement.

The Group classifies cash flows related to interest and dividends received and paid as investment and financing activities, respectively.

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

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

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

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

#### **Impairment of available-for-sale financial assets**

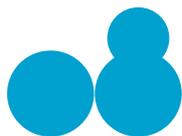
The Group determines that available-for-sale assets are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgement. In making this judgement, the Group assesses, among other factors, the normal share price volatility, assuming as significant a decline of more than 20% in listed shares. In addition, valuations are generally obtained through market prices or valuation models that require assumptions or judgement in making estimates of fair value.

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

#### **Fair value of financial instruments**

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



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

### Power Purchase Agreement (PPA) early termination

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

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

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

### Contractual Stability Compensation (CMEC)

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

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

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

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

### Contractual stability compensation — Revisable mechanism

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

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

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

### Tariff adjustments

Tariffs adjustments represent the difference between costs and income of the National Electricity Framework (SEN), estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the Electricity System established at the end of each period. The tariff adjustments are recovered through electricity tariffs for customers in subsequent periods.

In 2008, considering the rights granted by the current legislation which establishes an unconditional right of the regulated operators to recover the tariff adjustments in the same terms as those established for the tariff deficit, the EDP Group booked in the caption Electricity sales of the period, the effects of the recognition of the tariff adjustment, against Other debtors. Under the current legislation regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the tariffs of electricity.

### Tariff deficit

In Portugal, the Decree-law 237-B/2006, of 19 December 2006, recognised the irrevocable right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collecting right to a third party. In 2008 the EDP Group sold unconditionally the tariff deficit booked in 2007.

In Spain, Royal Decree 1634/2006, published in December 2006, established the electricity tariff for the period starting on 1 January 2007. This Royal Decree established the method of recovering the 2006 deficit, and that as from 1 July 2007 tariffs for the sale of electric energy by distribution companies will be modified quarterly by Royal Decree. Order ITC/2794/2007 of 27 September, which revises electricity tariffs as from 1 October 2007 was issued in compliance with Royal Decree 1634/2006. As at 29 December 2007 Order ITC/3860/2007 published in December 28, revised the tariff from 1 January 2008.

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

#### **Impairment of long term assets and Goodwill**

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

On an annual basis the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiary companies. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. In associated companies the goodwill is reviewed when circumstances indicate the existence of impairment.

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

#### **Doubtful debts**

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

#### **Revenue recognition**

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

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

#### **Income taxes**

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

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

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

#### **Pensions and other employee benefits**

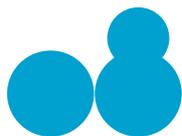
Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, rates of discount and pension and salary growth and other factors that can impact the cost and liability of the pension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

#### **Provisions for dismantling and decommissioning**

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

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

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



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4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

The EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP) and Brazilian Reals (BRL). Currently, the exposure to EUR/USD currency fluctuation risk results essentially from the acquisition of the subsidiary Horizon in July 2007. In order to finance this acquisition and its investment plan, EDP contracted USD loans with the objective of mitigating the exchange risk related to the net assets of Horizon. The exchange and interest rate risks on the GBP bonds issued by EDP Finance B.V. under the "Medium Term Notes" Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for that contracted by the Brazilian subsidiaries and the above mentioned USD financing, is in Euros.

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

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

Sensitivity analysis — Exchange rate

The hedged transactions are excluded from this analysis. The operations that result in an exchange-rate risk exposure (exchange rate forwards), since they are booked in a trading portfolio, and although they are intended to fix the price of the exchange rate component of future fuel acquisitions, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2008 and 2007, would lead to an increase/(decrease) in the EDP Group results as follows:

	2008		2007	
	Euro'000		Euro'000	
	+10%	-10%	+10%	-10%
USD	-31.140	38.060	-11.921	14.571
BRL	-	-	9.912	-8.201
	<u>-31.140</u>	<u>38.060</u>	<u>-2.009</u>	<u>6.370</u>

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

Interest rate risk management

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

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

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

The EDP Group has a portfolio of interest-rate derivatives with maturities between approximately 1 and 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value and cash flows of financial instruments to interest-rate fluctuations.

#### Sensitivity analysis — Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2008 and 2007 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	2008			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-24.777	24.777	-	-
Unhedged debt	-71.532	71.532	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	20.502	-22.461
Trading derivatives (accounting perspective)	-1.778	1.938	-	-
	<u>-98.087</u>	<u>98.247</u>	<u>20.502</u>	<u>-22.461</u>
	2007			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20.674	20.674	-	-
Unhedged debt	-40.946	40.946	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	11.823	-11.883
Trading derivatives (accounting perspective)	-214	163	-	-
	<u>-61.834</u>	<u>61.783</u>	<u>11.823</u>	<u>-11.883</u>

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

#### Counter party credit-risk management in financial transactions and in interest rate and foreign exchange derivative financial instruments

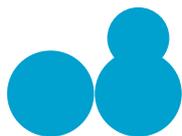
The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial transactions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

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

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

#### Liquidity risk management

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



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**Energy market risk management**

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

As a result of its energy management operations, EDP has a portfolio of operations relating to electric energy, carbon emissions (CO<sub>2</sub>) and fuel (coal and gas). The portfolio is managed through the contracting of financial and physical operations on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal), options and the contracting of future operations to fix prices.

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

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

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

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

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the different risk factors (price of electricity and hydraulicity) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are used. As at 31 December 2008 and 2007 the distribution of P@R by risk factor is analysed as follows:

Risk factor:	P@R Distribution by risk factor	
	2008	2007
	Euro'000	Euro'000
Negotiation	4.000	3.000
Fuel	106.000	57.000
CO <sub>2</sub>	5.000	7.000
Electricity	32.000	41.000
Hydrological	17.000	30.000
Diversification	-133.000	-88.000
Total	31.000	50.000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 31 December 2008 and 2007, the EDP Group's exposure to credit risk rating is as follows:

Credit risk rating:	2008	2007
	AAA a AA-	33,90%
A+ a A-	64,90%	57,00%
BBB+ a BBB-	0,40%	16,00%
BB+ a B-	0,80%	7,00%
Total	100%	100%

**Brazil — Interest rate and exchange rate risk management**

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

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

The summary of VaR of the operations of the Brazilian subsidiaries at 31 December 2008 and 2007 is as follows:

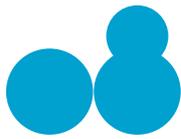
	VaR	
	2008 Euro'000	2007 Euro'000
Exchange rate risk	3.051	1.343
Interest rate risk	9.450	8.175
Covariation	-2.697	600
<b>Total</b>	<b>9.804</b>	<b>10.118</b>

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

## 5. Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2008 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Results 31-Dec-08 Euro'000	% Group	% Company
<b>Portugal</b>									
<b>Group Parent Company and Related Activities</b>									
EDP - Energias de Portugal, S.A.	Lisbon	3.656.537.715 EUR	18.926.537	12.655.859	6.270.678	4.641.182	550.978	100,00%	-
Balwerk - Consultoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5.000 EUR	288.485	287.086	1.399	13.570	-1.089	100,00%	100,00%
Edigra - Imobiliária, Lda.	Lisbon	748.197 EUR	373	-	373	137	41	100,00%	100,00%
EDP Estudos e Consultoria, S.A.	Lisbon	50.000 EUR	8.574	7.287	1.286	24.651	1.053	100,00%	100,00%
EDP Gás - S.G.P.S., S.A.	Lisbon	120.000.000 EUR	225.996	35.817	190.179	6.625	1.359	100,00%	100,00%
EDP Imobiliária e Participações, S.A.	Lisbon	10.000.000 EUR	377.146	434.682	-57.537	12.502	-233.047	100,00%	100,00%
EDP Inovação, S.A.	Lisbon	50.000 EUR	7.545	7.112	433	3.556	-360	100,00%	100,00%
EDP Investments and Services, S.L.	Madrid	3.006 EUR	260.181	209.363	50.817	17.166	4.534	100,00%	-
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4.550.000 EUR	57.750	61.337	-3.587	72.141	12.324	100,00%	100,00%
EDP Internacional S.A.	Lisbon	50.000 EUR	5.161	4.691	470	2.623	-348	100,00%	100,00%
Labellec - Estudos, Desenvolvimento e Atividades Laboratoriais, S.A.	Socovem	2.200.000 EUR	16.128	14.894	1.231	14.254	1.893	100,00%	100,00%
MRH - Mudança e Recursos Humanos, S.A.	Lisbon	750.000 EUR	808	26	782	67	15	100,00%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5.100 EUR	144.200	154.102	-9.902	8.552	-5.133	100,00%	-
Sávida - Medicina Apoiada, S.A.	Lisbon	450.000 EUR	14.751	21.600	-6.849	35.993	71	100,00%	100,00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50.000 EUR	143	220	-77	260	-53	100,00%	-
EDP Ventures, S.G.P.S., S.A.	Lisbon	50.000 EUR	1.264	816	448	-	-9	100,00%	-
<b>Electricity - Portugal:</b>									
<b>Electricity Generation:</b>									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1.263.285.505 EUR	7.359.336	5.312.428	2.046.908	2.304.561	438.321	100,00%	100,00%
Energim, S.A.	Lisbon	50.000 EUR	45.440	45.566	-126	6.337	-1.169	65,00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500.000 EUR	6.373	5.955	418	13.118	348	60,00%	-
Sopargem, S.A.	Lisbon	50.000 EUR	46.395	33.267	13.128	57.552	6.678	82,00%	-
Tergen - Operação e Manutenção de Centrais Termoelétricas, S.A.	Carregado	250.000 EUR	2.111	1.004	1.108	2.525	37	100,00%	-
Greenvough - Sociedade Gestora do Aproveitamento Hidroelétrico de Ribeirão-Emida, S.A.	Oliveira de Frades	50.000 EUR	53	26	28	-	-22	55,00%	-
Hydrocorgo - Hidroelétrica do Corgo, S.A.	Lisbon	1.497.000 EUR	15.050	2.787	12.263	4.638	1.575	100,00%	-
Hidroelétrica de Fagilde, Lda.	Lisbon	374.098 EUR	2.691	2.103	588	400	51	100,00%	-
Hidroelétrica Janeiro de Baixo, LDA	Lisbon	5.000 EUR	16	25	-9	-	-4	100,00%	-
Minihídrica do Póthol, Lda.	Lisbon	450.000 EUR	2.826	1.348	1.478	1.459	410	100,00%	-
Hidroelétrica da Penacova, Lda.	Lisbon	498.798 EUR	8.239	8.384	-145	1.047	-75	100,00%	-
Hidroelétrica de Pinhel, Lda.	Lisbon	1.415.000 EUR	13.897	11.506	2.391	3.019	1.119	100,00%	-
Hidroelétrica da Raboçal Ponte, Lda.	Lisbon	1.350.000 EUR	17.479	18.943	-1.464	50	-1.562	100,00%	-
Hidrotuêla - Hidroelétrica da Tuêla, S.A.	Lisbon	9.570.052 EUR	28.231	3.686	24.545	5.844	3.433	100,00%	-
PH Energia, S.G.P.S., S.A.	Lisbon	50.000 EUR	5.245	6.424	-1.181	5	-322	100,00%	-
Enerallus-Produção de Energia Eléctrica, S.A.	Oporto	1.505.000 EUR	42.690	37.311	5.379	9.375	1.644	77,53%	-
<b>Renewable Energies:</b>									
Enemova - Novas Energias, S.A.	Oporto	7.500.000 EUR	630.906	567.308	63.598	87.509	20.754	77,53%	-
Eólica do Alagoa, S.A.	Arcos	50.000 EUR	15.137	13.008	2.129	3.111	353	46,51%	-
Eólica da Serra das Alturas, S.A.	Valdevez	50.000 EUR	4.919	4.223	696	116	-136	38,84%	-
Eólica de Montenegro, Lda	Vila Pouca de Aguiar	50.000 EUR	6.911	5.723	1.188	156	-259	38,84%	-
Levante - Energia Eólica, Unipessoal, Lda	Oporto	5.000 EUR	36.608	35.300	1.308	6.967	955	77,53%	-
Malhadizes, S.A.	Oporto	50.000 EUR	34.929	34.380	550	4.902	476	77,53%	-
<b>Electricity Distribution:</b>									
EDP Distribuição de Energia, S.A.	Lisbon	1.024.500.000 EUR	5.725.275	5.119.371	605.904	2.755.075	216.033	100,00%	100,00%
<b>Electricity Supply:</b>									
EDP Serviço Universal, S.A.	Lisbon	10.300.000 EUR	2.449.933	2.451.792	-1.858	5.906.126	50.059	100,00%	-
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20.814.695 EUR	71.991	56.715	15.276	168.484	-12.975	100,00%	100,00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50.000 EUR	3.868	3.741	127	6.758	984	100,00%	100,00%
QEEngenharia - Sistemas para a Qualidade e Gestão da Energia, S.A.	Massama	50.000 EUR	816	448	368	687	-13	55,00%	-
<b>Gas Distribution:</b>									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50.000 EUR	5.158	1.511	3.647	152.354	3.381	100,00%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299.400 EUR	13.779	13.147	632	614	106	60,00%	-
EDP Investimentos, S.G.P.S., S.A.	Lisbon	5.489.000 EUR	61.800	17.023	44.778	4	-20	100,00%	100,00%
EDP Gás III S.G.P.S., S.A.	Lisbon	5.500.000 EUR	62.451	32.162	30.289	29	-3	100,00%	-
EDP Gás II S.G.P.S., S.A.	Lisbon	5.000.000 EUR	54.656	20.071	34.586	1.313	36	100,00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7.909.150 EUR	342.767	282.276	60.491	44.558	2.583	71,97%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.	Oporto	549.998 EUR	4.821	3.410	1.411	3.920	672	71,97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1.049.996 EUR	32.519	25.491	7.028	110.375	2.306	71,97%	-
<b>Related Activities:</b>									
EDP Soluções Comerciais, S.A.	Lisbon	50.000 EUR	79.502	68.433	11.070	162.095	7.327	100,00%	100,00%
<b>Other activities:</b>									
FCTE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500.000 EUR	12	526	-515	-	-9	88,00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50.000 EUR	681	65.169	-64.489	4	-511	100,00%	-
OPTIP SGPS, S.A.	Lisbon	5.500.000 EUR	148.799	154.938	-6.139	3.044	-126.284	100,00%	-
EDP Powerline, Infraestruturas de Comunicação, S.A.	Lisbon	50.000 EUR	982	4.338	-3.356	739	588	100,00%	-
U Call - Atendimento a Clientes e Telemarketing, S.A.	Lisbon	50.000 EUR	90	727	-637	97	34	100,00%	-

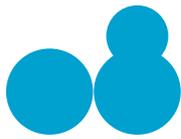


ANNUAL REPORT 2008  
FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2008

Subsidiaries:	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Results 31-Dec-08 Euro'000	% Group	% Company
<b>Spain</b>									
<b>Parent Company and Related Activities:</b>									
EDP Renovables S.A.	Oviedo	4,361,540,810 EUR	5,950,840	962,427	4,988,413	455,804	74,794	77.53%	62.02%
Nuevas Energías de Occidente, S.L.	Oviedo	30,000,000 EUR	3,288,900	3,094,373	194,528	91,281	-30,898	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,700 EUR	5,171,408	3,193,909	1,977,499	931,739	38,053	100.00%	96.60%
Iberenergía, S.A.	Madrid	60,200 EUR	60	-	60	-	-	100.00%	100.00%
<b>Electricity - Spain:</b>									
<b>Electricity Generation:</b>									
Ceprastur AIE	Oviedo	360,607 EUR	421	3	418	12	8	44.01%	-
Rasacast Cogeneración S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Cogeneración Bergara, A.I.E.	Bilbao	450,000 EUR	1,275	679	597	1,840	-121	48.99%	-
Cogeneración Montijic, S.L.U.	Bilbao	1,250,000 EUR	5,300	2,563	2,738	1,995	15	97.99%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	12,908	9,960	2,948	4,896	755	68.59%	-
Eléctrica de la Ribera del Ebro, SA	Oviedo	5,000,000 EUR	448,443	410,166	38,277	269,486	-17,434	100.00%	-
Energía e Industria del Teledo, S.A.	Oviedo	2,139,403 EUR	4,322	8,308	-3,885	9,229	-224	90.00%	-
Fuerzas Eléctricas Valdeónidas, SA	Valencia	1,021,700 EUR	16,581	14,612	-31	2,211	-49	100.00%	-
Central Térmica Cida Combinado Grupo 4	Oviedo	3,100 EUR	237,011	239,994	-2,983	7,371	-2,986	100.00%	-
HC Soluciones Comerciales S.A.	Oviedo	60,300 EUR	17,665	8,469	9,195	26,469	3,488	100.00%	-
HDC Explotación Centrales-2	Oviedo	60,150 EUR	40,499	57,597	-17,099	5,365	-1,873	100.00%	-
HDC Explotación Redes-2	Oviedo	70,000 EUR	1,880	1,784	96	4,286	344	100.00%	-
HDC Gestión de Energía-2	Oviedo	5,078,029 EUR	904,433	401,141	503,292	52,477	20,845	100.00%	-
Hidroeléctrica Servicios, S.A.	Oviedo	60,150 EUR	15,122	7,723	7,399	22,742	2,156	100.00%	-
Instalaciones Eléctricas Rio Isabena, S.L.	Zaragoza	3,006 EUR	3,184	3,131	53	-	-	90.02%	-
Mazarrón Cogeneración, S.A.	Oviedo	70,000 EUR	1,116	5,823	-4,707	2,550	-205	90.00%	-
Millennium Energy S.L.	Bilbao	2,835,247 EUR	9,817	7,052	2,766	120	-64	97.99%	-
Noturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	12,791	11,837	955	15,124	175	95.97%	-
Noturgas Energía Comercializadoras Ultimo Recurso, S.A.	Bilbao	2,000,000 EUR	2,058	32	2,025	59	25	95.97%	-
Papresa Cogeneración AIE	Bilbao	50,000,000 EUR	50,000	-	50,000	-	-	95.21%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150,000,000 EUR	621,740	5,702	616,038	32,028	22,318	100.00%	-
<b>Renewable Energies:</b>									
Acampo Arias, S.L.	Zaragoza	3,314,300 EUR	31,110	27,795	3,315	1,065	-	76.12%	-
Agrupación Eólica, SLU	Zaragoza	772,404 EUR	86,354	40,983	45,371	1,994	200	77.53%	-
Ceasa Promociones Eólicas, SLU	Zaragoza	1,205,029 EUR	39,069	39,016	53	32,652	-544	77.53%	-
Cia. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	69,116 EUR	73	18	55	-	-	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,629	391	1,238	710	281	58.79%	-
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	86,480 EUR	85	1	84	-	-	77.53%	-
Desarrollos Eólicos Promoción, S.A.	Seville	8,061,000 EUR	41,322	2,921	38,400	13,450	12,362	77.53%	-
Desarrollos Eólicos Almaradit, SAU	Cádiz	2,061,100 EUR	21,123	18,002	3,121	4,207	1,093	77.53%	-
Desarrollo Eólico Buenavista, SAU	Cádiz	1,712,369 EUR	12,887	8,645	4,242	3,394	1,080	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruña	3,666,100 EUR	11,224	3,569	7,655	3,254	979	77.53%	-
Desarrollo Eólico de Lugo, SAU	Lugo	7,761,000 EUR	76,843	58,868	17,975	20,921	8,183	77.53%	-
Desarrollo Eólico de Tarifa, SAU	Cádiz	5,799,650 EUR	15,844	5,761	10,083	6,699	2,511	77.53%	-
Desarrollo Eólico Dumbria, SAU	La Coruña	61,000 EUR	88,601	81,079	7,522	17,946	5,264	77.53%	-
Desarrollo Eólico Rebosero, S.A.	Huesca	7,560,950 EUR	38,937	26,575	12,362	9,668	3,654	73.65%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	29,463	17,380	12,083	8,425	3,399	45.22%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	794,000 EUR	22,411	21,722	688	579	-102	46.52%	-
Desarrollos Eólicos de Galicia, S.A.	La Coruña	6,150,200 EUR	11,390	1,767	9,623	4,521	1,607	74.94%	-
Desarrollos Eólicos, S.A.	Seville	10,556,225 EUR	209,491	191,885	17,606	288,783	-1,219	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	43,751	41,849	1,902	6,758	1,892	77.53%	-
Eólica Alfoz, SL	Madrid	10,000 EUR	27,074	27,064	10	1,516	-	65.88%	-
Enerolva S.A.	Seville	75,120 EUR	172	104	68	3	-	77.53%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	31,836	23,354	8,483	7,865	2,821	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994 EUR	113,086	94,664	18,422	29,682	9,351	58.15%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	60,247	54,881	5,367	13,764	5,363	77.53%	-
Eólica Mare Nostrum, S.A.	Valencia	60,120 EUR	-	43	-43	-	-	46.52%	-
Energía Eólica La Manchuela, SLU	Madrid	3,294,000 EUR	76,464	69,084	7,380	14,486	3,148	65.82%	-
Eólica la Brújula, S.A.	Albacete	1,141,900 EUR	27,102	23,916	3,286	6,135	1,916	77.53%	-
Genesis I.S.L.	Madrid	28,562,170 EUR	544,209	355,722	188,487	262,236	3,343	77.53%	-
Guadaloba	Seville	10,000 EUR	105,201	105,192	9	1,212	-1	77.53%	-
Hidroeléctrica Cogeneración S.L.	Oviedo	2,914,650 EUR	44,796	16,765	28,031	35,991	5,486	100.00%	-
Hidroeléctrica del Rumberal, S.L.	Madrid	276,460 EUR	793	751	42	42	-85	62.02%	-
Hidroeléctrica Fuentemosa, S.L.	Oviedo	17,036 EUR	312	51	261	69	12	69.73%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	453	489	-36	17	-59	58.15%	-
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	1,918,728 EUR	33,006	30,012	2,995	5,614	1,014	77.53%	-
Industrias Medioambientales Rio Carrion, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	15,717,845 EUR	197,705	184,464	13,242	9,633	-2,217	46.20%	-
Lagunilla	Madrid	110,000 EUR	110,253	110,250	23	5,498	14	77.53%	-
Lanzaca	Madrid	10,000 EUR	49,612	48,431	1,180	6,248	1,170	77.53%	-
Molino de Caragüeyes, S.L.	Zaragoza	180,300 EUR	652	505	147	181	10	62.02%	-
NEO Catalunya SL	Barcelona	10,000 EUR	22,535	22,838	-304	92	-314	77.53%	-
NEO Energia Aragon SL	Madrid	10,000 EUR	10	1	8	-	-	77.53%	-
Neomal Inversiones SICAV, SA	Madrid	33,358,370 EUR	38,561	59	38,503	-	-1,304	77.53%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	53,764	46,232	7,531	10,748	3,211	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000 EUR	21,921	17,415	4,506	5,989	2,195	50.28%	-
Parque Eólico Los Cantales, SLU	Zaragoza	1,963,050 EUR	30,701	26,251	4,451	7,282	2,498	77.53%	-
Parque Eólico Montes de Castañón, S.L.	Zaragoza	12,024 EUR	50	41	9	-	-	77.53%	-
Parque Eólico Plano de Arriajón, SLU	Zaragoza	12,024 EUR	67	59	8	-	-	77.53%	-
Parques de Generación Eólica, S.L.	Burgos	1,924,000 EUR	8,552	5,866	2,687	2,147	418	46.52%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	58,677	35,322	23,355	14,929	4,127	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	15,026 EUR	43,986	41,821	2,165	7,514	2,150	69.78%	-
Eólica Sierra de Avila, SL	Madrid	10,000 EUR	55,008	54,998	10	1,156	-	69.77%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-1	77.53%	-
Sinae Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	98,155	78,908	19,247	11,125	5,567	77.53%	-
Sotromat, S.A.	Soria	112,880 EUR	30	206	-176	-	-10	69.78%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	60	43	17	-	-47	62.02%	-
Tratamientos Medioambientales Rio Salón, S.A.	Madrid	60,200 EUR	79,245	76,810	2,435	11,708	2,362	77.53%	-
Valle del Ebro Ingeniería y Consultoría, S.L.	Zaragoza	188,947 EUR	4,004	4,004	3,987	806	722	77.53%	-
Vainco Energía Limpia SLU	Zaragoza	3,043 EUR	5,198	4,790	408	127	65	77.53%	-
Parc Eólic de Coll de Moro, SL	Barcelona	3,005 EUR	4,738	4,730	8	165	-	46.52%	-
Fontesiva	La Coruña	10,000 EUR	11	1	10	-	-	77.53%	-
Parc Eólic Molinars SL	Girona	3,006 EUR	4	1	3	-	-	41.87%	-
Muxia I e II	La Coruña	10,000 EUR	11	1	10	-	-	77.53%	-
Naturmeo Energía, S.L.	Bilbao	3,020 EUR	3	1	2	-	-1	86.93%	-
Eólica de Radona SL	Madrid	10,000 EUR	113	103	10	1	-	77.53%	-
Parc Eólic de Torre Madrina, S.L.	Barcelona	3,005 EUR	4,617	4,609	7	160	-	46.52%	-
Bon Vent de Corbera, SL	Barcelona	9,000 EUR	34,891	34,804	86	344	-	77.53%	-
Bon Vent de Vilalba, SL	Barcelona	90,000 EUR	40,475	40,390	86	354	-	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3,006 EUR	1,970	1,967	3	48	-	46.52%	-
Millennium Energy, S.A.	Bilbao	6,500,000 EUR	25,276	18,339	6,938	7,294	428	95.97%	-
<b>Electricity Transmission:</b>									
Electra de Llobregat Energía, S.L.	Oviedo	150,000 EUR	4,658	5,622	-964	693	-1,114	75.00%	-
Hidroeléctrica Distribución Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	820,081	635,146	184,935	707,886	31,984	100.00%	-
Salonar Distribución Eléctrica, S.L.	Zaragoza	421,000 EUR	10,059	9,575	485	-	-	90.00%	-

Subsidiaries:	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Income 31-Dec-08 Euro'000	Results 31-Dec-08 Euro'000	% Group	% Company
<b>Gas supply and distribution:</b>									
Gas de Euskadi Transporte de Gas, S.A.U.	Bilbao	12.880.200 EUR	151.102	96.834	54.268	16.660	8.491	95,97%	-
Naturgas Comercializadora, S.A.	Bilbao	3.185.300 EUR	340.768	336.989	3.780	1.003.553	4.763	95,97%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100.000.000 EUR	1.460.681	237.947	1.222.734	219.260	94.261	95,97%	-
Naturgas Energía Grupo, S.A.	Bilbao	316.516.400 EUR	1.566.083	490.449	1.075.634	600.742	47.217	95,97%	-
Naturgas Participaciones, S.A.U.	Bilbao	300.500 EUR	16.690	16.336	354	619	-224	95,97%	-
Septentrional de Gas, S.A.	Leon	5.105.000 EUR	27.546	17.862	9.684	4.186	1.184	95,97%	-
<b>Electricity supply:</b>									
EDP Energía Ibérica, S.A.	Madrid	60.200 EUR	305	13.672	-13.367	-	-3	100,00%	-
Hidrocarbónico Energía, S.A.U.	Oviedo	500.000 EUR	264.424	417.632	-153.207	934.050	11.706	100,00%	-
<b>Other activities:</b>									
Ambitec Laboratorio Medioambiental (ITSEMAP), S.A.	Madrid	170.000 EUR	1.020	820	201	957	-70	100,00%	-
Cerámica Técnica de Ilescas Cogeneración S.A.	Oviedo	62.247 EUR	1.349	1.934	-585	1.599	-77	90,00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2.996.022 EUR	9.581	11.257	-1.677	11.047	-409	100,00%	-
Renovamed, S.A.	Oviedo	60.200 EUR	1.368	2.204	-838	1.024	-317	75,00%	-
Sinova Medioambiental, SA	Oviedo	2.687.364 EUR	16.196	14.756	1.440	13.972	153	84,00%	-
Tecman, S.L.	Bilbao	250.000 EUR	4.464	1.252	3.212	1.955	90	95,97%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3.731.202 EUR	15.047	8.136	6.910	15.363	1.544	88,00%	-
<b>Brazil</b>									
<b>Parent Company and Related Activities:</b>									
EDP Energias do Brasil, S.A.	Sao Paulo	3.182.715.954 BRL	1.345.969	150.181	1.195.788	305.292	121.282	71,95%	27,78%
Energest, S.A.	Sao Paulo	120.480.870 BRL	145.218	65.464	79.753	71.884	27.599	71,95%	-
Escelsapar	Espirito Santo	2.800.000 BRL	1.635	2.233	-599	1	-537	71,95%	-
Santa-Fé Energia, S.A.	Espirito Santo	1.000 BRL	31.604	31.670	-66	-	-66	71,95%	-
<b>Electricity - Brazil:</b>									
<b>Electricity Generation:</b>									
CESA - Castelo Eléctrica, S.A.	Sao Paulo	44.920.537 BRL	79.095	50.436	28.659	21.575	6.924	71,95%	-
Costa Rica Eléctrica, Ltda.	Mato Grosso Sul	14.318.185 BRL	6.696	1.356	5.340	5.969	3.778	36,69%	-
EDP Lajeado Energia, S.A.	Sao Paulo	243.055.841 BRL	151.555	14.967	136.589	54.456	8.553	43,12%	-
Enercouth, S.A.	Sao Paulo	1.000 BRL	1.129	1.257	-128	-	-14	71,95%	-
Energise, S.A.	Sao Paulo	882.627.748 BRL	654.884	343.794	311.088	137.556	35.422	43,17%	-
Pantanal	Sao Paulo	23.390.369 BRL	27.021	8.151	18.869	17.546	10.127	71,95%	-
Ipuemas Energia S.A.	Sao Paulo	1.000 BRL	1	-	1	-	-4.537	36,62%	-
Lajeado Energia S.A.	Sao Paulo	513.810.417 BRL	302.165	50.789	251.373	33.375	9.320	38,63%	-
Tocantins Energia	Sao Paulo	139.901.649 BRL	47.425	850	46.575	8.823	458	36,62%	-
Investco, S.A.	Sao Paulo	876.457.822 BRL	450.301	188.102	262.199	86.712	21.246	29,44%	-
<b>Renewable Energies:</b>									
EDP Renováveis Brasil, SA	Sao Paulo	500 BRL	125	187	-61	-	-61	75,02%	-
Enemova, SA (Brazil)	Sao Paulo	1.000 BRL	2.385	2.544	-159	-33	-160	71,95%	-
<b>Electricity Distribution:</b>									
Bandeirante Energia, S.A.	Sao Paulo	254.628.684 BRL	716.188	473.883	242.304	808.995	50.368	71,95%	-
Escelsa - Espírito Santo Centrais Eléctricas, S.A.	Espirito Santo	376.021.630 BRL	655.596	423.593	232.002	532.372	55.064	71,95%	-
<b>Electricity Supply:</b>									
Enetrade - Comercializadora de Energia, S.A.	Sao Paulo	26.284.758 BRL	51.844	33.723	18.121	292.516	11.041	71,95%	-
<b>France</b>									
<b>Electricity - France:</b>									
<b>Renewable Energies:</b>									
C.E. Bourbrinac, S.A.S.	Paris	50.000 EUR	16.519	16.469	50	339	4	77,53%	-
C.E. Aysyran-Le Truel, S.A.S.	Paris	150.000 EUR	16.644	16.513	132	328	-12	77,53%	-
C.E. Beaurivier, SAS	Paris	50.000 EUR	3.270	3.207	63	76	-4	77,53%	-
C.E. Calanhal Lohues, SAS	Paris	80.000 EUR	3.199	3.133	66	27	-6	77,53%	-
C.E. Canal-Pont de Solars, S.A.S.	Paris	125.000 EUR	17.472	17.677	-205	1.851	-50	77,53%	-
C.E. Gueltes Noyal-Pontivy, S.A.S.	Paris	2.261.000 EUR	9.711	6.402	3.309	1.721	205	77,53%	-
C.E. Les Vieilles, SAS	Paris	500.000 EUR	238	6	233	-	-4	77,53%	-
C.E. Patay, SAS	Paris	1.640.000 EUR	17.071	14.792	2.279	2.759	547	77,53%	-
C.E. Pont d'Yeu, SAS	Paris	200.000 EUR	59	6	54	-	-4	77,53%	-
C.E. Saint Alban-Henansol, S.A.S.	Paris	50.000 EUR	14.348	14.299	48	295	-2	77,53%	-
C.E. Segur, SAS	Paris	1.615.000 EUR	15.907	14.249	1.658	2.283	177	77,53%	-
Keramfouler, S.A.S.	Carhaix	37.000 EUR	10.829	11.028	-199	1.348	-222	77,53%	-
Le Gollat, S.A.S.	Carhaix	37.000 EUR	12.418	12.867	-449	1.396	-404	77,53%	-
Parc Eolien Les Bles D'Or S.A.R.L.	Toulouse	1.000 EUR	3.597	3.666	-69	6	-63	77,53%	-
Pieces de Vigne S.A.R.L.	Toulouse	1.000 EUR	3.850	3.859	-10	9	-5	77,53%	-
Plouven Breiz, S.A.S.	Carhaix	40.000 EUR	13.341	14.532	-1.191	1.353	-446	77,53%	-
C.E. NEO Prouville, S.A.S.	Paris	37.500 EUR	18.902	18.863	39	303	5	77,53%	-
Recherches et Dével. Eoliennes, S.A.R.L.	Paris	750.000 EUR	3.980	3.614	366	1.654	-920	77,53%	-
Saint Jacques, S.A.R.L.	Toulouse	1.000 EUR	3.281	3.261	-46	6	-44	77,53%	-
C.E. NEO Trac L'homme, SAS	Paris	37.500 EUR	33	1	32	-	-3	77,53%	-
Parc Eolien D'Ardennes	Elbeuf	1.000 EUR	26	147	-121	-	-3	77,53%	-
Parc Eolien du Clos Battaille, SAS	Elbeuf	37.001 EUR	11.707	12.962	-1.254	639	-398	77,53%	-
Eolienne des Bocages, SARL	Elbeuf	1.000 EUR	10	36	-26	-	-3	77,53%	-
Eolienne de Callengeville, SAS	Elbeuf	37.004 EUR	38	24	14	-	-6	77,53%	-
Parc Eolien des Longs Champs, SARL	Elbeuf	1.000 EUR	17	83	-66	-	-6	77,53%	-
Eole 76 Développement, SARL	Elbeuf	50.000 EUR	1.526	1.666	-140	191	-156	77,53%	-
Eole Service, SARL	Elbeuf	10.000 EUR	95	56	40	16	4	77,53%	-
Eolienne D'Etalondes, SARL	Elbeuf	1.000 EUR	21	46	-25	-	-4	77,53%	-
Parc Eolien de La Hetroye, SAS	Elbeuf	37.004 EUR	27	13	14	-	-5	77,53%	-
Hollywell Investments Limited, SARL	Luxembourg	12.500 EUR	7.452	8.332	-880	-	-551	77,53%	-
Parc Eolien de Mancheville, SARL	Elbeuf	1.000 EUR	10	46	-35	-	-3	77,53%	-
Eole Futur Montfou 1, SAS	Elbeuf	37.000 EUR	2.018	2.116	-97	13	-88	77,53%	-
Neo Galla, SAS	Paris	7.037.000 EUR	51.522	45.912	5.610	58	-1.427	77,53%	-
Parc Eolien des Bocages, SARL	Elbeuf	1.000 EUR	27	187	-160	-	-4	77,53%	-
Ridgside Investments Limited, SARL	Luxembourg	12.500 EUR	3.765	4.296	-530	-	-343	77,53%	-
Parc Eolien de Roman, SARL	Elbeuf	1.000 EUR	26	120	-94	-	-3	77,53%	-
C.E. Saint Barnabe, SAS	Paris	1.600.000 EUR	16.580	14.911	1.670	2.370	296	77,53%	-
Eolienne de Saugueuse, SARL	Elbeuf	1.000 EUR	4	28	-24	-	-2	77,53%	-
Parc Eolien de Varimpre, SAS	Elbeuf	37.003 EUR	14.053	15.903	-1.849	832	-753	77,53%	-
Parc Eolien des Volines, SAS	Elbeuf	37.004 EUR	14.126	15.843	-1.717	775	-670	77,53%	-
Le Meé, S.A.R.L.	Toulouse	1.000 EUR	3.404	3.437	-33	3	-34	37,99%	-
Sauvageons, S.A.R.L.	Toulouse	1.000 EUR	1.653	1.672	-18	2	-16	37,99%	-
Pette Piece, S.A.R.L.	Toulouse	1.000 EUR	1.090	1.094	-3	1	-4	37,99%	-



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FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2008

Subsidiaries:	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Results 31-Dec-08 Euro'000	% Group	% Company
<b>Poland</b>									
<b>Electricity - Poland:</b>									
<b>Renewable Energies:</b>									
Chodow Wind Park, S.P. Z.O.O	Warsaw	13,939	ELR	649	652	-3	95	-16	77.53%
Kip Wind Park I, S.P. Z.O.O	Warsaw	13,939	ELR	336	337	-1	138	-13	77.53%
Kip Wind Park II, S.P. Z.O.O	Warsaw	22,203	ELR	751	606	145	237	131	77.53%
Relax Wind Park I, S.P. Z.O.O	Warsaw	311,658	ELR	7,699	7,782	-82	2,514	-212	72.33%
Relax Wind Park II, S.P. Z.O.O	Warsaw	117,089	ELR	606	523	84	208	-16	77.53%
Relax Wind Park V, S.P. Z.O.O	Warsaw	142,180	ELR	393	285	108	105	-14	77.53%
Relax Wind Park VI, S.P. Z.O.O	Warsaw	13,939	ELR	517	523	-6	172	-18	77.53%
SK Wind Park, S.P. Z.O.O	Warsaw	13,939	ELR	363	363	-	169	-12	77.53%
Sokolowo Wind Park, S.P. Z.O.O	Warsaw	55,757	ELR	464	457	7	57	-11	77.53%
Zulawy Wind Park II, S.P. Z.O.O	Warsaw	13,939	ELR	64	60	4	28	-6	77.53%
Neolca Polska SP Z.O.O.	Warsaw	139,392	ELR	6,333	4,924	1,408	7,314	53	77.53%
Relax Wind Park K, S.P. Z.O.O	Warsaw	122,665	ELR	157	88	70	5	-21	39.54%
Relax Wind Park W, S.P. Z.O.O	Warsaw	108,726	ELR	503	572	-69	20	-142	39.54%
<b>United States of America</b>									
<b>Parent Company:</b>									
Horizon Wind Energy LLC	Houston, Texas	3,828,952,022	USD	3,568,960	880,973	2,687,988	8,790	-51,711	77.53%
<b>Electricity - United States of America I:</b>									
<b>Renewable Energies:</b>									
2007 Vento I LLC	Texas	1,336,006,682	USD	1,047,349	86,112	961,237	2,925	1,488	77.53%
Arlington Wind Power Project LLC	Oregon	186,191,588	USD	150,818	16,747	134,071	423	289	77.53%
Aroostook Wind Energy LLC	Maine	1,257,610	USD	4,825	3,979	845	-	-55	77.53%
BC2 Maple Ridge Wind LLC	Texas	486,552,538	USD	368,501	12,332	356,169	2,409	-3,162	77.53%
Blue Canyon Windpower II LLC	Oklahoma	227,042,507	USD	188,689	19,830	168,858	16,161	4,414	77.53%
Chocolate Bayou Windpower I LP	Texas	3,438,824	USD	2,327	27	2,300	-	-171	77.53%
Clinton County Wind Farm, LLC	New York	15,009,806	USD	28,749	13,969	10,780	-	-	77.53%
High Prairie Wind Farm II, LLC	Illinois	127,067,109	USD	146,765	53,900	92,865	10,337	793	77.53%
High Trail Wind Farm, LLC	Illinois	459,409,684	USD	354,207	20,073	334,234	24,985	4,292	77.53%
Horizon Wind Energy International	Texas	5,911,290	USD	4,467	192	4,276	83	89	77.53%
Horizon Wind Ventures I LLC	Texas	809,913,051	USD	1,791,567	1,187,582	603,985	34,934	10,418	77.53%
Horizon Wind Ventures II, LLC	Texas	893,375,235	USD	1,073,660	424,213	649,446	25,206	7,262	77.53%
Jericho Rise Wind Farm LLC	New York	1,600,290	USD	3,109	1,984	1,125	12	-23	77.53%
Madison Windpower LLC	New York	10,564,773	USD	9,232	1,793	7,439	1,220	-183	77.53%
Marble River, LLC	New York	18,671,894	USD	40,090	26,750	13,340	-	-76	77.53%
Martinsdale Wind Farm LLC	Colorado	3,196,368	USD	2,316	21	2,295	-	-2	77.53%
Mesquite Wind, LLC	Texas	280,000,541	USD	275,735	67,502	208,231	23,315	5,972	77.53%
Old Trail Wind Farm, LLC	Illinois	290,585,371	USD	357,131	148,114	209,017	19,398	-2,889	77.53%
OPQ Property LLC	Illinois	17,838	USD	1,934	1,901	33	23	10	77.53%
Post Oak Wind, LLC	Texas	349,281,397	USD	308,398	52,393	256,005	17,525	4,932	77.53%
Signal Hill Wind Power Project LLC	Colorado	-24,029	USD	1	20	-19	-	-2	77.53%
Telocasset Wind Power Partners, LLC	Oregon	126,441,358	USD	164,241	68,130	96,111	13,983	3,938	77.53%
Tumbleweed Wind Power Project LLC	Colorado	-1,629	USD	-	4	-4	-	-1	77.53%
Viento Grande Wind Power Project LLC	Colorado	860,990	USD	1,817	1,266	550	-	-68	77.53%
Wind Turbine Prometheus, LP	California	-568,023	USD	1	413	-412	-	-1	77.53%
Dickinson County Wind Farm LLC	Minnesota	-	USD	-	657	-726	-	-70	77.53%
Dorington Wind Farm, LLC	Minnesota	-	USD	2,217	2,223	-5	-	-5	77.53%
Cloud County Wind Farm	Kansas	328,058,697	USD	263,078	27,274	235,804	1,326	79	77.53%
Whitestone Wind Purchasing, LLC	Texas	-	USD	119,117	108,382	10,735	10,709	10,735	77.53%
Blue Canyon Windpower V, LLC	Oklahoma	-	USD	2,550	2,568	-19	-	-19	77.53%
Pioneer Prairie Wind Farm I, LLC	Iowa	551,906,012	USD	447,456	41,331	406,126	2,301	595	77.53%
Sagebrush Power Partners, LLC	Washington	-	USD	37,097	37,110	-13	-	-13	77.53%
Rail Splitter	Illinois	-	USD	164,491	164,663	-172	8	-172	77.53%
Blackstone Wind Farm, LLC	Illinois	-	USD	2,148	2,151	-3	-	-3	77.53%
Meadow Lake Wind Farm, LLC	Indiana	-	USD	7,932	8,152	-220	-	-220	77.53%
Wheatfield Wind Power Project, LLC	Oregon	-	USD	80,808	80,741	67	71	67	77.53%
2007 Vento II	Texas	893,375,235	USD	715,362	74,084	641,278	-	-653	77.53%
2008 Vento III	Texas	1,066,156,297	USD	807,327	41,245	766,082	-	-	77.53%
Horizon Wind Ventures III, LLC	Texas	1,066,156,297	USD	922,927	156,845	766,082	-	-	77.53%
BC2 Maple Ridge Holdings LLC	Texas	-	USD	-	-	-	-	-	77.53%
Cloud West Wind Project, LLC	Texas	-	USD	-	-	-	-	-	77.53%
Five-Spot, LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Chocolate Bayou I LLC	Texas	-	USD	-	-	-	-	-	77.53%
Alabama Ledge Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Antelope Ridge Wind Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%
Antwright Summit Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Ashford Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Athens-Weston Wind Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%
Black Prairie Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blackstone Wind Farm II LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blackstone Wind Farm III LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blackstone Wind Farm IV LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blackstone Wind Farm V LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blue Canyon Windpower III LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blue Canyon Windpower IV LLC	Texas	-	USD	-	-	-	-	-	77.53%
Blue Canyon Windpower VI LLC	Texas	-	USD	-	-	-	-	-	77.53%
Broadlands Wind Farm II LLC	Texas	-	USD	-	-	-	-	-	77.53%
Broadlands Wind Farm III LLC	Texas	-	USD	-	-	-	-	-	77.53%
Broadlands Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Chateaugay River Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Cropsey Ridge Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Crossing Trails Wind, Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%
Dairy Hills Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Diamond Power Partners LLC	Texas	-	USD	-	-	-	-	-	77.53%
East Clickat Wind Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%
Ford Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Fresport Windpower I LP	Texas	-	USD	-	-	-	-	-	77.53%
Gulf Coast Windpower Management Company, LLC	Texas	-	USD	-	-	-	-	-	77.53%
Homestead Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Northwest VII LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Northwest X LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Northwest XI LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Panhandle I LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Southwest I LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Southwest II LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Southwest III LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Southwest IV LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind Energy Valley I LLC	Texas	-	USD	-	-	-	-	-	77.53%
Horizon Wind WREC Iowa Partners LLC	Texas	-	USD	-	-	-	-	-	77.53%

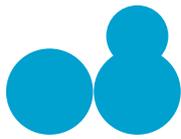
Subsidiaries:	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Results 31-Dec-08 Euro'000	% Group	% Company	
<b>Electricity - United States of America (a):</b>										
<b>Renewable Energies:</b>										
Horizon Wind, Freepart Windpower LLC	Texas	-	-	-	-	-	-	77.53%	-	
Juniper Wind Power Partners, LLC	Texas	-	-	-	-	-	-	77.53%	-	
Lexington Chenoa Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Machias Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Meadow Lake Wind Farm II LLC	Texas	-	-	-	-	-	-	77.53%	-	
New Trail Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
North Slope Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Number Nine Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Pacific Southwest Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Pioneer Prairie Wind Farm II LLC	Texas	-	-	-	-	-	-	77.53%	-	
Rim Rock Power Partners LLC	Texas	-	-	-	-	-	-	77.53%	-	
Saddleback Wind Power Project LLC	Texas	-	-	-	-	-	-	77.53%	-	
Sardinia Windpower LLC	Texas	-	-	-	-	-	-	77.53%	-	
Turtle Creek Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Western Trail Wind Project I LLC	Texas	-	-	-	-	-	-	77.53%	-	
Whistling Wind WJ Energy Center, LLC	Texas	-	-	-	-	-	-	77.53%	-	
Simpson Ridge Wind Farm LLC	Texas	-	-	-	-	-	-	77.53%	-	
Coos Curry Wind Power Project LLC	Texas	-	-	-	-	-	-	77.53%	-	
Horizon Wind Energy Midwest IX LLC	Texas	-	-	-	-	-	-	77.53%	-	
Horizon Wind Energy Northwest I LLC	Texas	-	-	-	-	-	-	77.53%	-	
Horizon Wind Energy Northwest XV LLC	Texas	-	-	-	-	-	-	77.53%	-	
Peterson Power Partners LLC	Texas	-	-	-	-	-	-	77.53%	-	
Pioneer Prairie Interconnection LLC	Texas	-	-	-	-	-	-	77.53%	-	
The Nook Wind Power Project LLC	Texas	-	-	-	-	-	-	77.53%	-	
Tug Hill Windpower LLC	Texas	-	-	-	-	-	-	77.53%	-	
Whiskey Ridge Power Partners LLC	Texas	-	-	-	-	-	-	77.53%	-	
Wilson Creek Power Partners LLC	Texas	-	-	-	-	-	-	77.53%	-	
WTP Management Company LLC	Texas	-	-	-	-	-	-	77.53%	-	
<b>Other Countries</b>										
<b>Related Activities:</b>										
EDP Finance BV	Amsterdam	2,000,000	EUR	8,437,018	8,406,910	30,107	373,750	4,174	100.00%	100.00%
EDP Finance Company Ltd.	Dublin	1,000,001	EUR	766	363	404	6	-70	100.00%	100.00%
EDP Investimento, Gestão de Participações e Assistência Técnica, Lda.	Macao	200,000	MOP	60,841	18	60,823	6,439	6,482	100.00%	100.00%
Energia RE - Sociedade Civica de Resseguro	Luxemburg	2,000,000	EUR	39,068	26,501	12,567	10,853	-223	100.00%	100.00%
<b>Electricity - Other Countries:</b>										
<b>Renewable Energies:</b>										
Greenwind, S.A.	Louvain-la-Neuve	24,996,360	EUR	51,009	27,260	23,748	1,051	-510	54.27%	-
Tarcan, BV	Amsterdam	20,000	EUR	24,788	25,421	-633	789	-758	77.53%	-
Cernavoda Power SRL	Bucharest	50	LEI	6,543	7,093	-550	-	-546	65.90%	-
Renovatio Power SRL	Bucharest	50	LEI	4,565	4,977	-412	1	-409	65.90%	-

The EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a number of subsidiaries in the United States legally constituted without share capital and that at the year end do not have any assets, liabilities, or any operational activity.

When applicable, the interest held by EDP Group include the effect of the acquisition of minority interests by means of written put options as described under accounting policies - note 2 b).

The main financial data of the companies included in the consolidation using the proportionate method as at 31 December 2008 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-08 Euro'000	Current Assets 31-Dec-08 Euro'000	Non-current Liabilities 31-Dec-08 Euro'000	Current Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Total Costs 31-Dec-08 Euro'000	Net Results 31-Dec-08 Euro'000	% Group	% Company	
Bioastur, AIE	Gijón	60,101	EUR	87	2,196	-	1,480	803	3,542	-3,096	446	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010	EUR	868	6,348	-	3,527	3,689	8,842	-8,033	809	50.00%	-
Compañía Edica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	111,323	32,463	78,081	16,569	49,136	41,157	-26,923	14,234	38.76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15,025	EUR	-	8	-	18	-10	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000	EUR	130,964	3,310	106,739	22,545	4,990	6,961	-9,138	-2,177	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994	EUR	54,664	11,580	42,808	10,971	12,465	13,468	-9,402	4,066	38.11%	-
Horta Medioambiental S.A.	Madrid	60,200	EUR	-	-	-	113	-113	-	-	-	38.76%	-
Ibersol E. Solar Ibérica, S.A.	Almería	65,000	EUR	2,134	56	200	1,925	65	-	-	-	38.76%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006	EUR	884	4,897	399	1,258	4,124	2,112	-1,928	184	47.99%	-
Murciasol I Sala Térmica, S.L.	Almería	3,340	EUR	152	50	-82	281	3	-	-	-	38.76%	-
Proenercom, S.L.	Ruiloba	240,400	EUR	111	267	80	396	-98	158	-213	-55	50.00%	-
Tábar Edica, S.A.	Cuenca	4,720,400	EUR	37,784	10,737	34,611	3,838	10,072	12,163	-8,506	3,657	38.76%	-
EMEZ - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	530	-	530	-	-	-380	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000	EUR	19,591	3,614	-	23,175	30	14,843	-15,014	-171	50.00%	-
Porto do Pêcém Geração de Energia S.A.	Ceará	160,310,744	BRL	297,867	8,975	42,329	208,394	56,119	12,083	-5,218	6,865	35.97%	-
Flat Rock Windpower II LLC	Portland	207,447,187	USD	137,438	2,351	740	176	138,673	10,814	-7,846	2,968	38.76%	-
Flat Rock Windpower LLC	Portland	525,479,601	USD	345,091	8,862	2,005	424	351,524	31,284	-26,223	5,061	38.76%	-



ANNUAL REPORT 2008  
FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS  
31 DECEMBER 2008

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

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-07 Euro'000	Current Assets 31-Dec-07 Euro'000	Non-current Liabilities 31-Dec-07 Euro'000	Current Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Total Costs 31-Dec-07 Euro'000	Net Results 31-Dec-07 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101 EUR	15	2,094	-	1,251	857	3,696	-2,994	703	48.43%	-
Cogeneración y Mantenimiento AIE	Oviedo	1,208,010 EUR	795	3,900	-	1,815	2,880	6,248	-6,620	-372	48.43%	-
Compañía Eléctrica Argemesa, S.A.	Zaragoza	6,701,165 EUR	119,091	14,388	82,383	15,056	36,040	33,924	-24,238	9,685	49.27%	-
Desarrollos Energéticos Canarias, S.A.	Las Palmas	15,025 EUR	-	8	-	18	-10	-	-	-	39.42%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	46,731	2,807	31,924	10,447	7,167	6,609	-7,463	-854	49.94%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	56,929	7,909	50,170	5,244	9,424	5,831	-5,325	526	38.83%	-
Fiat Rock Windpower II LLC	Portland	207,447,187 EUR	135,514	5,424	646	1,157	139,134	4,485	-3,989	496	50.00%	-
Fiat Rock Windpower LLC	Portland	525,479,601 EUR	341,239	10,357	1,751	1,013	348,832	14,573	-10,668	3,904	50.00%	-
Horta Medioambiental S.A.	Madrid	60,200 EUR	-	22	-	135	-113	-	-	-1	39.50%	-
Ibersol E. Solar Ibérica, S.A.	Almería	65,000 EUR	1,915	22	-	1,872	65	12	-12	-	39.50%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	1,723	6,399	431	3,751	3,940	2,649	-1,832	816	31.76%	-
Investis, S.A.	Sao Paulo	756,206,125 EUR	549,109	10,383	207,443	52,337	299,711	77,714	-58,959	18,754	10.33%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	882	174	-	1,055	1	-	-	-	48.38%	-
Marquesado Solar S.A.	Almería	65,000 EUR	16,192	1,442	5,170	12,427	37	253	-253	-	39.50%	-
Millennium Energy, S.A.	Bilbao	6,500,000 EUR	20,095	3,768	12,244	3,810	7,809	9,242	-8,575	667	31.76%	-
Murciasol 1 Solo Térmica, S.L.	Almería	3,340 EUR	117	65	-	179	3	11	-11	-	39.50%	-
Pette Piece, S.A.R.L.	Toulouse	1,000 EUR	-	1	-	-	1	-	-	-	48.38%	-
Proenercam, S.L.	Ruiloba	240,400 EUR	121	250	160	254	-43	306	-908	-602	48.43%	-
Sauvageons, S.A. R.L.	Toulouse	1,000 EUR	248	50	-	299	-1	-	-	-	48.38%	-
Tébar Eléctric, S.A.	Cuenca	4,720,400 EUR	40,317	9,864	37,633	3,743	8,804	8,340	-6,670	1,670	39.50%	-

The associated companies included in the consolidation under the equity method as at 31 December 2008 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net results 31-Dec-08 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	432	194	238	-	-169	18.49%	-
Carrico Cogeração, S.A.	Vila Real	50,000 EUR	22,380	17,343	5,037	25,037	2,540	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	420,814	183,169	237,645	373,640	42,447	21.19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227,275 EUR	1,094	543	551	1,272	324	34.00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	62	-190	252	-	-	18.49%	-
D.E. de Canarias, S.A.	Gran	4,291,140 EUR	10,431	919	9,512	4,784	1,388	27.58%	-
DE CA - Distribución Eléctrica Centroamericana Dos (II), S.A.	Guatemala	1,731,677,586 GTQ	596,939	350,773	246,166	619,452	61,055	21.00%	21.00%
EDEL - Empresa Estatal Eléctrica, Lda.	Lisbon	1,798 EUR	19	93	-74	-	-	47.77%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000 EUR	970	-	970	-	-19	25.00%	-
ENE OP - Eléctricas de Portugal, SA	Lisbon	5,000,000 EUR	107,446	74,357	33,089	1,331	-258	15.10%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	16,973	15,980	993	931	-	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	9,188	739	8,449	-	-	15.41%	-
Inkolon, A.I.E.	Bilbao	60,101 EUR	247	194	53	-	-	27.22%	-
Inverstaris - Fondo Capital Riesgo	La Coruna	5,384,132 EUR	5,265	49	5,216	-	-	19.37%	-
Kosarkuntza, A.I.E.	Bilbao	1,503 EUR	9,775	6,137	3,638	11,706	1,336	15.88%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,444,956 EUR	44,101	32,196	11,905	12,320	2,451	19.11%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	38,542	33,467	5,075	6,756	2,541	18.43%	-
Parque Eólico Sierra del Madero, S.A.	Soria	71,94,021 EUR	27	-12,959	12,986	13,573	3,980	25.89%	-
Portsinnes - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	23,060	3,366	19,694	16,749	2,500	39.60%	-
SET GAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000 EUR	120,815	92,810	28,005	23,820	4,671	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	-	3	-3	-	-	30.82%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	69	7	62	-	-7	15.41%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,574	375	2,199	1,963	602	25.40%	-

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

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-07 Euro'000	Liabilities 31-Dec-07 Euro'000	Equity 31-Dec-07 Euro'000	Total Income 31-Dec-07 Euro'000	Net results 31-Dec-07 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	432	25	407	1	-	23.70%	-
Carrico Cogeração, S.A.	Vila Real	50,000 EUR	21,986	18,489	3,497	23,215	1,708	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	374,794	163,124	211,670	328,529	40,182	21.19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227,275 EUR	964	737	227	1,154	-447	34.00%	-
Cogeneration la Espina, S.L.	Salas	228,380 EUR	1,340	1,340	-	-	-	48.43%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	62	-	62	-	-	23.70%	-
D.E. de Canarias, S.A.	Gran Canaria	4,291,140 EUR	10,243	419	9,824	3,835	1,122	35.35%	-
DE CA - Distribución Eléctrica Centroamericana Dos (III), S.A.	Guatemala	2,077,092,000 GTQ	597,377	371,804	225,573	515,629	41,162	21.00%	21.00%
Ecoqan - Servicios de Energía Descentralizada, S.A.	Laures	100,000 EUR	323	4	319	53	-412	34.99%	34.99%
EDEL - Empresa Estatal Eléctrica, Lda.	Lisbon	1,798 EUR	19	32	-13	-	-	47.77%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000 EUR	993	5	988	-	-12	25.00%	-
Enerncem, S.L.	Oviedo	210,350 EUR	629	108	521	409	-103	19.37%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	14,877	13,884	993	1,205	-2	49.90%	-
Hidráulica Rio Lena, S.A.	Oviedo	901,518 EUR	9,164	6,887	2,277	-	-	6.82%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	9,188	705	8,483	1,809	-	19.74%	-
Hidroeléctrica de Janeiro de Baixo, Lda	Lisbon	5,000 EUR	13	18	-5	-	-5	20.00%	20.00%
Inkolon, A.I.E.	Bilbao	60,142 EUR	214	161	53	9,239	-17	27.22%	-
Inverstaris - Fondo Capital Riesgo	La Coruna	5,384,132 EUR	5,265	49	5,216	-	-127	19.37%	-
Kosarkuntza, A.I.E.	Bilbao	1,502,500 EUR	10,109	6,807	3,302	347	1,500	15.88%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	7,813,157 EUR	46,258	35,673	10,585	9,240	2,353	24.47%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	43,936	40,979	2,957	5,542	97	23.60%	-
Parque Eólico Sierra del Madero, S.A.	Soria	71,94,021 EUR	29,537	18,724	10,813	11,097	3,143	33.16%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Oeiras	5,100 EUR	136,355	135,194	1,161	13,661	-86	20.00%	20.00%
Portsinnes - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	23,041	5,317	17,724	10,017	555	39.60%	-
Portuqen	Oporto	250,000 EUR	3,700	899	2,801	6,295	2,481	26.67%	-
SET GAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000 EUR	116,458	93,624	22,834	38,587	5,256	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	-	3	-3	-	-	39.47%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	69	7	62	-	-	19.74%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,841	740	2,101	2,114	503	25.40%	-
Turboqas - Productos Energéticos, S.A.	Oporto	13,308,330 EUR	507,562	458,608	48,954	333,469	32,165	40.00%	-
Yedesa Cogeneración, S.A.	Seville	234,390 EUR	44	-	44	-	-	7.89%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2008, were:

Other companies	Head Office and Country	% of share capital	
		Indirect	Direct
Tejo Energia, S.A.	Abrantes - Portugal	11,11%	-
EDA, S.A.	Azores - Portugal	10,00%	-

During 2008, the changes in the consolidation perimeter of the EDP Group are as follows:

#### Companies acquired:

- EDP Gestão da Produção, S.A. acquired the remaining 80% of the share capital of the hydic power plants of Pebble Hydro, Lda. and Hidroeléctrica de Janeiro de Baixo, Lda.;
- Nuevas Energías de Occidente, S.L. acquired 100% of the share capital of Catalan companies Bont Vent de Vilalba, SLU and Bont Vent de Corbera, SLU;
- Nuevas Energías de Occidente, S.L. acquired 51% of Polish companies Relax Wind Park IV Sp and Relax Wind Park II Sp, and acquired 85% of Romanian companies Renovatio Power and Cernavoda Power;
- Naturgás Energia, S.A. acquired 89% of the share capital of the Constitución Papresa, AIE.;
- Millenium Energy S.L. acquired 10% of the capital of the Constitución Papresa, AIE.;
- Hidroantábrico Distribucion Eléctrica, S.A.U. acquired 100% of the share capital of the Fuerzas Electricas Valencianas, S.A.;
- Hidroantábrico Distribucion Eléctrica, S.A.U. acquired the companies Instalaciones Electricas Rio Isabena, S.L. and Solanar, S.L.;
- EDP Produção Bioeléctrica, S.A. acquired 100% of the share capital of the company Ródão Power - Energia e Biomassa do Ródão, S.A.;
- EDP Imobiliária e Participações, S.A. acquired the remaining 40% representative of the U Call - Atendimento a Clientes e Telemarketing, S.A. share capital;
- EDP Gestão da Produção, S.A. acquired the remaining 20% representative of Tergen, S.A. share capital;
- NEO, through its subsidiary Desarrollos Catalanes Del Viento, S.L., acquired 100% of the share capital of the following companies: Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalba dels Arcs, S.L. and 90% da Molinars, S.L. share capital;
- NEO acquired in France the Group NEO Galia SAS from EOLE 76 and Eurocape, which comprises 3 wind farms located in Normandy and several projects in development, mainly located in the regions of Normandy and Rhône-Alps;
- Naturgás Participaciones acquired the remaining 50% of Millenium Energy, S.A.. Later there was a spin-off on Millenium Energy, transferring part of its assets to Tecman, S.A..

#### Companies merged:

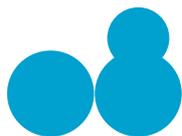
- Bolores - Energia Eólica, S.A. and Safra - Energia Eólica S.A. were merged into Enernova - Novas Energias, S.A.;
- 093X - Telecomunicações Celulares, S.A. was merged into Optep S.G.P.S, S.A.;
- The company Horizon Wind Energy LLC Company was merged in Horizon Wind Energy LLC.

#### Companies sold and liquidated:

- Hidroantábrico Explotacion Centrales sold its interest of 20% in Enercem, S.L. and 90% of Coggeneración del Esla, S.A.;
- During 2008, it has occurred the process of liquidation of the company Ecogen - Serviços de Energia Descentralizada, S.A., in which the EDP, S.A. had an interest of 34.99%;
- Sinae Inversiones Eólicas, S.A. sold 20% of its interest in IDER, S.L.
- EDP - Gestão da Produção de Energia, S.A. sold the interests of 26.7% and 40% in companies Portugén Energia, S.A. and Turbogás - Produtos Energéticos, S.A., respectively;
- The company Hidrobasto - Produção Hídrica de Energia Eléctrica, Lda., owned in 60% by EDP Gestão da Produção, S.A. and the company Heralds Securities Inc., owned in 100% by Balwerk Consultoria Económica e Participações, Lda., were liquidated during the first half of 2008;
- Generaciones Especiales I, S.L. sold its 50% interest in the subsidiary Marquesado Solar, S.A. to Solar Millenium AG.

#### Companies incorporated:

- Enernova, S.A. (Brasil);
- EDP Renováveis Brasil, S.A.;
- EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.;
- EDP Ventures S.G.P.S. - S.A.;
- EME2 - Engenharia, Manutenção e Serviços - ACE;
- Greenvougá - Sociedade Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A.;
- Central Térmica Ciclo Combinado Grupo 4;
- Naturgás Energia Comercializadoras Ultimo Recurso, S.A.;
- Naturneo Energia, S.L.;
- Eolica de Radona S.L.;
- Neolica Polska SP Z.O.O.;
- Cloud County Wind Farm;
- Whitestone Wind Purchasing, LLC;
- Pioneer Prairie Wind Farm I, LLC;
- Sagebrush Power Partners, LLC;
- Rail Splitter;
- Cloud West Wind Project, LLC;
- Wheatfield Wind Power Project, LLC;
- Dickinson County Wind Farm, LLC;
- Darlington Wind Farm, LLC;
- Blue Canyon Windpower V, LLC;
- Blackstone Wind Farm, LLC;
- Meadow Lake Wind Farm, LLC;
- Five Spot, LLC;
- 2008 Vento III;
- Fonte Silva;



NOTES TO THE FINANCIAL STATEMENTS

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**Companies incorporated:**

- Muxia I;
- Muxia II;
- Horizon Wind Ventures III, LLC;

**Other changes:**

- Decrease of interest in EDP Renováveis, S.A. share capital from 100% to 77.53% by dilution, resulting from a capital increase not subscribed by EDP, S.A.;
- The EDP Group increased the interest in EDP - Energias do Brasil from 62,69% to 71,95%, as a result of the acquisition of treasury stock;
- The swap of assets between EDP Group and Rede Group which has resulted in an exchange of the 100% interest in Enersul share capital by the majority interests in the companies Lajeado Energia, Tocantins Energia, Investco and Ipueiras;
- The swap with MPX of the interest of 100% held in Diferencial Energia's share capital by an interest of 50% in Porto Pecém.

**6. Turnover**

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Revenue by sector of activity/business:</b>				
Electricity	12.369.499	9.859.769	2.263.447	1.169.678
Gas	1.226.852	920.355	-	-
Steam and ashes	10.182	11.432	-	-
Other	126.282	58.911	-	-
	<u>13.732.815</u>	<u>10.850.467</u>	<u>2.263.447</u>	<u>1.169.678</u>
<b>Services rendered by business sector:</b>				
Associated with electricity sales	35.393	32.304	9.097	12.926
Gas	51.850	66.981	-	-
Power availability agreements	2.730	8.659	-	-
Advisory and services	5.797	5.362	-	-
Other	65.478	47.005	49.982	57.443
	<u>161.248</u>	<u>160.311</u>	<u>59.079</u>	<u>70.369</u>
	<u>13.894.063</u>	<u>11.010.778</u>	<u>2.322.526</u>	<u>1.240.047</u>
<b>Total turnover:</b>				
Electricity	12.404.892	9.892.073	2.272.544	1.182.604
Gas	1.278.702	987.336	-	-
Steam and ashes	10.182	11.432	-	-
Advisory and services	5.797	5.362	-	-
Power availability agreements	2.730	8.659	-	-
Other	191.760	105.916	49.982	57.443
	<u>13.894.063</u>	<u>11.010.778</u>	<u>2.322.526</u>	<u>1.240.047</u>

In 2008, on a consolidated basis, the caption Electricity in Portugal includes the net amount of 1,063,367 thousand Euros for the recovery of tariff adjustments, following the publication of Decree-Law 165/2008 of 21 August which has confirmed the irrevocability of the right to recover the tariff adjustments, as described under accounting policies - note 2 x).

Additionally, the caption Electricity, for Portugal includes 300,422 thousand Euros (31 December 2007: 211,843 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 138,716 thousand Euros (31 December 2007: 110,279 thousand of Euros) related to the initial CMEC for the period and 161,706 thousand Euros resulting from the revisable mechanism, as established by the current legislation.

In 2008, on a company basis, the caption Electricity includes sales of electricity related with the agreement for management, acquisition and resale of electricity, signed between the EDP Energias de Portugal, S.A. and EDP Produção, S.A. on 1 July 2007. Therefore, the year 2007 includes only 6 months of sales and the year 2008 includes 12 months of sales.

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

	Dec 2008				
	Portugal	Spain	Brazil	EUA	Group
Electricity	8.673.117	1.779.387	1.820.575	131.813	12.404.892
Gas	118.742	1.159.960	-	-	1.278.702
Steam and ashes	10.182	-	-	-	10.182
Advisory and services	5.797	-	-	-	5.797
Power availability agreements	2.730	-	-	-	2.730
Other	75.798	91.629	24.333	-	191.760
	<u>8.886.366</u>	<u>3.030.976</u>	<u>1.844.908</u>	<u>131.813</u>	<u>13.894.063</u>

In 2008, Turnover for Spain includes 16,828 thousand euros of sales of "Electricity" in France by the subsidiaries of the Group NEO based there. Additionally, the caption "Other" includes 1,934 thousand Euros and 726 thousand Euros for services performed in Poland and Portugal, respectively, by subsidiaries of the Group NEO based in these countries.

	Dec 2007				
	Portugal	Spain	Brazil	EUA	Group
Electricity	6.641.615	1.374.911	1.844.218	31.329	9.892.073
Gas	102.352	884.984	-	-	987.336
Steam and ashes	11.432	-	-	-	11.432
Advisory and services	5.362	-	-	-	5.362
Power availability agreements	8.659	-	-	-	8.659
Other	47.551	46.621	10.759	985	105.916
	<u>6.816.971</u>	<u>2.306.516</u>	<u>1.854.977</u>	<u>32.314</u>	<u>11.010.778</u>

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

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Cost of consumed electricity</b>	6.627.273	4.748.100	1.830.374	878.792
<b>Cost of consumed gas</b>	823.200	585.227	-	-
<b>Changes in inventories and cost of raw materials and consumables</b>				
Fuel, steam and ashes	572.611	522.669	-	-
Gas	850.264	524.166	405.434	249.214
Cost of consumables used	538.141	327.099	-	-
CO2 licenses				
Consumptions	354.310	66.883	-5.083	-
Government grants	-294.683	-66.873	-	-
Other	158.717	103.296	-	-
Own work capitalised	-632.955	-353.257	-	-
	<u>1.546.405</u>	<u>1.123.983</u>	<u>400.351</u>	<u>249.214</u>
	<u>8.996.878</u>	<u>6.457.310</u>	<u>2.230.725</u>	<u>1.128.006</u>

On a company basis "Cost of consumed electricity", includes costs 928,201 thousand Euros (31 December 2007: 457,727 thousand euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between the EDP, S.A. and EDP Gestão da Produção de Energia, S.A.. The year 2007 includes only 6 months of sales since the agreement was signed on 1 July 2007.

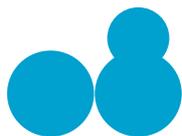
## 7. Other operating income

**Other operating income** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Supplementary income	23.392	19.310	1.174	1.171
Operating Government grants	1.404	1.859	-	-
Gains on fixed assets	19.538	13.259	1.596	673
Reversal of impairment losses				
- Doubtful debtors	17.323	14.606	20	457
- Debtors and other assets	656	19.076	328	15.641
Own work capitalised	6.980	14.579	-	-
Excess amount over customers contributions	9.179	6.489	-	-
Insurance premiums - Energia RE	9.267	6.307	-	-
Income arising from institutional partnerships - Horizon	61.238	12.318	-	-
CO <sub>2</sub> Licenses (Royal Decree -Law 06/2006) - HC Energia Group	13.024	-	-	-
Amortisation of the power purchase agreements fair value - Horizon	18.272	-	-	-
Other operating income	48.400	52.594	17.646	1.352
	<u>228.673</u>	<u>160.397</u>	<u>20.764</u>	<u>19.294</u>

Income arising from institutional partnerships - Horizon, relates to revenue recognition in respect of production tax credits (PTC) and tax depreciations, related to projects Vento I and Vento II.

The caption CO<sub>2</sub> Licenses (Royal Decree-Law 06/2006) - HC Energia Group includes the income recognised resulting from the interpretation made by the Spanish regulatory authorities under the application of Royal Decree-Law 06/2006 to the HC Energia activity.



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The power purchase agreements between Horizon and its customers were valued, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued based on market assumptions at approximately 190,400 thousand USD and recorded as a non-current liability (note 37). This liability is amortised over the period of the agreements against other operating income. As at 31 December 2008, the amortization for the year is 18,272 thousand Euros.

8. Supplies and services

Supplies and services is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Subcontracts:	6.894	4.542	-	-
Supplies and services:				
Water, electricity and fuel	13.538	13.447	852	843
Tools and office material	6.330	5.762	270	441
Rents and leases	91.583	76.906	8.715	7.913
Communication	38.619	37.553	1.436	1.948
Insurance	29.060	29.667	1.105	869
Transportation, travelling and representation	24.430	19.946	1.909	1.340
Commission and fees	4.479	3.522	670	355
Maintenance and repairs	217.684	191.495	4.500	2.935
Advertising	24.501	22.789	10.291	6.607
Surveillance and security	10.472	9.846	515	510
Specialised works				
- Commercial activity	88.525	66.200	-	4.561
- IT services	40.587	38.947	1.170	6.632
- Legal fees	13.817	12.515	1.231	928
- Advisory fees	42.759	46.925	16.065	19.179
- Other services	48.037	74.018	23.820	16.944
Other supplies and services	34.453	30.107	34.798	29.779
	<b>735.768</b>	<b>684.187</b>	<b>107.347</b>	<b>101.784</b>

9. Personnel costs and employee benefits expense

Personnel costs is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Board of Directors remuneration	16.127	19.026	5.656	5.692
Employee's remuneration	452.111	443.028	273	533
Social charges on remuneration	111.286	109.451	216	291
Indemnities	6.462	2.194	-	8
Performance bonus	77.973	59.508	3.285	6.978
Share-based remuneration plan	1.801	1.566	-	-
Other costs	24.703	27.831	573	684
Own work capitalised	-116.789	-85.641	-	-
	<b>573.674</b>	<b>576.963</b>	<b>10.003</b>	<b>14.186</b>

The breakdown by management positions and category of professional permanent staff as at 31 December 2008 and 2007 is as follows:

	Group		Company	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
Board members and senior officers	79	84	24	21
Senior management	431	420	-	-
High management	1.945	1.954	-	-
Middle management	756	639	-	-
Intermediate management	836	640	-	-
Highly-skilled and skilled workers	6.145	6.777	1	1
Semi-skilled workers	1.898	2.386	-	-
Temporary workers	155	104	-	-
Other	-	93	-	-
	<b>12.245</b>	<b>13.097</b>	<b>25</b>	<b>22</b>

**Employee benefits** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Pension plans costs	62.246	59.539	-	-
Medical plans costs and other benefits	48.791	45.709	-	-
Cost of rationalising human resources and other costs	49.203	183.421	-	-
Other	960	701	177	103
	<u>161.200</u>	<u>289.370</u>	<u>177</u>	<u>103</u>

Pension plans costs include 41,771 thousand Euros (35,175 thousand Euros for 2007) related to defined benefit plans and 20,475 thousand Euros (24,364 thousand Euros for 2007) related to defined contribution plans.

The cost of rationalising human resources results from the implementation of the PAE Plan (Plan to Adjust the Workforce in Portugal), through which 198 employees left the Group under early retirement plans, with a total cost of 49,203 thousand Euros (31 December, 2007: 153,917 thousand Euros).

#### 10. Other operating expenses

**Other operating expenses** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Concession rents paid to local authorities	228.261	208.761	-	-
Rents from power generation units	7.430	7.400	-	-
Direct taxes	9.384	3.700	341	245
Indirect taxes	53.868	41.793	972	786
Impairment loss on trade debtors	70.438	67.100	35	385
Impairment loss on debtors and other assets	3.636	2.400	356	467
Uncollectible debts	-	6.817	-	-
Losses on fixed assets	4.929	14.071	140	261
Regulation costs	4.707	4.711	-	-
Return of CO2 licenses (Royal Decree -Law 11/07)	62.137	43.238	-	-
Tariff revision - Enersul	-	55.973	-	-
Operating indemnities	790	2.214	-	-
Donations	17.484	12.912	4.028	9.828
Other costs related to power management activity	-	-	-	26.973
Other operating costs	37.216	63.980	5.575	19.050
	<u>500.280</u>	<u>535.070</u>	<u>11.447</u>	<u>57.995</u>

The caption Concession rights paid to local authorities corresponds to the rents paid by EDP Distribuição to the local authorities under the terms of the low tension electricity distribution concession contracts.

The caption Return of CO2 licenses (Royal Decree Law 11/07) reflects the amount of the licenses that the Group expects to return to the Spanish Government as a result of the publication of Royal Decree -Law 11/07, which establishes that the cost relating to CO2 emission licenses granted free of charge by the Spanish Government will be deducted from the sector's tariff deficit in 2008.

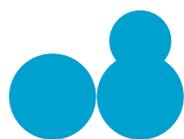
In 2007 Enersul received from the regulator of the Brazilian energy sector (ANEEL), a notification relating to the re-analysis of the regulatory remuneration basis (BRR) corresponding to the revision of the tariffs for 2003. The re-analysis resulted in ANEEL deciding to reduce Enersul's BRR, consequently, the tariff was reduced for the periods in question and determined the return to consumers of the amount of energy invoiced in excess in the period from April 2003 to December 2007. As a result of this decision Enersul recognised a liability of 70,538 thousand Euros, corresponding to approximately 183,000 thousand Reals (Note 37) to cover for this obligation, against a decrease in Sales — Electricity, of the part corresponding to 2007, in the amount of 12,735 thousand Euros, an increase in the caption "Other operating costs — Tariff revision — Enersul" in the amount of 55,973 thousand Euros and the currency translation effect of 1,830 thousand Euros.

Impairment losses on trade debtors, and debtors and other assets are analysed in Notes 24 and 25, respectively.

#### 11. Provisions

**Provisions** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Charge for the year	71.185	81.167	3.927	17.439
Write-back for the year	-39.114	-39.072	-2.408	-5.413
	<u>32.071</u>	<u>42.095</u>	<u>1.519</u>	<u>12.026</u>



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12. Depreciation and amortisation expense

Depreciation and amortisation expense is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Property, plant and equipment:</b>				
Property, plant and equipment under concession DL 344-B/82	424	1.017	-	-
Buildings and other constructions	16.299	16.944	509	555
Plant and machinery:				
Hydroelectricity generation	133.558	134.616	8	8
Thermoelectric generation	249.257	219.521	-	-
Renewables generation	201.282	100.646	-	-
Electricity distribution	458.987	470.240	-	-
Gas distribution	35.958	36.807	-	-
Other plant and machinery	1.914	2.719	15	15
Transport equipment	9.599	9.161	626	613
Office equipment and tools	42.886	41.462	3.211	3.092
Impairment loss	2.658	8.767	-	-
Other	2.450	4.450	1.421	1.424
	<u>1.155.272</u>	<u>1.046.350</u>	<u>5.790</u>	<u>5.707</u>
<b>Intangible assets</b>				
Industrial property and other rights	21.517	18.300	15	9
Concession rights	78.880	66.208	-	-
Accelerated amortisation / impairment	49.921	-	-	-
	<u>150.318</u>	<u>84.508</u>	<u>15</u>	<u>9</u>
	<u>1.305.590</u>	<u>1.130.858</u>	<u>5.805</u>	<u>5.716</u>
<b>Amortisation of deferred income</b>				
Partially-funded fixed assets	-113.597	-105.007	-	-
	<u>-113.597</u>	<u>-105.007</u>	<u>-</u>	<u>-</u>
	<u>1.191.993</u>	<u>1.025.851</u>	<u>5.805</u>	<u>5.716</u>

The increase in the caption Accelerated amortisation / impairment consists in the accelerated amortisation / impairment of the Enersul concession rights in Brazil, of 49,921 thousand Euros. This accelerated amortisation represents the loss of the Enersul assets value (impairment) resulting from the regulatory changes occurred in 2008.

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

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

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

	Dec 2008		Dec 2007	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Available for sale financial assets:</b>				
REN, S.A.	1,5%	16.969	25,0%	259.329
Valorsul, S.A.	15,6%	1.322	-	-
Other	-	274	-	-
<b>Held for sale assets:</b>				
Edinfor - Sistema Informáticos, S.A.	40,0%	4.819	-	-
ONI SGPS, S.A.	-	-	100,0%	1.647
<b>Investments in subsidiaries and associates:</b>				
LBC Tanquipor, S.A.	-	-	28,9%	687
Affinis, S.A.	-	-	45,0%	-54
EDP Renováveis, S.A.	22,5%	405.375	-	-
Turbogás Produtora Energética, S.A.	40,0%	50.822	-	-
Marquesado del Solar, S.A.	50,0%	2.378	-	-
Portugen - Energia, S.A.	26,7%	-1.424	-	-
Other	-	1.197	-	952
		<u>481.732</u>		<u>262.561</u>

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

	Dec 2008		Dec 2007	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Available for sale financial assets:</b>				
REN, S.A.	1,5%	15.100	25,0%	228.177
<b>Held for sale assets:</b>				
Edinfor - Sistema Informáticos, S.A.	40,0%	64	-	-
ONI SGPS, S.A.	-	-	100,0%	1.647
<b>Investments in subsidiaries and associates:</b>				
Patrimonial de la Ribera del Ebro	-	-	30,0%	2.048
EDP Produção Bioelétrica, S.A.	-	-	10,0%	149
Other	-	-	-	-36
		<u>15.164</u>		<u>231.985</u>

On 31 March 2008, EDP, S.A. sold 1.5% of REN - Rede Eléctrica Nacional, S.A. share capital to the Pension Fund of EDP. Under the terms of this operation, 8,010,000 shares have been traded with a price of 3.5 Euros per share (market price at this date), representing a cash inflow of 28,035 thousand Euros, which corresponds to a gain in the company and consolidated financial statements of 15,100 thousand Euros and 16,969 thousand Euros, respectively.

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

On 7 March 2008, EDP, S.A. signed a contract to sell 40% of the share capital and the respective credits over Edinfor for 54,964 thousand Euros, generating a gain in the consolidated accounts of 4,819 thousand Euros.

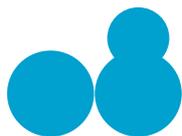
On 4 June 2008, the share capital of EDP Renováveis was increased through an initial public offer (IPO) of 196,024,306 shares with a nominal value of 5 Euros. EDP Group did not participate in this share capital increase and, as a consequence, its interest in the share capital of EDP Renováveis was diluted, being reduced from 100% to 77.53%. The share capital increase was 1,566,726 thousand Euros, of which 980,122 thousand Euros corresponds to the share capital increase and 586,605 thousand Euros corresponds to the share premium. As a result of this operation, EDP Group has reduced its interest in the EDP Renováveis share capital which allowed the dilution of the capital in the public market and consequently the entry of Minority Interests. The referred dilution effect is comparable to a partial sale of an investment in a subsidiary, where the entity maintains the control after this partial sale, under the terms of the Parent Company Model, as described under accounting policies - note 2 b), being equivalent to the sale of an investment to Minority Interests.

The gain from the referred dilution effect that resulted from this operation was determined by comparing the contribution of EDP Renováveis to EDP Group before and after the IPO. The Group has prepared consolidated financial statements of EDP Renováveis with reference to 31 May 2008, date of the last consolidation before the IPO. The equity amounts of EDP Renováveis before and after the IPO are analysed as follows:

Equity (with reference to 31 May 2008)	Pre IPO	Share capital increase	Post IPO
	Euro'000	Euro'000	Euro'000
Share capital	3.381.419	980.122	4.361.541
Share premium (net of operation costs)	-	552.035	552.035
Reserves and retained earnings	67.109	-	67.109
Net profit	40.453	-	40.453
<b>Total equity</b>	<u>3.488.981</u>	<u>1.532.157</u>	<u>5.021.138</u>

The gain of 405,375 thousand Euros, corresponds to the difference between the equity held Pre IPO (held in 100% by EDP Group) and the equity held Post IPO (held in 77,53% by EDP Group), as presented in the following table:

	Pre IPO	Post IPO	Gain calculation
	Euro'000	Euro'000	Euro'000
	(A)	(B)	(A - B)
EDP Renováveis contribution	3.488.981	5.021.138	
% of consolidation	100,00%	77,53%	
	<u>3.488.981</u>	<u>3.892.888</u>	<u>403.907</u>
Other consolidation adjustments			1.468
<b>Consolidated gain</b>			<u><u>405.375</u></u>



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On 6 May 2008, EDP Gestão da Produção, S.A. sold to International Power Portugal Holdings SGPS, S.A. its interests of 40% and 26.7% in the share capital of Turbogás Produtora Energética, S.A. (Turbogás) and Portugen - Energia, S.A. (Portugen), respectively. This transaction has been concluded with a price of 140,000 thousand Euros, generating a gain on a consolidated basis of 50,822 thousand Euros in Turbogás and a loss of 1,424 thousand Euros in Portugen.

On March 2008, Generaciones Especiales I S.L., a company in which NEO holds an 80% interest, authorised the sale of the subsidiary Marquesado del Solar, S.A. to Solar Millenium AG, a German company. The sale price amounted to 3,411 thousand Euros, originating a gain of 2,378 thousand Euros.

14. Other financial income and expenses

The caption **Other financial income and expenses** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Other financial income</b>				
Interest income	54.259	53.255	377.995	246.758
Derivative financial instruments				
Interest	131.714	146.130	114.220	125.889
Fair Value	460.869	164.548	674.063	198.068
Other interest income	63.403	47.155	-	904
Income from equity investments	6.680	41.442	792.175	439.252
Foreign exchange gains	361.205	75.089	324.275	164.945
CMEC	89.861	38.608	-	-
Other financial income	18.106	57.375	-	17.336
	<u>1.186.097</u>	<u>623.602</u>	<u>2.282.728</u>	<u>1.193.152</u>
<b>Other financial expenses:</b>				
Interest expense	756.867	622.850	506.606	323.796
Capitalised interest expense	-94.625	-52.946	-	-
Derivative financial instruments				
Interest	129.821	124.358	127.305	99.246
Fair Value	407.082	199.501	528.459	210.910
Other interest expense	13.721	12.076	15.557	53.946
Impairment of available for sale financial assets	289.378	57.717	20.536	-
Impairment of financial investments	153	155	109.854	-
Impairment of goodwill - Enersul	17.371	-	-	-
Banking services	11.351	25.225	5.553	3.370
Foreign exchange losses	423.265	64.070	477.467	139.732
CMEC	31.942	17.260	-	-
Unwinding	97.483	16.277	-	-
Other financial expenses	44.990	82.878	4.718	39.519
	<u>2.128.799</u>	<u>1.169.421</u>	<u>1.796.055</u>	<u>870.519</u>
Financial income / (expenses)	<u>-942.702</u>	<u>-545.819</u>	<u>486.673</u>	<u>322.633</u>

The caption "Capitalised interest expense" includes the interest capitalised in assets under construction as referred under accounting policies - note 2 h). The interest rates considered for the referred capitalisation vary between 2.71% and 7.91% and are in accordance with the market rates considered for the respective loans.

In 2008 the caption Impairment of available for sale financial assets, on a consolidated basis, includes the recognition in the income statement of 200,139 thousand Euros, 66,958 thousand Euros, 20,536 thousand Euros and 1,745 thousand Euros related with impairment losses booked in the investments held in BCP, Sonacom, Ampla Energia e Serviços and in the portfolio held by Energia RE respectively, as a result of the devaluation verified in the financial markets. In 2007, this caption includes 57,717 thousand Euros related to the impairment loss for the financial investment held in Sonacom.

In 2008, on a company basis, EDP, S.A. recognised in the caption Impairment of available for sale financial assets an impairment loss of 20,536 thousand Euros related with the investment in Ampla Energia e Serviços. Additionally, in the caption Impairment of financial investments a loss of 109,854 thousand Euros was recognised related with the investment in EDP Imobiliária e Participações, S.A. This last impairment is related to the *write off of the* financial investment, of 52,664 thousand Euros (see note 19) and the negative equity of the subsidiary in the amount of 57,190 thousand Euros (see note 36).

During 2008, EDP Group has booked, on a consolidated basis an impairment loss of 17,371 thousand Euros in the Enersul goodwill (see note 18).

In 2008, the amounts included in the captions "Foreign exchange gains" and "Foreign exchange losses" are essentially related with the structure established for financing the EDP Renováveis activity, which includes the grant of loans by EDP, S.A. through its branch in Spain (EDP Sucursal) to the subsidiary EDP Renováveis.

The caption "Other financial Income CMEC" includes 62,250 thousand Euros related to interest of the initial CMEC included in the annuity for 2008, 21,097 thousand Euros related to the financial effect considered in the calculation of the initial CMEC and 6,514 thousand Euros relating to the financial component of the revisable mechanism of CMEC for 2008. Other financial expenses CMEC includes 31,942 thousand Euros related to cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

The Unwinding expenses refers essentially to, (i) the financial update of the dismantling provision for the wind farms of 2,157 thousand Euros, (ii) the financial update related to the put option of Genesa and Desa of 12,134 thousand Euros (see note 37), (iii) the financial update related to the put option of Naturgas of 15,170 thousand Euros (see note 37), (iv) the implied return in institutional partnership in US wind farms of 43,631 thousand Euros (see note 37) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 10,621 thousand Euros, 1,811 thousand Euros and 11,959 thousand Euros, respectively (see note 37).

The captions Other financial income / financial expenses associated to the derivative financial instruments include the results of the trading and hedge portfolio (see note 40).

**Income from equity investments** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Group companies	-	-	780.705	393.516
Associated companies				
DECA II	-	-	8.424	14.645
Tanquipor	-	50	-	-
Other	-	2	-	-
Other companies				
Ampla Energia e Serviços	-	1.601	-	1.601
EDA - Electricidade dos Açores	490	315	-	-
BCP	-	8.370	-	390
Tejo Energia	2.472	1.528	-	-
REN	3.046	29.100	3.046	29.100
Other	672	476	-	-
	<u>6.680</u>	<u>41.442</u>	<u>792.175</u>	<u>439.252</u>

## 15. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, the last year considered as definitively settled by the tax administration being 2003. In the United States the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

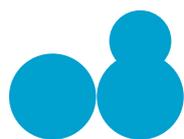
Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent years (6 years in Portugal, 15 years in Spain, 20 years in the United States and without an expiry date in Brazil, but limited to 30% of the taxable income of each year). Details of the tax losses carried forward and their respective expiration dates are presented in Note 22. The EDP Group companies are taxed, whenever possible, on a consolidated basis allowed by the tax legislation of the respective countries.

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

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Current tax	-195.563	-88.348	-36.393	142.612
Deferred tax	-88.236	-192.500	109.267	-134.710
	<u>-283.799</u>	<u>-280.848</u>	<u>72.874</u>	<u>7.902</u>

The reconciliation between the nominal and the effective income tax rate for the **Group** as at 31 December 2008, is analysed as follows:

	Rate %	Dec 2008	
		Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26,5%	1.504.589	398.716
Non deductible provisions and amortisations for tax purposes	-0,9%	-52.053	-13.794
Tax credits	1,3%	75.272	19.947
Tax exempt dividends	-0,3%	-16.045	-4.252
Tax benefits	-1,8%	-104.404	-27.667
Fair value of financial instruments and financial investments	4,1%	234.974	62.268
Difference between tax and accounting gains/losses	-9,9%	-562.140	-148.967
Financial investments in associates and subsidiaries	-0,6%	-33.079	-8.766
Autonomous taxation and tax benefits	0,2%	12.958	3.434
Other adjustments and changes in estimates	0,2%	10.869	2.880
Effective tax rate and total income tax	<u>18,9%</u>	<u>1.070.941</u>	<u>283.799</u>



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

	Dec 2007		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26,5%	1.300.779	344.706
Non deductible provisions and amortisations for tax purposes	1,0%	46.701	12.376
Tax credits	2,1%	101.022	26.771
Tax exempt dividends	-1,8%	-90.368	-23.948
Tax benefits	-1,8%	-86.151	-22.830
Fair value of financial instruments and financial investments	-0,7%	-32.469	-8.604
Difference between tax and accounting gains/losses	-2,4%	-119.584	-31.690
Financial investments in associates and subsidiaries	0,0%	-1.159	-307
Autonomous taxation and tax benefits	0,0%	-21	-6
Change in tax rate	-0,6%	-27.502	-7.288
Other adjustments and changes in estimates	-0,6%	-31.443	-8.332
Effective tax rate and total income tax	21,6%	1.059.805	280.848

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 31 December 2008, is analysed as follows:

	Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26,5%	478.104	126.698
Non deductible provisions for tax purposes	0,6%	10.577	2.803
Tax credits	-10,0%	-180.685	-47.882
Unrecognised deferred tax assets related to temporary differences	1,7%	30.015	7.954
Fair value of financial instruments and financial investments	6,9%	124.993	33.123
Difference between tax and accounting gains/losses	-1,2%	-21.966	-5.821
Tax exempt dividends	-42,2%	-760.496	-201.531
Autonomous taxation and tax benefits	0,0%	-145	-38
Other adjustments and changes in estimates	2,5%	44.603	11.820
Effective tax rate and total income tax	-15,2%	-275.000	-72.874

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

	Dec 2007		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26,5%	494.256	130.978
Non deductible provisions for tax purposes	0,4%	7.826	2.074
Tax exempt dividends	-21,6%	-403.021	-106.801
Fair value of financial instruments and financial investments	0,0%	44	12
Difference between tax and accounting gains/losses	-6,2%	-116.270	-30.812
Other adjustments and changes in estimates	-0,7%	-12.653	-3.353
Effective tax rate and total income tax	-1,6%	-29.818	-7.902

## 16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Cost:</b>				
Property, plant and equipment held under the DL 344-B/82 regime	223.420	223.420	-	-
Land and natural resources	166.902	132.009	46.502	46.727
Buildings and other constructions	602.694	785.132	25.648	25.665
Plant and machinery:				
Hydroelectric generation	7.746.315	7.575.926	254	254
Thermoelectric generation	6.554.723	5.702.104	-	-
Renewables generation	5.223.555	2.589.318	-	-
Electricity distribution	14.174.680	14.765.772	-	-
Gas distribution	1.134.429	1.047.850	-	-
Other plant and machinery	38.696	37.575	148	148
Transport equipment	78.078	87.960	3.262	3.224
Office equipment and tools	521.145	492.160	85.001	75.969
Other	92.456	157.633	14.246	14.246
Assets under construction	3.673.839	3.811.302	26.834	6.084
	<u>40.230.932</u>	<u>37.408.161</u>	<u>201.895</u>	<u>172.317</u>
<b>Accumulated depreciation and impairment losses:</b>				
Depreciation charge for the year	-1.152.614	-1.037.583	-5.790	-5.707
Accumulated depreciation in previous years	-17.938.102	-17.600.617	-89.067	-84.160
Impairment losses for the year	-2.658	-8.767	-	-
Impairment losses in previous years	-11.996	-4.899	-	-
	<u>-19.105.370</u>	<u>-18.651.866</u>	<u>-94.857</u>	<u>-89.867</u>
<b>Carrying amount</b>	<u>21.125.562</u>	<u>18.756.295</u>	<u>107.038</u>	<u>82.450</u>

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the period of twelve months subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2008, regarding the acquisition of Relax Winds Group in 2007, implied an allocation of 86,818 thousand Euros to assets under construction, as of 31 December 2007 (see note 18).

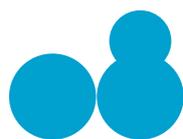
Property, plant and equipment held under the Decree-law 344-B/82 regime are those assets allocated to low tension electricity distribution transferred from the local authorities ("Municipalities") under the concession regime. These assets, although operated by the Group, continue to be the property of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

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Property, plant and equipment held under the DL 344-B/82 regime	223.420	223.420
Accumulated depreciation	-222.626	-222.202
<b>Net amount</b>	<u>794</u>	<u>1.218</u>

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

The movements in **Property, Plant and equipment**, for the Group, for 2008 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Property, plant and equipment held under DL 344-B/82 regime	223.420	-	-	-	-	-	223.420
Land and natural resources	132.009	17.134	-5.716	1.121	-18.959	41.313	166.902
Buildings and other constructions	785.132	32.278	-12.316	-227.228	-87.249	112.077	602.694
Plant and machinery	31.718.545	153.815	-60.601	3.895.190	-681.879	-152.672	34.872.398
Transport equipment	87.960	6.710	-10.211	5.585	-6.320	-5.646	78.078
Office equipment and tools	492.160	13.198	-2.755	23.336	-4.995	201	521.145
Other	157.633	1.268	-688	-9.591	38	-56.204	92.456
Assets under construction	3.811.302	3.431.184	-24.327	-3.694.559	-26.190	176.429	3.673.839
	<u>37.408.161</u>	<u>3.655.587</u>	<u>-116.614</u>	<u>-6.146</u>	<u>-825.554</u>	<u>115.498</u>	<u>40.230.932</u>



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	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Property, plant and equipment held under DL 344-B82 regime	222.202	424	-	-	-	-	222.626
Buildings and other constructions	222.878	16.299	843	-6.334	-25.106	10.162	218.742
Plant and machinery	17.741.752	1.080.956	1.815	-28.791	-336.487	-290.447	18.168.798
Transport equipment	63.931	9.599	-	-9.434	-5.254	-4.095	54.747
Office equipment and tools	357.433	42.886	-	-2.599	-4.882	-5.704	387.134
Other	43.670	2.450	-	-1.906	19	9.090	53.323
	<u>18.651.866</u>	<u>1.152.614</u>	<u>2.658</u>	<u>-49.064</u>	<u>-371.710</u>	<u>-280.994</u>	<u>19.105.370</u>

The movement in Exchange differences in 2008 relates mainly to the devaluation of the American Dolar (USD) and of the Brazilian Real (BRL) against the Euro, occurred mainly during the last quarter of the year.

Transfers from Assets under construction to operation in 2008 refer, mainly to wind farms of EDP Renováveis, that became operational and to the conclusion of construction and extension of certain stages of combined cycle and hydroelectric plants of EDP Produção and HC Energia.

Perimeter variations/Regularisations include, among others, the effect of the asset swap occurred in Brazil resulting in the exclusion of Enersul from the consolidation perimeter of Grupo Rede and also the inclusion of Pebble Hydro Group in Portugal, that started to be consolidated under the full method.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Property, plant and equipment held under the DL 344-B82 regime	223.420	-	-	-	-	-	223.420
Land and natural resources	125.166	477	-90	905	3.478	2.073	132.009
Buildings and other constructions	521.316	669	-4.829	248.288	5.498	14.190	785.132
Plant and machinery	29.353.271	206.678	-42.271	1.153.676	179.015	868.176	31.718.545
Transport equipment	83.400	7.346	-9.986	2.456	2.093	2.651	87.960
Office equipment and tools	461.626	5.634	-626	22.513	1.736	1.277	492.160
Other	97.347	59.090	-8.426	11.249	-976	-651	157.633
Assets under construction	1.706.086	2.663.660	-15.228	-1.410.032	-106.894	973.710	3.811.302
	<u>32.571.632</u>	<u>2.943.554</u>	<u>-81.456</u>	<u>29.055</u>	<u>83.950</u>	<u>1.861.426</u>	<u>37.408.161</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Property, plant and equipment held under the DL 344-B82 regime	221.185	1.017	-	-	-	-	222.202
Buildings and other constructions	201.389	16.944	-	-3.189	7.281	453	222.878
Plant and machinery	16.658.082	964.549	8.479	-21.150	112.032	19.760	17.741.752
Transport equipment	60.240	9.161	28	-9.453	1.877	2.078	63.931
Office equipment and tools	317.725	41.462	-	-594	1.744	-2.904	357.433
Other	31.283	4.450	260	-222	-52	7.951	43.670
	<u>17.489.904</u>	<u>1.037.583</u>	<u>8.767</u>	<u>-34.608</u>	<u>122.882</u>	<u>27.338</u>	<u>18.651.866</u>

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

As at 31 December 2008, Property, plant and equipment financed through lease contracts for the Group, amounts to 10,267 thousand Euros (9,796 thousand Euros at 31 December 2007), with accumulated depreciation of 4,381 thousand Euros (4,011 thousand Euros at 31 December 2007) and, the respective lease instalments payable amount to 5,320 thousand Euros (5,419 thousand Euros at 31 December 2007).

	Dec 2008			Dec 2007		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2.265	218	2.483	2.283	205	2.488
Between one and five years	2.778	170	2.948	2.767	164	2.931
	<u>5.043</u>	<u>388</u>	<u>5.431</u>	<u>5.050</u>	<u>369</u>	<u>5.419</u>

During 2008, the costs incurred with these assets amounted to 571 thousand Euros (322 thousand Euros at 31 December 2007) and are booked in the income statement under Maintenance and repairs (Note 8).

The movement in **Property, Plant and Equipment, for the Company**, and for the year 2008 is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>						
Land and natural resources	46.727	22	-247	-	-	46.502
Buildings and other constructions	25.665	1.489	-1.506	-	-	25.648
Plant and machinery	402	-	-	-	-	402
Transport equipment	3.224	1.147	-1.109	-	-	3.262
Office equipment and tools	75.969	5.621	-	3.411	-	85.001
Other	14.246	-	-	-	-	14.246
Assets under construction	6.084	24.161	-	-3.411	-	26.834
	<u>172.317</u>	<u>32.440</u>	<u>-2.862</u>	<u>-</u>	<u>-</u>	<u>201.895</u>

**Accumulated depreciation and impairment losses:**

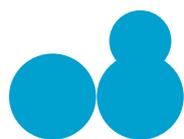
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Buildings and other constructions	17.155	509	-1.500	-	1.483	17.647
Plant and machinery	76	23	-	-	-	99
Transport equipment	1.626	626	-809	-	26	1.469
Office equipment and tools	65.143	3.211	-	-	-	68.354
Other	5.867	1.421	-	-	-	7.288
	<u>89.867</u>	<u>5.790</u>	<u>-2.309</u>	<u>-</u>	<u>1.509</u>	<u>94.857</u>

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>						
Land and natural resources	46.735	-	-8	-	-	46.727
Buildings and other constructions	25.797	312	-444	-	-	25.665
Plant and machinery	402	-	-	-	-	402
Transport equipment	3.153	552	-481	-	-	3.224
Office equipment and tools	72.872	977	-	2.120	-	75.969
Other	14.246	-	-	-	-	14.246
Assets under construction	6.203	2.001	-	-2.120	-	6.084
	<u>169.408</u>	<u>3.842</u>	<u>-933</u>	<u>-</u>	<u>-</u>	<u>172.317</u>

**Accumulated depreciation and impairment losses:**

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Buildings and other constructions	16.687	555	-395	-	308	17.155
Plant and machinery	53	23	-	-	-	76
Transport equipment	1.274	613	-261	-	-	1.626
Office equipment and tools	62.052	3.092	-1	-	-	65.143
Other	4.443	1.424	-	-	-	5.867
	<u>84.509</u>	<u>5.707</u>	<u>-657</u>	<u>-</u>	<u>308</u>	<u>89.867</u>



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As at 31 December 2008 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 2,561 thousand Euros (2,760 thousand Euros at 31 December 2007), with accumulated depreciation of 1,003 thousand Euros (1,266 thousand Euros at 31 December 2007) and the respective lease instalments payable amounting to 1,445 thousand Euros (1,334 thousand Euros at 31 December 2007). The Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2008			Dec 2007		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	525	59	584	624	49	674
Between one and five years	808	53	861	620	40	660
	<u>1.333</u>	<u>112</u>	<u>1.445</u>	<u>1.244</u>	<u>89</u>	<u>1.334</u>

During 2008, the costs incurred related to these assets amount to 81 thousand Euros (85 thousand Euros at 31 December 2007) and are booked under Maintenance and repairs in the income statement (Note 8).

17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Cost:</b>				
Industrial property, other rights and other intangibles	145.427	141.644	100	100
Concession rights	2.474.560	2.301.360	-	-
CO2 licenses	385.096	86.855	-	-
Intangible assets in progress	75.880	40.249	-	-
	<u>3.080.963</u>	<u>2.570.108</u>	<u>100</u>	<u>100</u>
<b>Accumulated amortisation:</b>				
Amortisation of concession rights during the year	-128.801	-66.208	-	-
Amortisation of industrial property and other intangibles during the year	-21.517	-18.300	-15	-9
Accumulated amortisation in previous years	-280.829	-312.459	-44	-35
	<u>-431.147</u>	<u>-396.967</u>	<u>-59</u>	<u>-44</u>
<b>Carrying amount</b>	<u>2.649.816</u>	<u>2.173.141</u>	<u>41</u>	<u>56</u>

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2025 and 2030, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048.

The concession rights over electricity production in Brazil, namely for EDP Lajeado, Lajeado Energia, Tocantins and Investco, are amortised on a straight line basis over the period of the concession, until 2032.

The caption "CO2 licenses" as at 31 December 2008 includes 385,096 thousand Euros (86,855 thousand Euros at 31 December 2007) relating to CO2 emission licenses granted free of charge to EDP Group plants operating in Portugal and Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. These plans define the methodology and the criteria for granting greenhouse effect gas emission licenses based on an estimate of the emission licenses necessary up to the end of that period, considering historical data on emissions or forecasting of such emissions. The plans foresee that the licenses for the existing production facilities, for the 2008-2012 period, will be granted free of charge, limiting their use until the end of that period, after which they will be cancelled and will not be transferred for use in the European emission licenses market.

The movement in **Intangible assets** during 2008, for the **Group**, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangibles	141.644	798	-289	35.034	-25.706	-6.054	145.427
CO2 licenses	86.855	385.748	-87.507	-	-	-	385.096
Intangible assets in progress	40.249	89.881	-1.523	-28.055	-5.656	-19.016	75.880
Concession rights							
Concession rights - Brazil	996.992	-	-	-46.498	-96.120	240.376	1.094.750
Concession rights - Gas	152.232	-	-	-	-	-	152.232
Use rights Alqueva/Pedrogão	393.136	17.095	-	-	-	-32.771	377.460
Extension of the public hydric domain	759.000	-	-	-	-	-	759.000
Concession rights - mini-hydrics	-	-	-	-	-	91.118	91.118
	<u>2.570.108</u>	<u>493.522</u>	<u>-89.319</u>	<u>-39.519</u>	<u>-127.482</u>	<u>273.653</u>	<u>3.080.963</u>

"Disposals/write-offs" of "CO2 licenses" includes 86,855 thousand Euros which correspond to CO2 licenses consumed in 2007 and delivered to the regulatory authorities in 2008. Acquisitions for this caption relates to licenses granted free of charge by regulatory authorities and licences acquired to cover consumption needs of 341,202 thousand Euros and 44,546 thousand euros, respectively (see note 46).

Acquisitions of intangible assets in progress includes 55,597 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Tua river, for a period of 75 years starting from the operation of the hydroelectric power plant of Foz Tua.

"Perimeter variations/Regularisations" related to "Concession rights - Brazil" include the concession rights acquired by the Group through the asset swap operation, in Rede Lajeado, Tocantins and Investco of 312,832 thousand Euros (see note 18) and the effect of the write-off of the concession rights of Enersul, resulting from this same operation, of 80,194 thousand Euros.

"Transfers" include 46,498 thousand Euros as a result of the assets of the company ESC 90, being considered as Assets held for sale as at 31 December 2008.

In the caption "Use rights Alqueva/Pedrogão", acquisitions of 17,095 thousand Euros relate to the power enhancement performed during 2008. The movement in Perimeter variations/Regularisations of 32,771 thousand Euros relates to the update of the discount rate used in the calculation of the use rights to 6.97% (31 December 2007: 5.37%).

In the caption "Concession rights - mini-hydrics", the movement in "Perimeter variations/Regularisations" of 91,118 thousand Euros relates to concession rights booked by the Group following the acquisition of the Pebble Hydro Group.

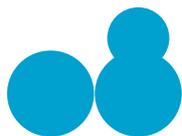
The caption "Extension of the public hydric domain" includes 759,000 thousand Euros paid by the EDP Group for the extension of the public hydric domain concessions.

	Balance at 1 January Euro'000	Charge for the year Euro'000	Accelerated depreciation/ impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated amortisation and impairment:</b>								
Industrial property and other rights	68.104	21.517	-	-103	-	-14.079	-10.480	64.959
Concession rights	<u>328.863</u>	<u>78.880</u>	<u>49.921</u>	<u>-</u>	<u>-22.858</u>	<u>-8.292</u>	<u>-60.326</u>	<u>366.188</u>
	<u>396.967</u>	<u>100.397</u>	<u>49.921</u>	<u>-103</u>	<u>-22.858</u>	<u>-22.371</u>	<u>-70.806</u>	<u>431.147</u>

Accelerated depreciation/Impairment includes the impairment booked for the concession rights of Enersul, of 49,921 thousand Euros as a result of regulatory changes occurred during the year 2008.

"Perimeter variations/Regularisations" includes 80,194 thousand Euros related to the write-off of the accumulated depreciation of Enersul and 18,135 thousand Euros related with the booking of accumulated depreciation of the concession rights in Investco acquired through the assets swap operation.

"Transfers" include 22,858 thousand Euros as a result of the assets of the company ESC 90, being considered as Assets held for sale as at 31 December 2008.



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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangibles	87.792	745	-	25.689	5.243	22.175	141.644
CO2 licenses	266.063	53.651	-232.859	-	-	-	86.855
Intangible assets in progress	20.313	23.710	-	-5.541	1.767	-	40.249
Concession rights							
Concession rights - Brazil	928.638	59.246	-	-	9.108	-	996.992
Concession rights - Gas	152.232	-	-	-	-	-	152.232
Use rights Alqueva/Pedrogão	-	393.136	-	-	-	-	393.136
Extension of the public hydric domain	-	759.000	-	-	-	-	759.000
	<u>1.455.038</u>	<u>1.289.488</u>	<u>-232.859</u>	<u>20.148</u>	<u>16.118</u>	<u>22.175</u>	<u>2.570.108</u>

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

	Balance at 1 January Euro'000	Charge for the year Euro'000	Losses/ Reversions of impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated amortisation and impairment:</b>								
Industrial property and other rights	45.672	18.300	-	-	-	3.598	534	68.104
Concession rights	241.230	66.208	-	-	-	619	20.806	328.863
	<u>286.902</u>	<u>84.508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4.217</u>	<u>21.340</u>	<u>396.967</u>

The movement in **Intangible assets** in 2008, for the Company, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
<b>Accumulated amortisation:</b>						
Industrial property and other rights	44	15	-	-	-	59
	<u>44</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	50	50	-	-	-	100
CO2 licenses	1.748	1.010	-	-2.758	-	-
	<u>1.798</u>	<u>1.060</u>	<u>-</u>	<u>-2.758</u>	<u>-</u>	<u>100</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated amortisation:</b>						
Industrial property and other rights	35	9	-	-	-	44
	<u>35</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44</u>

#### 18. Goodwill

Goodwill for the group, resulting from the difference between the acquisition value and the corresponding share of the fair value of the assets acquired, is analysed as follows:

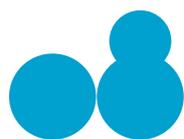
	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Electric business:</b>		
HC Energia Group	960.277	1.002.660
Neo Energia Group	801.899	660.912
Horizon Group	569.777	539.353
EDP Energias do Brasil Group	57.978	64.511
Others (Portugal Group)	44.962	523
	<u>2.434.893</u>	<u>2.267.959</u>
<b>Gas Distribution business:</b>		
Naturgás Group	757.591	736.824
	<u>3.192.484</u>	<u>3.004.783</u>

The movements in Goodwill in 2008 are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Electric business</b>							
HC Energia Group	1.002.660	6.077	-48.240	-	-	-220	960.277
Neo Energia Group	660.912	164.146	-23.352	-	-	193	801.899
Horizon Group	539.353	-	-	-	30.424	-	569.777
EDP Energias do Brasil Group	64.511	17.310	-	-17.371	-3.581	-2.891	57.978
Others (Portugal Group)	523	44.439	-	-	-	-	44.962
	<u>2.267.959</u>	<u>231.972</u>	<u>-71.592</u>	<u>-17.371</u>	<u>26.843</u>	<u>-2.918</u>	<u>2.434.893</u>
<b>Gas Distribution business:</b>							
Naturgás Group	736.824	20.740	-	-	-	27	757.591
	<u>736.824</u>	<u>20.740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27</u>	<u>757.591</u>
	<u>3.004.783</u>	<u>252.712</u>	<u>-71.592</u>	<u>-17.371</u>	<u>26.843</u>	<u>-2.891</u>	<u>3.192.484</u>

The movements in Goodwill in 2007 are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
<b>Electric business</b>							
HC Energia Group	1.009.891	8.627	-	-	-	-15.858	1.002.660
Neo Energia Group	658.518	179.136	-192.600	-	-	15.858	660.912
Horizon Group	-	583.264	-	-	-43.911	-	539.353
EDP Energias do Brasil Group	64.511	-	-	-	-	-	64.511
Others (Portugal Group)	-	523	-	-	-	-	523
	<u>1.732.920</u>	<u>771.550</u>	<u>-192.600</u>	<u>-</u>	<u>-43.911</u>	<u>-</u>	<u>2.267.959</u>
<b>Gas Distribution business:</b>							
Naturgás Group	737.547	30.364	-31.087	-	-	-	736.824
	<u>737.547</u>	<u>30.364</u>	<u>-31.087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736.824</u>
	<u>2.470.467</u>	<u>801.914</u>	<u>-223.687</u>	<u>-</u>	<u>-43.911</u>	<u>-</u>	<u>3.004.783</u>



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*HC Energia Group*

During 2008, the goodwill from HC Energia Group has decreased by 48,240 thousand Euros as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3% of HC Energia share capital, under the utilization of the Parent Company Model, as described under accounting policies - note 2 b).

*Neo Energia Group*

The increase in Neo Energia Group goodwill is related to the several acquisitions occurred during the year, namely the acquisition of the subgroups Relax Winds, Neo Galia, Romania and Neo Catalunya, as referred in the following paragraphs.

The goodwill held in Neo Energia Group, with reference to 31 December 2008 and 2007, is presented as follows:

	<b>Neo Energia Group</b>	
	<b>Dec 2008</b>	<b>Dec 2007</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Genesa subgroup	441.356	459.313
Ceasa subgroup	146.469	141.949
Relax Winds subgroup	25.424	14.010
Neo Galia subgroup	57.428	-
Romania subgroup	64.461	-
Neo Catalunya subgroup	21.199	-
Enernova subgroup	42.299	42.259
Other	3.263	3.381
	<u>801.899</u>	<u>660.912</u>

The decrease in Genesa subgroup goodwill includes the revaluation effect of the liability relating to the anticipated acquisition of minority interests to Caja Madrid through a written put option held by this entity over Genesa and Neo Desa, amounting to 18,109 thousand Euros.

According to IFRS, the amount of NEO Energia Group goodwill, with reference to 31 December 2007 was reclassified based on the final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2008, of 43,908 thousand Euros, as described under accounting policies - note 2 a). As determined by IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of assets, liabilities and contingent liabilities, recording these adjustments with effect from the acquisition date.

As at 31 December 2007, the NEO Group acquired Relax Winds and has booked, with reference to this date, goodwill of 57,918 thousand Euros. During 2008, as a consequence of the final allocation of fair values attributable to assets, liabilities and contingent liabilities, an adjustment to the initial goodwill of 43,908 thousand Euros was determined and this reclassification was booked against the fair value of net assets acquired. Consequently the goodwill allocated to Relax Wind Parks Group was decreased to 14,010 thousand Euros at 31 December 2007, as follows:

	<b>Relax Winds Group</b>
	<b>Euro'000</b>
Initial goodwill	<u>57.918</u>
Allocation of the fair value to the net assets acquired:	
Property, plant and equipment (note 16)	86.818
Deferred tax assets and liabilities (note 22)	(14.924)
Minority interests (note 32)	<u>(27.986)</u>
	<u>43.908</u>
Final goodwill	<u>14.010</u>

Under the terms of the agreement celebrated by Neo for the acquisition of the subgroup Relax Winds Parks, during 2008 the Neo Group acquired 51% of the entities Relax Wind Park II and IV and increased its interest in Relax Wind Park I and II to 93.3% and 100%, respectively. The goodwill generated in these transactions, after the final allocations of the fair value attributable to the identifiable assets, liabilities and contingent liabilities was 11,414 thousand Euros, including the effect of the acquisition of minority interests resulting from the increase of interest held in the entities Relax Wind Park I and III. The total goodwill related to the acquisitions occurred in this subgroup with reference to 31 December 2008 is 25,424 thousand Euros.

On 8 April 2008, Neo acquired in France, from the companies EOLE and Eurocape, the subgroup Neo Galia SAS, which holds 3 operating wind farms in the region of Normandia, with an installed capacity of 35 MW, as well as several wind farms projects under development located in the regions of Normandia and Rhônes Alps, with an estimated potential capacity of 560 MW.

The acquisition cost of Neo Galia subgroup was 54,895 thousand Euros, including the interest held in Ridgeside and Hollywell subgroups, which considering the negative net assets of the subgroup at the acquisition date of 2,533 thousand Euros, generated a goodwill of 57,428 thousand Euros. The combination cost referred includes 8,525 thousand Euros corresponding to the best estimate of the additional success fee (contingent price) that will be paid by EDP Group for the wind farms that obtain construction licenses until 31 December 2013.

The goodwill determined as a consequence of the allocation of the acquisition cost of Neo Galia subgroup to the assets, liabilities and contingent liabilities acquired is analysed as follows:

	Neo Galia Group		
	Book value at acquisition date	Fair value Adjustments	Assets and Liabilities at fair value
Property, plant and equipment	41.783	9.458	51.241
Other assets (including licenses)	55.175	-	55.175
<b>Total assets</b>	<b>96.958</b>	<b>9.458</b>	<b>106.416</b>
Payables and other liabilities	106.859	2.090	108.949
<b>Total liabilities</b>	<b>106.859</b>	<b>2.090</b>	<b>108.949</b>
Net Assets and Liabilities acquired			(2.533)
Acquisition cost			54.895
Goodwill			<b>57.428</b>

In October 2008, EDP Renováveis Group acquired a financial interest of 85% in Renovatio Power and Cernavoda Power share capital, two Romanian companies that hold wind projects with an estimated potential capacity of 736 MW. The acquisition cost of these entities amounted to 64,435 thousand Euros, including the estimate of the additional success fee that will be paid by the EDP Group after the attribution of legal authorizations for the construction of the wind farms (contingent price) of 63,217 thousand Euros. Considering that the net assets are negative in 26 thousand Euros, a provisional goodwill for this operation was calculated at 64,461 thousand Euros. During 2009, EDP Group will complete its analysis to determine the fair value of the assets and liabilities acquired and the corresponding allocation of the purchase price to the related assets, liabilities and contingent liabilities.

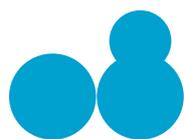
In August 2008, Neo Catalunya, a subsidiary held by Neo in 100%, acquired from Copcisa Eléctrica, S.L.U. two companies, Bont Vent Corbera, S.L. and Bont Vent Vilalba, S.L. which hold several wind farms under construction, with an estimated potential capacity of 99 MW. The acquisition cost was 21,270 thousand Euros, which originated a goodwill of 21,199 thousand Euros.

#### *Horizon Group*

Goodwill arising from the acquisition of Horizon Wind Energy Group was determined in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 569,777 thousand Euros as at 31 December 2008 (31 December 2007: 539,353 thousand Euros), including transaction costs of 12,723 thousand Euros. The increase in Horizon group goodwill is related with the effect of exchange differences EUR/USD which amounts to 30,424 thousand Euros.

#### *EDP Energias do Brasil Group*

On 11 September 2008, the assets swap between EDP Energias do Brasil and Grupo Rede (Rede Energia, S.A. and Rede Power do Brasil, S.A.) was concluded. This operation consisted in the swap of 100% of the share capital previously held by EDP Energias do Brasil in Enersul, for the shareholding control of Investco, after the acquisition of majority interests in the companies Lajeado Energia, S.A. and Tocantins.



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With reference to 31 August 2008, Group EDP has allocated provisionally the acquisition cost of the assets, liabilities and contingent liabilities acquired regarding Investco, Lajeado Energia and Tocantins, which originated a goodwill of 44,531 thousand BRL, corresponding to 17,310 thousand Euros.

	<b>Investco, Lajeado Energia and Tocantins</b>		
	<b>Book value at acquisition date</b>	<b>Fair value adjustments</b>	<b>Assets and liabilities at fair value</b>
Property, plant and equipment	537.540	170.151	707.691
Intangible assets	187.864	124.968	312.832
Receivables and other assets	31.202	1.483	32.685
<b>Total Non-current Assets</b>	<b>756.606</b>	<b>296.602</b>	<b>1.053.208</b>
Receivables and other assets	43.376	-	43.376
Cash and cash equivalents	29.423	-	29.423
<b>Total Current Assets</b>	<b>72.799</b>	<b>-</b>	<b>72.799</b>
	<b>829.405</b>	<b>296.602</b>	<b>1.126.007</b>
Financial debt	67.058	-	67.058
Preference shares	56.602	(31.096)	25.506
Payables and other liabilities	89.033	70.023	159.056
<b>Total Non-current liabilities</b>	<b>212.693</b>	<b>38.927</b>	<b>251.620</b>
<b>Total Current liabilities</b>	<b>110.980</b>	<b>-</b>	<b>110.980</b>
	<b>323.673</b>	<b>38.927</b>	<b>362.600</b>
<b>Total assets and liabilities (100%)</b>			<b>763.407</b>
<b>Total acquired assets and liabilities (EDP Group)</b>			<b>268.430</b>
<b>Acquisition Cost</b>			<b>285.740</b>
<b>Goodwill</b>			<b>17.310</b>

During 2008, the Group EDP consolidated accounts also included an impairment loss of 17,371 thousand Euros regarding the goodwill allocated to Enersul (see note 14).

*Portugal Group*

The caption Others (Portugal) includes 33,583 thousand Euros related to goodwill generated in the purchase of Pebble Hydro Group by EDP Produção, S.A. Additionally, this caption includes goodwill of 10,827 thousand Euros related to the acquisition of company Rôdão-Power, S.A. by the EDP Produção Bioelétrica, S.A.

During 2008, EDP Group has allocated the acquisition cost of Pebble Hydro Group, Lda. to the assets, liabilities and contingent liabilities acquired. The acquisition cost of this subgroup amounted to 72,348 thousand Euros, which generates a goodwill of 33,583 thousand Euros, presented as follows:

	<b>Pebble Hydro Group</b>		
	<b>Book value at acquisition date</b>	<b>Fair value adjustments</b>	<b>Assets and liabilities at fair value</b>
Property, plant and equipment	63.322	4.353	67.675
Intangible assets	44	91.118	91.162
Other assets	118.987	(3.043)	115.944
<b>Total assets</b>	<b>182.353</b>	<b>92.428</b>	<b>274.781</b>
Payables and other liabilities	215.307	20.709	236.016
<b>Total liabilities</b>	<b>215.307</b>	<b>20.709</b>	<b>236.016</b>
<b>Assets and Liabilities identified in the acquisition (net)</b>			<b>38.765</b>
<b>Acquisition cost</b>			<b>72.348</b>
<b>Goodwill</b>			<b>33.583</b>

### Naturgás Group

The increase in Naturgás subgroup goodwill includes an increase of 14,668 thousand Euros as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests held by Ente Vasco Energia, under the terms of the Parent Company Model, as described under accounting policies - note 2 b), through a written put option over 30.4% of Naturgás subgroup.

### Goodwill impairment tests

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

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of these investments, being the main assumptions analysed as follows:

Cash Generating Unit	Activity	Recoverable amount (basis of calculation)	Used assumptions			
			Cash flows basis of calculation	Cash flows period	Growth rate for cash flows	Discount rate used
HC Energia Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Consumption and generation volume and predicted tariffs	Useful life of equipments (8 years)	Estimation of tariffs evolution	WACC Generation: 7.5% WACC Distribution: 6.80% WACC Supply: 7.5%
Neo Energia Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects in the several markets	Useful life of equipments (20 years)	Estimation of tariffs evolution	WACC (PT): 7.66% WACC (Sp): 6.96% WACC (Fr): 6.66% WACC (Pol): 8.53%
Horizon Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects / power purchase agreements	Useful life of equipments (20 years)	Estimation of tariffs evolution and market sales price	WACC (USA): 8.00%
EDP Energias do Brasil Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Consumption and generation volume and predicted tariffs	Generation: Until the end of the concession (between 17 - 28 years) Distribution: Perpetuity	Generation: Estimation of tariffs evolution Distribution (BRL): 6.59% Perpetuity	WACC Generation (BRL): 11.71%-17.81% WACC Distrib. (BRL): 12.51%-18.66%

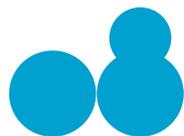
### 19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Historical acquisition cost	10.740.378	9.528.756
Effect of equity method (transition to IFRS)	-1.165.796	-1.165.796
Equity investments in subsidiaries	9.574.582	8.362.960
Impairment losses on equity investments in subsidiaries	-68.174	-15.510
	<b>9.506.408</b>	<b>8.347.450</b>

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

During 2008, as a consequence of the impairment losses incurred in BCP and Sonaecom investments, EDP S.A. booked an impairment loss on EDP Imobiliária e Participações, S.A., the company that holds these investments, of 109,854 thousand Euros (see note 14), being 52,664 thousand Euros related to the financial investment and 57,190 thousand Euros related to the negative net equity (see note 36). The impairment loss on the financial investment in EDP Investimentos SGPS, S.A. of 15,510 thousand Euros remains unchanged in 2008.



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Investments in subsidiaries is analysed as follows:

	Company	
	Dec 2008	Dec 2007
	Net amount Euro'000	Net amount Euro'000
<b>Investments in subsidiaries:</b>		
EDP Distribuição de Energia, S.A.	1.686.145	1.591.145
EDP Comercial, S.A.	188.463	163.463
EDP Gestão de Produção de Energia, S.A.	2.156.054	2.155.304
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47.795	47.795
Energia RE	2.005	1.245
EDP Produção Bioelétrica, S.A.	6.595	6.595
EDP Valor - Gestão Integrada de Serviços, S.A.	4.550	4.550
Edalpro - Imobiliária, Lda.	748	748
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3.465	3.465
EDP Energias do Brasil, S.A.	432.238	432.238
Hidroelétrica del Cantábrico, S.A.	1.981.798	1.981.798
EDP Finance B.V.	2.001	2.001
Sávida, S.A.	2.552	2.552
EDP Investimentos, S.G.P.S., S.A.	47.251	47.251
EDP Imobiliária e Participações, S.A.	-	4.458
Balwerk, S.A.	1.686	1.686
EDP Renováveis S.A.	2.939.889	1.899.889
EDP Inovação, S.A.	1.206	50
Other	1.967	1.217
	<u>9.506.408</u>	<u>8.347.450</u>

As at 31 December 2008, EDP, S.A. granted supplementary capital contributions to some subsidiaries totalling 170,862 thousand Euros, namely 95,000 thousand Euros to EDP Distribuição, S.A., 25,000 thousand Euros to EDP Comercial S.A., 750 thousand Euros to EDP Produção, S.A., 750 thousand Euros to EDP Internacional, S.A., 1,156 thousand Euros to EDP Inovação and 48,206 thousand Euros to EDP Imobiliária e Participações, S.A., having the latter been written off for impairment, as referred above.

In September 2008, EDP S.A. increased the share capital of its subsidiary Energia RE by 760 thousand Euros.

In May 2008, EDP, S.A. through its branch in Spain (EDP Sucursal) increased the share capital of EDP Renováveis through the incorporation of shareholders' loans in 1,040,000 thousand Euros.

**20. Investments in associates**

Investments in associates is analysed as follows:

	Group		Company	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Associated companies:</b>				
Investments in associates	172.891	252.099	49.910	67.762
Adjustments in investments in associates	-137	-292	-137	-774
<b>Net book value</b>	<u>172.754</u>	<u>251.807</u>	<u>49.773</u>	<u>66.988</u>

As of 31 December 2008, **for the Group**, the caption investments in associates includes goodwill of 21,132 thousand Euros (31 December 2007: 100,928 thousand Euros).

During 2008 the Group sold its interest in Turbogás, S.A. and Portugen, S.A., originating a decrease in the goodwill related to investments in associates of 65,921 thousand Euros. Additionally, and as a consequence of the acquisition of the remaining interest of 80% of Pebble Hydro, Lda. and Hidroelétrica de Janeiro de Baixo, Lda., these companies started to be consolidated under the full method, therefore the goodwill booked in 2007 of 14,406 thousand Euros was transferred to the caption Goodwill.

Investments in associates , for the Group, is analysed as follows:

	Group			
	Dec 2008		Dec 2007	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
<b>Associated companies:</b>				
CEM - Companhia de Electricidade de Macau, S.A.	59.152	-	53.116	-
DECA - Distribución Eléctrica Centroamerica, S.A.	51.695	-	47.370	-
D. E. de Canarias, S.A.	10.735	-	10.875	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	9.256	-	7.547	-
ENEOP - Eólicas de Portugal, S.A.	6.486	-	-	-
Portsines - Terminal de Multipurpose de Sines, S.A.	6.308	-	7.019	-
Parque Eólico Sierra del Madero, S.A.	5.454	-	4.542	-
Veinco Energia Limpia SL	4.837	-	4.913	-
Parque Eólico Altos del Voltoya, S.A.	3.481	-	3.281	-
Parque Eólico de Belmonte, S.A.	3.243	-	2.610	-
Hidroastur, S.A.	2.113	-	2.121	-
Carriço Cogeração, S.A.	1.763	-	1.224	-
Pebble Hydro - Consultoria, Investimento e Serviços, Lda.	-	-	14.638	-
Portugen Energia, S.A.	-	-	5.255	-
Turbogás - Produtora Energética, S.A.	-	-	80.918	-
Other	8.368	-137	6.670	-292
	<u>172.891</u>	<u>-137</u>	<u>252.099</u>	<u>-292</u>

ENEOP started to be consolidated under the equity method, due to the significant influence that exists over the financial and operational policy of the company.

On 6 May 2008, the EDP Group sold to International Power Portugal Holdings, SGPS, S.A. the financial interest of 40% and 26.7% held in the share capital of Turbogás - Produtora Energética, S.A. and Portugen Energia, S.A. by a total of 140,000 thousand Euros (see note 13).

In December 2007 EDP and Banco Espírito Santo de Investimento ("BESI") signed a purchase and sale contract with Babcock & Brown Hydro Holdings S.A.R.L. ("B&B") for the acquisition of 100% of the share capital of Pebble Hydro — Consultoria, Investimento e Serviços, Lda ("Pebble Hydro"). The acquisition price of 100% of the share capital was 71,853 thousand Euros plus transaction costs, having EDP acquired 20% and BESI the remaining 80% of the company's share capital. At the same time EDP signed a promissory purchase and sale agreement with BESI regarding its 80% shareholding. On 3 July 2008, the EDP Group increased its interest to 100% of Pebble Hydro, Lda. and Hidroeléctrica Janeiro de Baixo, Lda. share capital after the favourable decision of the Competition Regulator in Portugal ("Autoridade da Concorrência") to the completion of this operation. Therefore, these companies that at 31 December 2007 were consolidated under the equity method, started to be consolidated under the full method with reference to 31 December 2008.

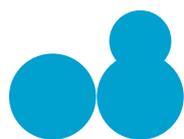
The movement in investments in associates , for the Group , is analysed as follows:

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Balance as at 1 January</b>	252.099	285.364
Acquisitions / Perimeter entries	6.536	15.381
Disposals	-77.009	-1.405
Share of profit of associates	34.687	36.117
Share of profit of associates - Assets classified as held for sale	-	-12.409
Dividends received	-31.937	-37.751
Exchange differences	6.704	-9.996
Transfers / Regularisations	-18.189	-23.202
<b>Balance as at 31 December</b>	<u>172.891</u>	<u>252.099</u>

Investments in associates , for the Company , is analysed as follows:

	Company			
	Dec 2008		Dec 2007	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
<b>Associated companies</b>				
DECA - Distribución Eléctrica Centroamerica, S.A.	49.773	-	52.220	-
Ecogen - Serviços de Energia Descentralizada, S.A.	-	-	749	-637
Pebble Hydro - Consultoria, Investimento e Serviços, Lda.	-	-	14.656	-
Other	137	-137	137	-137
	<u>49.910</u>	<u>-137</u>	<u>67.762</u>	<u>-774</u>

During 2008, DECA II reimbursed supplementary capital contributions previously granted of 2,447 thousand Euros.



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On 3 July 2008, the financial investment held by EDP, S.A. in Pebble Hydro, Lda. and Hidroeléctrica do Janeiro de Baixo, Lda., has been sold to EDP Gestão da Produção de Energia, S.A., a company of the EDP Group.

The movement in impairment of **investments in associates** during 2008, **for the Company**, is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
<b>Impairment of investments in associates:</b>					
Ecogen, S.A.	-637	-	637	-	-
Other	-137	-	-	-	-137
	<u>-774</u>	<u>-</u>	<u>637</u>	<u>-</u>	<u>-137</u>

During 2008, the company Ecogen - Serviços de Energia Descentralizada, S.A., has been liquidated.

The movement in impairment of **investments in associates** during 2007, **for the Company**, is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Balance at 31 December Euro'000
<b>Impairment of investments in associates:</b>					
Edinfor, S.A.	-14.279	-	-	14.279	-
Other	-76	-	112	-810	-774
	<u>-14.355</u>	<u>-</u>	<u>112</u>	<u>13.469</u>	<u>-774</u>

21. Available for sale investments

**Available for sale investments** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Ampla Energia e Serviços, S.A.	68.939	93.907	68.939	93.907
Ampla Investimentos e Serviços, S.A.	9.073	5.575	9.073	5.575
Banco Comercial Português, S.A.	122.707	340.699	-	-
EDA - Eléctrica dos Açores, S.A.	6.006	5.100	-	-
REN - Rede Eléctrica Nacional, S.A.	52.332	95.586	52.332	95.586
Sociedade Eólica de Andalucía, S.A.	10.854	3.107	-	-
Sonaecom, S.A.	28.946	95.904	-	-
Tagusparque, S.A.	1.097	1.097	-	-
Tejo Energia, S.A.	18.200	19.998	-	-
ValorSul, S.A.	-	3.878	-	-
Other	32.733	40.409	3.815	3.789
	<u>350.887</u>	<u>705.260</u>	<u>134.159</u>	<u>198.857</u>

The decrease in this caption comparing to 31 December 2007 is mainly due to the impairment losses in the financial investments held in Ampla Energia e Serviços, S.A., Banco Comercial Português, S.A. and Sonaecom, S.A., of 20,536 thousand Euros, 200,139 thousand Euros and 66,958 thousand Euros respectively, considering the existence of a significant and extended decline in the listed price of these securities (see note 14).

During 2008, the EDP Group has participated in the share capital increase of BCP, acquiring 35,488,997 new shares for 1.2 Euros per share, in a total investment of 42,587 thousand Euros. Subsequently, the Group sold 489,818 shares, in order to maintain unchanged its interest in the share capital of BCP.

On 31 March 2008, EDP, S.A. sold 8,010,000 shares of REN - Rede Eléctrica Nacional, S.A. for 3.5 Euros per share, generating a cash inflow of 28,035 thousand Euros and a consolidated gain of 16,969 thousand Euros.

In 2008, the movements in **available for sale investments** are analysed as follows:

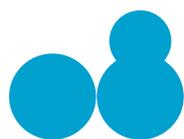
	Dec 2008						
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Minority Interests Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	93.907	-	-	-20.536	-4.432	-	68.939
Ampla Investimentos e Serviços, S.A.	5.575	-	-	-	3.498	-	9.073
Banco Comercial Português, S.A.	340.699	42.587	-589	-200.139	-59.851	-	122.707
EDA - Electricidade dos Açores, S.A.	5.100	-	-	-	906	-	6.006
REN - Rede Eléctrica Nacional, S.A.	95.586	-	-11.066	-	-32.188	-	52.332
Sociedade Eólica de Andalucía, S.A.	3.107	-	-	-	5.968	1.779	10.854
Sonaecon, S.A.	95.904	-	-	-66.958	-	-	28.946
Tagusparque, S.A.	1.097	-	-	-	-	-	1.097
Tejo Energia, S.A.	19.998	-	-	-	-1.798	-	18.200
ValorSul, S.A.	3.878	-	-3.878	-	-	-	-
Other	40.409	2.301	-7.805	-1.745	-427	-	32.733
	<b>705.260</b>	<b>44.888</b>	<b>-23.338</b>	<b>-289.378</b>	<b>-88.324</b>	<b>1.779</b>	<b>350.887</b>

In 2007, the movements in **available for sale investments** are analysed as follows:

	Dec 2007					
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	72.799	-	-	-	21.108	93.907
Ampla Investimentos e Serviços, S.A.	5.575	-	-	-	-	5.575
Banco Comercial Português, S.A.	235.632	116.310	-	-	-11.243	340.699
EDA - Electricidade dos Açores, S.A.	5.100	-	-	-	-	5.100
REN - Rede Eléctrica Nacional, S.A.	320.400	-	-443.759	-	218.945	95.586
Sonaecon, S.A.	146.624	-	-	-57.717	6.997	95.904
Tagusparque, S.A.	1.097	-	-	-	-	1.097
Tejo Energia, S.A.	19.998	-	-	-	-	19.998
ValorSul, S.A.	3.878	-	-	-	-	3.878
Other	11.045	32.018	-	-	453	43.516
	<b>822.148</b>	<b>148.328</b>	<b>-443.759</b>	<b>-57.717</b>	<b>236.260</b>	<b>705.260</b>

The available for sale investments are booked at fair value and the variation from the date of acquisition is recorded against the fair value reserve (Note 31). The fair value reserve as at 31 December 2008 and 2007 is analysed as follows:

	Dec 2008 Euro'000	Dec 2007 Euro'000
Ampla Energia e Serviços, S.A.	-	4.432
Ampla Investimentos e Serviços, S.A.	3.498	-
Banco Comercial Português, S.A.	-	59.851
EDA - Electricidade dos Açores, S.A.	-885	-1.791
REN - Rede Eléctrica Nacional, S.A.	26.512	58.700
Sociedade Eólica de Andalucía, S.A.	5.968	-
Tejo Energia, S.A.	11.845	13.643
Other	26	453
	<b>46.964</b>	<b>135.288</b>



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22. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Tax credits	252.222	50.808	-	-	252.222	50.808
Provisions	575.936	669.378	-	-	575.936	669.378
Derivative financial instruments	133.439	97.959	121.618	94.883	11.821	3.076
Tangible and intangible fixed assets	286.504	230.678	20.949	2.282	265.555	228.396
Reinvested gains	-	-	8.281	18.712	-8.281	-18.712
Financial and available for sale investments	39.284	21.476	63.783	67.988	-24.499	-46.512
Tariff adjustments and tariff deficit	79.519	-	362.227	47.235	-282.708	-47.235
Reversal of regulatory assets and liabilities	39.100	96.119	20.460	57.108	18.640	39.011
Allocation of fair value to assets and liabilities	13.785	-	596.591	465.203	-582.806	-465.203
Accounting revaluations	10.530	15.825	213.708	297.566	-203.178	-281.741
Deferred income relating to CMEC	-	-	130.045	52.287	-130.045	-52.287
Other temporary differences	19.924	20.631	28.650	44.824	-8.726	-24.193
Assets/liabilities compensation of deferred taxes	-910.365	-515.609	-910.365	-515.609	-	-
	<u>539.878</u>	<u>687.265</u>	<u>655.947</u>	<u>632.479</u>	<u>-116.069</u>	<u>54.786</u>

As referred under accounting policies - note 2 r) the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Tax credits	114.710	-	-	-	114.710	-
Provisions	15.493	17.504	-	-	15.493	17.504
Derivative financial instruments	62.147	50.222	72.006	59.095	-9.859	-8.873
Financial and available for sale investments	3.229	6.012	63.663	67.988	-60.434	-61.976
Accounting revaluations	8.653	8.265	12.046	12.071	-3.393	-3.806
Other temporary differences	4.199	4.508	-	610	4.199	3.898
	<u>208.431</u>	<u>86.511</u>	<u>147.715</u>	<u>139.764</u>	<u>60.716</u>	<u>-53.253</u>

The deferred tax movement, for the Group and for the Company, in 2008 and 2007 is analysed as follows:

	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Balance at 1 January</b>	54.786	341.054	-53.253	83.662
Charges to the profit and loss account	-88.236	-192.500	109.267	-134.710
Charges against reserves	37.018	-7.820	4.549	-2.201
Foreign exchange differences and other variations	-119.637	-85.948	153	-4
<b>Balance at 31 December</b>	<u>-116.069</u>	<u>54.786</u>	<u>60.716</u>	<u>-53.253</u>

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the period of 12 months following a business combination, the acquiring company may adjust the fair value of identifiable assets, liabilities or contingent liabilities, being those adjustments performed with effect from the date of acquisition.

The final allocation of the fair value of assets, liabilities and contingent liabilities concluded in 2008, regarding the acquisition of the Relax Winds Group in 2007, implied an allocation of 14,924 thousand Euros to deferred tax liabilities, as at 31 December 2007 (see note 18).

Foreign exchange differences and other variations, in 2008, include the following net increases in deferred taxes:

	<u>Dec 2008</u> <u>Euro'000</u>
Purchase Price Allocation of EDP Lajeado	-61.022
Purchase Price Allocation of Pebble Hydro	-24.795
Purchase Price Allocation of Eole 76	-2.090
Perimeter exit of Enersul	-12.028
Tax depreciation of Horizon goodwill	-13.123
Foreign exchange differences of EDP Energias do Brasil sub-Group	-28.204
Tax credits related to investment in property, plant and equipment (HC Energia)	20.521
Other	1.104
<b>Balance as at 31 December</b>	<b>-119.637</b>

Taxes recorded against reserves are analysed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>Dec 2008</u> <u>Euro'000</u>	<u>Dec 2007</u> <u>Euro'000</u>	<u>Dec 2008</u> <u>Euro'000</u>	<u>Dec 2007</u> <u>Euro'000</u>
<b>Current tax</b>				
Changes in fair value of derivative financial instruments	-	-393	-	-
Gains on the sale of treasury stock	831	-2.421	831	-2.421
	<u>831</u>	<u>-2.814</u>	<u>831</u>	<u>-2.421</u>
<b>Deferred tax</b>				
Financial instruments and fair value	31.612	5.709	4.549	-2.201
Actuarial gains and losses	5.406	-10.306	-	-
Other	-	-3.223	-	-
	<u>37.018</u>	<u>-7.820</u>	<u>4.549</u>	<u>-2.201</u>
	<u>37.849</u>	<u>-10.634</u>	<u>5.380</u>	<u>-4.622</u>

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

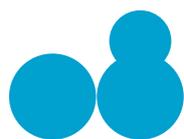
	<u>Group</u>	
	<u>Dec 2008</u> <u>Euro'000</u>	<u>Dec 2007</u> <u>Euro'000</u>
Expiration date:		
2008	-	25
2009	691	67
2010	874	128
2011	259	354
2012	899	201
2013	2.633	849
2014	539.080	3
2015 to 2028	483.865	94.505
Without expiration date but limited to 30% of taxable income of each year	474.113	852.583
	<u>1.502.414</u>	<u>948.715</u>

### 23. Inventories

Inventories are analysed as follows:

	<u>Group</u>		<u>Company</u>	
	<u>Dec 2008</u> <u>Euro'000</u>	<u>Dec 2007</u> <u>Euro'000</u>	<u>Dec 2008</u> <u>Euro'000</u>	<u>Dec 2007</u> <u>Euro'000</u>
Merchandise	40.470	10.190	-	-
Advances on account of purchases	4.061	35.190	-	-
Finished and intermediate products	12.075	29.325	-	-
Sub-products, waste, residues and scrap	10.506	8.610	-	-
Raw and subsidiary materials and consumables:				
Coal	64.443	79.585	-	-
Fuel	41.153	36.152	-	-
Other consumables				
CO2 licenses	27.744	-	27.744	-
Other	76.348	83.543	-	-
	<u>276.800</u>	<u>282.595</u>	<u>27.744</u>	<u>-</u>

CO2 licenses corresponds to the amount of available for sale licenses as at 31 December 2008, valued at market price on the same date against income statement (see note 46).



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24. Trade receivables

Trade receivables is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Short-term trade receivables - Current:</b>				
Resident customers:				
State and official entities	19.886	23.427	-	-
Local government	31.316	25.915	284	284
Corporate sector and individuals	694.489	742.997	18.106	40.174
Trade accounts - Bills receivable	99	14	-	-
	<u>745.790</u>	<u>792.353</u>	<u>18.390</u>	<u>40.458</u>
Non-resident customers:				
State and official entities	1.472	2.738	-	-
Local government	11.143	15.926	-	-
Corporate sector and individuals	888.208	811.411	-	-
	<u>900.823</u>	<u>830.075</u>	<u>-</u>	<u>-</u>
	<u>1.646.613</u>	<u>1.622.428</u>	<u>18.390</u>	<u>40.458</u>
Doubtful debts	222.008	257.516	9.941	9.941
Impairment losses	-222.008	-257.516	-9.941	-9.941
	<u>1.646.613</u>	<u>1.622.428</u>	<u>18.390</u>	<u>40.458</u>
<b>Medium and long-term trade receivables - Non current:</b>				
Resident customers:				
Local government	147.140	156.257	-	-
Corporate sector and individuals	-	298	-	-
	<u>147.140</u>	<u>156.555</u>	<u>-</u>	<u>-</u>
Non-resident customers:				
Local government	-	19.252	-	-
Corporate sector and individuals	33.610	24.889	-	-
	<u>180.750</u>	<u>200.696</u>	<u>-</u>	<u>-</u>
Impairment losses	-68.706	-63.948	-	-
	<u>112.044</u>	<u>136.748</u>	<u>-</u>	<u>-</u>
	<u>1.758.657</u>	<u>1.759.176</u>	<u>18.390</u>	<u>40.458</u>

The movement in impairment losses, in 2008, for the Group is analysed as follows:

	Balance at 1 January Euro'000	Exchange difference Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Utilisation Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	257.516	-15.934	68.070	-17.323	-36.193	-34.128	222.008
Local government	63.948	-806	2.368	-	-	3.196	68.706
	<u>321.464</u>	<u>-16.740</u>	<u>70.438</u>	<u>-17.323</u>	<u>-36.193</u>	<u>-30.932</u>	<u>290.714</u>

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

	Balance at 1 January Euro'000	Exchange difference Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Utilisation Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	214.472	5.055	67.100	-11.190	-12.488	-5.433	257.516
Local government	64.560	60	-	-3.416	-	2.744	63.948
	<u>279.032</u>	<u>5.115</u>	<u>67.100</u>	<u>-14.606</u>	<u>-12.488</u>	<u>-2.689</u>	<u>321.464</u>

The amount presented in the column Perimeter Variations / Regularisations includes 30,572 thousand Euros related to Enersul which, as a consequence of the assets swap occurred in 2008 with the Rede Group, has been excluded from the EDP Group consolidation perimeter.

The movement in **impairment losses** , in 2008, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9.941	35	-19	-16	9.941
	<u>9.941</u>	<u>35</u>	<u>-19</u>	<u>-16</u>	<u>9.941</u>

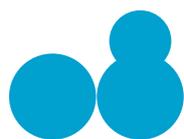
The movement in **impairment losses** , in 2007, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	10.013	385	-457	-	9.941
	<u>10.013</u>	<u>385</u>	<u>-457</u>	<u>-</u>	<u>9.941</u>

## 25. Debtors and other assets

**Debtors and other assets** are analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Short term debtors - Current:</b>				
Loans to subsidiaries	-	-	22.957	423.856
Dividends	-	-	369.153	-
Other related companies	8.054	3.853	6.373	-
Advances to suppliers	681	1.171	252	250
Other debtors:				
- Advances to pensioners on account of the Social Security	1.889	2.377	3	-
- Amounts owed to staff	3.475	2.574	3	3
- Amounts receivable from the Telecommunications business	55.640	55.640	-	-
- Amounts receivable from Brazilian tariff expenses	645	1.056	-	-
- Amounts receivable from Spanish tariff expenses	281.155	52.617	-	-
- Amounts receivable from Portuguese tariff expenses	-	14.387	-	-
- Amounts receivable from Portuguese tariff adjustments	10.444	-	-	-
- Receivables from the State and concessors	33.749	20.344	98.728	139.795
- Amounts RTP — broadcasting charge	29.140	15.766	-	-
- Receivables relating to other goods and services	71.932	53.777	154.383	6.760
- Receivables on account of the energy efficiency program (Brazil)	1.934	4.761	-	-
- Derivative financial instruments	216.670	106.520	329.278	121.589
- Subsidiaries companies	-	-	1.545.974	791.428
- Amounts receivable relating to gas sales operations	18.056	26.113	-	-
- Amounts receivable relating to insurance and reinsurance	11.043	7.507	-	-
- Amounts receivable relating to the renewables operation	24.948	10.216	-	-
- Debtors related to plants generation maintenance and repairs	-	27.333	-	-
- Expenditure on concessions	4.789	5.942	-	-
- Rents	1.207	1.221	451	445
- Insurance	6.808	12.157	5.198	10.905
- Other deferred costs	15.852	46.986	883	184
- Rents receivable of Energin lease	26.790	28.124	-	-
- OMIP Futures	-	3.472	-	3.472
- Energy sales on the liberalised market	23.204	28.225	-	-
- Participation in National electric system - deviations	7.957	6.627	-	-
- CO2 licenses - regulated market	-	27.980	-	-
- Amounts receivable relating to CMEC	367.790	18.935	-	-
- Amounts to be invoiced to REN	29.098	12.699	-	-
- Tied deposits (Horizon)	43.016	9.089	-	-
- Amounts receivable relating to the sale of a substation (HC Energia)	5.045	-	-	-
Accrued income relating to energy services rendered	5.551	3.260	-	-
Accrued income relating to energy sales and supply activity in the market	218.582	60.860	218.582	60.860
Sundry debtors	174.509	63.748	79.652	87.123
	<u>1.699.653</u>	<u>735.337</u>	<u>2.831.870</u>	<u>1.646.670</u>
Impairment losses on short-term debtors - current	<u>-67.481</u>	<u>-66.235</u>	<u>-897</u>	<u>-869</u>
	<u>1.632.172</u>	<u>669.102</u>	<u>2.830.973</u>	<u>1.645.801</u>



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	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Medium and long term debtors - Non Current:</b>				
Other related companies	29.795	14.961	15.087	13.957
Loans to subsidiaries	-	-	5.784.331	5.838.066
Loans to participated companies	7.589	10.480	-	-
Other debtors				
- Amounts receivable from Portuguese tariff deficit	-	163.855	-	-
- Amounts receivable from Portuguese tariff adjustments	1.435.033	-	-	-
- Amount receivable from regulatory entities	2.894	2.894	-	-
- Amounts receivable from Spanish tariff expenses	134.201	144.045	-	-
- Expenditure on concessions	8.222	13.625	-	-
- Advance payment related to the purchase of 80% of Pebble Hydro	-	57.482	-	57.482
- Guarantees and linked deposits	104.308	185.660	7.405	30.093
- Amounts receivable relating to CMEC	785.204	805.569	-	-
- Derivative financial instruments	44.197	-	104.334	-
- Notes receivable (Horizon)	10.678	6.824	-	-
- O&M contract valuation - Mapple Ridge I (Horizon)	7.941	8.084	-	-
- Asset related to the pension plan	8.850	-	-	-
Sundry debtors and other operations	61.573	36.291	-	-
	<u>2.640.485</u>	<u>1.449.770</u>	<u>5.911.157</u>	<u>5.939.598</u>
Impairment losses on medium and long term debtors - Non current	-2.782	-2.737	-	-
	<u>2.637.703</u>	<u>1.447.033</u>	<u>5.911.157</u>	<u>5.939.598</u>
	<u>4.269.875</u>	<u>2.116.135</u>	<u>8.742.130</u>	<u>7.585.399</u>

The non-current receivable relating to CMEC of 785,204 thousand Euros and the current receivable of 20,365 thousand Euros, correspond to the initial CMEC granted to EDP Produção (833,467 thousand Euros) less the receivable annuity for 2007 (8,963 thousand Euros). The remaining current amount of 347,425 thousand Euros included in receivable relating to CMEC corresponds to the operational revenues related to the revisibility calculation.

Tied deposits - Current includes 39,736 thousand Euros related to the Vento III wind farm financing agreement, which establishes that the amount of these deposits should be sufficient to pay remaining Vento III construction related costs.

The amounts receivables from Spanish tariff expenses current and non-current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2008.

In Portugal, Decree-law 237-B/2006, of 19 December 2006 recognised the irrevocable right to recover tariff deficits by the regulated operators, independently of the form of their future settlement, even in situations of insolvency and cease of operations. In addition, this Decree-law allows the right of transferring the tariff deficit collecting right to third parties. Therefore, during 2008, EDP Group sold unconditionally the tariff deficits of 2007.

The Decree-law 165/2008 of 21 August 2008 has confirmed the irrevogability of the regulated operators right to receive the amounts related to tariff adjustments. As a consequence, the EDP Group has booked in the income statement, in the caption Sales of electricity, the effects of the recognition of tariff adjustments against the caption Amounts receivable from Portuguese tariff current and non current, in the amounts of 10,444 thousand Euros and 1,435,033 thousand Euros, respectively.

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

The Derivative financial instruments portfolio, whose amounts have been booked as Debtors and other assets current and non current by 216,670 thousand Euros and 44,197 thousand Euros respectively, include the trading and hedge portfolios (see note 40).

The Group has adopted the terms of IFRIC 4 to the existing agreement related to the cogeneration plant of Energin, which originates the booking in Debtors and other assets current of 26,790 thousand Euros related to rents receivable (31 December 2007: 28,124 thousand Euros).

The movements in **impairment losses on short-term debtors - Current** in 2008, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	66.235	-285	3.636	-656	-1.332	-117	67.481
	<u>66.235</u>	<u>-285</u>	<u>3.636</u>	<u>-656</u>	<u>-1.332</u>	<u>-117</u>	<u>67.481</u>

As at 31 December 2008 the balance mainly includes the impairment booked for the receivable of telecommunications activity (ONI Multimédia) of 55,640 thousand Euros as detailed in the caption Short term debtors - Current.

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

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	83.246	15	2.317	-19.076	-	-267	66.235
	<u>83.246</u>	<u>15</u>	<u>2.317</u>	<u>-19.076</u>	<u>-</u>	<u>-267</u>	<u>66.235</u>

The movements in **impairment losses on short-term debtors - Current** in 2008, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	869	356	-328	-	-	897
	<u>869</u>	<u>356</u>	<u>-328</u>	<u>-</u>	<u>-</u>	<u>897</u>

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

	Balance at 1 January Euro'000	Impairment losses Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	279.029	467	-15.641	-	-262.986	869
	<u>279.029</u>	<u>467</u>	<u>-15.641</u>	<u>-</u>	<u>-262.986</u>	<u>869</u>

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

The movements in **impairment losses on Medium and long term debtors - Non current** in 2008, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2.737	-	-	45	-	2.782
	<u>2.737</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>2.782</u>

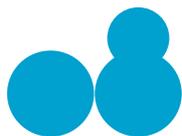
The movements in **impairment losses on Medium and long term debtors - Non current** in 2007, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2.653	-	84	-	-	2.737
	<u>2.653</u>	<u>-</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>2.737</u>

## 26. Tax receivable

**Tax receivable** is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
State and other public entities				
- Income tax	111.459	385.844	33.901	39.069
- Value added tax	347.997	376.078	54.220	49.265
- Turnover tax (Brazil)	17.899	37.541	-	-
- Social tax (Brazil)	21.643	13.865	-	-
- Other taxes	45.742	20.801	7.316	-
	<u>544.740</u>	<u>834.129</u>	<u>95.437</u>	<u>88.334</u>



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**27. Financial assets at fair value through profit or loss**

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

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Fixed income securities:				
Listed funds	32.369	25.983	-	-
Bonds and other listed fixed income securities	47.221	5.382	-	-
Other unlisted fixed income securities	-	4.092	-	-
	<u>79.590</u>	<u>35.457</u>	<u>-</u>	<u>-</u>
Variable income securities:				
Listed funds	3.405	13.574	-	-
Shares	232	-	232	-
Other variable income securities	-	3	-	3
	<u>3.637</u>	<u>13.577</u>	<u>232</u>	<u>3</u>
	<u>83.227</u>	<u>49.034</u>	<u>232</u>	<u>3</u>

Group EDP acquired in December 2008 Portuguese public debt securities amounting to 47,221 thousand Euros.

**28. Cash and cash equivalents**

Cash and cash equivalents is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Cash:				
- Cash in hand	93	91	-	-
Bank deposits:				
- Current deposits	457.741	565.168	113.379	2.795
- Term deposits	49.133	3.747	-	2.320
- Other deposits	-	5.290	-	-
	<u>506.874</u>	<u>574.205</u>	<u>113.379</u>	<u>5.115</u>
Other short term investments:				
- Domestic banks	122.720	114.200	69.500	114.199
- Foreign banks	83.900	176.215	-	295
	<u>206.620</u>	<u>290.415</u>	<u>69.500</u>	<u>114.494</u>
Cash and cash equivalents (asset)	<u>713.587</u>	<u>864.711</u>	<u>182.879</u>	<u>119.609</u>
Cash equivalents (liability)	-	-	-	-
Net cash and cash equivalents	<u>713.587</u>	<u>864.711</u>	<u>182.879</u>	<u>119.609</u>

The caption other short term investments includes very short term investments promptly convertible into cash.

**29. Share capital and share premium**

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

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

Share capital and Share premium are analysed as follows:

	<b>Group and Company</b>	
	<b>Share capital</b>	<b>Share premium</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Balance as at 31 December 2007	3.656.538	501.992
Movements during the year	-	-
Balance as at 31 December 2008	<u>3.656.538</u>	<u>501.992</u>

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

	<b>Group</b>		<b>Company</b>	
	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Net profit attributable to the equity holders of the parent (in Euros)	1.091.865.829	907.252.152	550.977.634	502.158.262
Net profit from continuing operations attributable to the equity holders of the parent (in Euros)	<u>1.089.568.457</u>	<u>908.036.851</u>		
Weighted average number of ordinary shares outstanding	<u>3.629.295.527</u>	<u>3.643.570.342</u>	<u>3.630.440.152</u>	<u>3.643.570.342</u>
Weighted average number of diluted ordinary shares outstanding	<u>3.630.582.881</u>	<u>3.645.490.307</u>	<u>3.631.727.506</u>	<u>3.645.490.307</u>
Basic earnings per share attributable to equity holders of the parent (in Euros)	0,30	0,25		
Diluted earnings per share attributable to equity holders of the parent (in Euros)	0,30	0,25		
Basic earnings per share from continuing operations (in Euros)	0,30	0,25		
Diluted earnings per share from continuing operations (in Euros)	0,30	0,25		

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

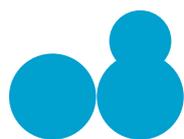
The average number of shares was determined as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Ordinary shares issued at the beginning of the year	3.656.537.715	3.656.537.715	3.656.537.715	3.656.537.715
Effect of shares issued during the year	-	-	-	-
<b>Average number of realised shares</b>	<u>3.656.537.715</u>	<u>3.656.537.715</u>	<u>3.656.537.715</u>	<u>3.656.537.715</u>
Effect of treasury stock	-27.242.188	-12.967.373	-26.097.563	-12.967.373
Average number of shares during the year	<u>3.629.295.527</u>	<u>3.643.570.342</u>	<u>3.630.440.152</u>	<u>3.643.570.342</u>
Effect of stock options	1.287.354	1.919.965	1.287.354	1.919.965
Diluted average number of shares during the year	<u>3.630.582.881</u>	<u>3.645.490.307</u>	<u>3.631.727.506</u>	<u>3.645.490.307</u>

### 30. Treasury stock

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>Dec 2008</b>	<b>Dec 2007</b>
Book value of EDP, S.A. treasury stock (thousand Euros)	126.532	65.741	120.437	65.741
Number of shares	35.703.591	15.511.685	34.190.591	15.511.685
Market value per share (in Euros)	2,695	4,470	2,695	4,470
Market value of EDP, S.A.'s treasury stock (thousand Euros)	96.221	69.337	92.144	69.337



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Operations performed during 2008:	EDP, SA	Energia RE
Volume acquired (number of shares)	36.330.762	1.513.000
Volume sold (number of shares)	-17.651.856	-
Final position (number of shares)	34.190.591	1.513.000
Highest market price (in Euros)	4,61	4,11
Lowest market price (in Euros)	2,47	3,76
Average market price (in Euros)	3,61	4,03

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

31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Legal reserve	443.838	418.730	443.838	418.730
Fair value reserve (cash flow hedge)	-54.653	2.014	-11.295	-12.780
Tax effect of fair value reserve (cash flow hedge)	20.130	3.018	2.525	3.059
Fair value reserve (available-for-sale investments)	46.964	135.288	25.649	56.903
Tax effect of fair value reserve (available-for-sale investments)	-2.926	-16.430	-2.459	-7.542
Exchange difference arising on consolidation	-93.340	141.581	-	-
Treasury stock reserve	120.437	65.741	120.437	65.741
Other reserves and retained earnings	760.866	514.163	1.102.912	1.143.997
	<u>1.241.316</u>	<u>1.264.105</u>	<u>1.681.607</u>	<u>1.668.108</u>

*Legal reserve*

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

*Fair value reserve (cash flow hedge)*

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments. Changes in this reserve related to derivative financial instruments classified as hedging instruments in the cash flow hedge model are analysed in Note 40.

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

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

	Group	
	Increases Euro'000	Decreases Euro'000
<b>Balance as at 31 December 2006</b>	347.984	-189.626
Changes in fair value	240.506	-61.964
Transfer of impairment to profit or loss	-	57.717
Transfer to the income statement relating to assets sold	-259.329	-
<b>Balance as at 31 December 2007</b>	<u>329.161</u>	<u>-193.873</u>
Changes in fair value	10.373	-371.106
Transfer of impairment to profit or loss	-	289.378
Transfer to the income statement relating to assets sold	-16.969	-
<b>Balance as at 31 December 2008</b>	<u>322.565</u>	<u>-275.601</u>

The negative fair value changes during the year ended 31 December 2008, of 371,106 thousand Euros, include 259,990 thousand Euros, 66,958 thousand Euros and 24,968 thousand Euros related to impairment losses recognised on the Millenniumbcp, Sonaecom and Ampla Energia e Serviços investments, respectively.

#### Exchange difference on consolidation

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

Currency		Exchange rates at 31 Dec 2008		Exchange rates at 31 Dec 2007	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1,392	1,477	1,472	1,372
Brazilian Real	BRL	3,244	2,652	2,596	2,659
Macao Pataca	MOP	11,109	11,841	11,824	11,025
Quetzal	GTQ	10,779	11,153	11,232	10,546
Zloty	PLN	4,154	3,486	3,594	N/A
Lei	RON	4,023	3,762	N/A	N/A

#### Dividends

The dividend proposed, prior to approval of the accounts and not yet recognised as a distribution, amounts to 511,915 thousand Euros for the year ended 31 December 2008 and corresponds to 0.14 Euros per share.

### 32. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Minority interests in income statement	120.476	112.679
Minority interests in reserves	2.061.253	901.933
	<u>2.181.729</u>	<u>1.014.612</u>

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

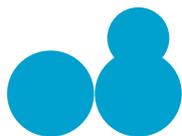
	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
EDP Renováveis Group	1.245.112	94.101
EDP Energias do Brasil Group	885.674	872.613
HC Energia Group	28.518	26.433
Other minority interests	22.425	21.465
	<u>2.181.729</u>	<u>1.014.612</u>

In 2008 the EDP Group generated profit of 120,476 thousands Euros attributable to minority interests (31 December 2007: 112,679 thousand Euros).

As referred under accounting policies - notes 2 a), under the terms defined by IFRS 3, in the 12 months period subsequent to a business combination, the acquirer can make adjustments to the fair value of assets, liabilities and contingent liabilities, reflecting these adjustments with reference to the acquisition date. The final allocation of the attributable fair value of the assets, liabilities and contingent liabilities concluded in 2008, related to the Relax Winds Group acquisition, which occurred in 2007, has determined the allocation of 27,986 thousand Euros of Minority Interests, with reference to 31 December 2007 (see note 18).

On 4 June 2008, the share capital of EDP Renováveis was increased through an initial public offer (IPO) of 196,024,306 shares. EDP Group did not participate in this share capital increase and, as a consequence, its interest in the share capital of EDP Renováveis was diluted, being reduced from 100% to 77.53%, from which 62.02% are held by EDP Energias de Portugal, S.A. Sucursal en España, and 15.51% are held by Hidrocontábrico. As a result of this dilution, the Group recognised minority interests of 1,128,248 thousand Euros. Additionally during the year profits attributable to minority interests have been generated in the amount of 20,739 thousand Euros.

In 2008 EDP - Energias do Brasil, S.A., a company held in 64.8% by EDP - Energias de Portugal, and Grupo Rede have concluded, following the achievement of the necessary authorizations, the assets swap. As a consequence of this operation, EDP - Energias de Brasil, no longer has any interest in Enersul's share capital (power distributor company in Mato Grosso do Sul), being this company excluded from the consolidation perimeter since September 2008 and has increased its interest in the share capital of Investco S.A., from 27.65% (corresponding to the direct interest held by EDP Lajeado in Investco) to 73% (considering the direct interest of 45% held by Rede Lajeado Energia in Investco) of share capital with voting rights. This company has started to be consolidated under the full method since September 2008. This operation has increased the minority interests at EDP Group level by 371,588 thousand Euros.



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Additionally, all minority shareholders of EDP Energias do Brasil, some of which participated in the General Assembly convened expressly to approve the asset swap (approved by unanimity by the shareholders present) under the terms of the referred operation, had according to the law the option to sell their shares to EDP Energias do Brasil. The total impact of the treasury stock acquisition by EDP Energias do Brasil during 2008, under the terms of the referred operation exercised by the minority shareholders, resulted in a decrease of the minority interests at EDP Group level by 190,383 thousand Euros.

In 2008 the movements booked in minority interests of EDP Energias do Brasil Group include also 91,466 thousand Euros of profits attributable to minority interests, 209,100 thousand Euros resulting from the negative exchange differences and a decrease of 36,128 thousand Euros related to dividends paid.

In 2008 the movements booked in minority interests of HC Energia Group include, essentially, of 5,699 thousand Euros of profits attributable to minority interests and a decrease of 2,037 thousand Euros related to dividends paid.

The caption Other minority interests includes 20,001 thousand Euros related with Portugás and its subsidiaries (31 December 2007: 18,127 thousand Euros).

### 33. Hydrological account

The movements in the **Hydrological account** were as follows:

	Group and Company	
	Dec 2008	Dec 2007
	Euro'000	Euro'000
Balance at the beginning of the year	227.686	198.596
Amounts received / (paid) during the year	-	20.497
Financial charges	10.136	8.593
Balance at the end of the year	<u>237.822</u>	<u>227.686</u>

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

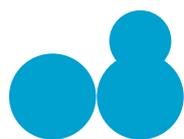
As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the separation of REN in June 2000, EDP, S.A. (the Group parent company) has paid or received cash from REN, which is booked against the hydrological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

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

### 34. Financial debt

This caption is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Short term debt and borrowings - Current</b>				
Bank loans:				
- EDP, S.A.	92.568	127.679	92.568	127.679
- EDP Finance B.V.	730.000	240.000	-	-
- EDP Energias do Brasil Group	256.639	94.103	-	-
- HC Energia Group	8.517	84.940	-	-
- Renewables Group	75.950	80.016	-	-
- Generation - Portugal	7.390	4.718	-	-
- Other	32.977	17.909	-	-
	<u>1.204.041</u>	<u>649.365</u>	<u>92.568</u>	<u>127.679</u>
Non convertible bond loans:				
- EDP, S.A.	1.000.000	99.361	1.000.000	99.361
- EDP Finance B.V.	22.455	355.024	-	-
- EDP Energias do Brasil Group	62.784	3.772	-	-
	<u>1.085.239</u>	<u>458.157</u>	<u>1.000.000</u>	<u>99.361</u>
Commercial paper				
- EDP, S.A.	939.300	1.012.500	4.227.700	2.693.800
- HC Energia Group	433.082	318.600	-	-
	<u>1.372.382</u>	<u>1.331.100</u>	<u>4.227.700</u>	<u>2.693.800</u>
Other loans:				
- EDP Energias do Brasil Group	3.669	-	-	-
- Renewables Group	3.277	2.333	-	-
- Other	1.208	138	-	-
	<u>8.154</u>	<u>2.471</u>	<u>-</u>	<u>-</u>
Accrued interest	<u>142.198</u>	<u>100.553</u>	<u>39.968</u>	<u>24.527</u>
	<u>3.812.014</u>	<u>2.541.646</u>	<u>5.360.236</u>	<u>2.945.367</u>
<b>Medium and long term debts and borrowings - Non current</b>				
Bank loans:				
- EDP, S.A.	1.672.201	1.316.994	1.672.201	1.316.994
- EDP Finance B.V.	2.175.000	1.250.000	-	-
- EDP Energias do Brasil Group	364.425	511.043	-	-
- HC Energia Group	7.076	29.542	-	-
- Renewables Group	451.062	432.733	-	-
- Generation - Portugal	174.911	14.153	-	-
- Other	78.449	88.365	-	-
	<u>4.923.124</u>	<u>3.642.830</u>	<u>1.672.201</u>	<u>1.316.994</u>
Non convertible bond loans:				
- EDP, S.A.	1.189.594	1.897.352	1.189.594	1.897.352
- EDP Finance B.V.	4.596.332	4.094.415	-	-
- EDP Energias do Brasil Group	202.651	434.253	-	-
	<u>5.988.577</u>	<u>6.426.020</u>	<u>1.189.594</u>	<u>1.897.352</u>
Other loans:				
- Preference shares of Investco	13.993	15.507	-	-
- EDP Energias do Brasil Group	31.382	-	-	-
- Renewables Group	27.834	44.995	-	-
- Other	6.728	127	-	-
	<u>79.937</u>	<u>60.629</u>	<u>-</u>	<u>-</u>
	<u>10.991.638</u>	<u>10.129.479</u>	<u>2.861.795</u>	<u>3.214.346</u>
Other liabilities:				
- Fair value of the issued debt hedged risk	-117.327	-65.133	-2.164	-35.424
	<u>-117.327</u>	<u>-65.133</u>	<u>-2.164</u>	<u>-35.424</u>
	<u>10.874.311</u>	<u>10.064.346</u>	<u>2.859.631</u>	<u>3.178.922</u>
	<u>14.686.325</u>	<u>12.605.992</u>	<u>8.219.867</u>	<u>6.124.289</u>



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The EDP Group, at EDP, S.A. level, has short-term credit facilities of 232,386 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 187,410 thousand Euros have a firm underwriting commitment; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, totally available. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 1,300,000 thousand Euros, of which 730,000 thousand Euros are in use, with a firm underwriting commitment also indexed to Euribor under previously agreed conditions. For liquidity management of the Group USD needs, EDP, S.A. has a RCF of 1,500,000 thousand dollars with a firm underwriting commitment of which 1,435,000 thousand dollars have been drawn.

The Group also has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2008 and 2007 these loans amounted to 742,191 thousand Euros and 565,446 thousand Euros, respectively (included in the Group's consolidated debt).

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

**Bond loans issued and outstanding** as at 31 December 2008 are analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
<b>Issued by EDP S.A.</b>						
EDP, S.A.	26-Mar-03	Euribor 6 months + 0,5%	n.a.	26-Mar-13	150.000	150.000
EDP, S.A.	21-Mai-08	Variable rate (ii)	n.a.	21-Mai-18	300.000	300.000
					<u>450.000</u>	<u>450.000</u>
<b>Issued under the Euro Medium Term Notes program</b>						
EDP, S.A.	29-Out-99	Fixed rate EUR 6.40%	Fair Value	29-Out-09	1.000.000	1.000.000
EDP, S.A.	28-Mar-01	Fixed rate EUR 5.875%	Fair Value	28-Mar-11	747.352	747.352
EDP Finance B.V. (i)	26-Nov-01	Zero Coupon	n.a.	27-Nov-09	22.455	-
EDP Finance B.V. (i)	9-Ago-02	Fixed rate GBP 6.625%	Fair Value	9-Ago-17	320.000	-
EDP Finance B.V.	23-Dez-02	Fixed rate EUR 2.661%	n.a.	23-Dez-22	93.357	-
EDP Finance B.V.	22-Jun-05	Fixed rate EUR 3.75%	n.a.	22-Jun-15	500.000	-
EDP Finance B.V.	29-Jun-05	Fixed rate EUR 4.125%	n.a.	29-Jun-20	300.000	-
EDP Finance B.V.	12-Jun-06	Euribor 3 months + 0.15%	n.a.	14-Jun-10	500.000	-
EDP Finance B.V.	12-Jun-06	Fixed rate EUR 4.25%	n.a.	12-Jun-12	500.000	-
EDP Finance B.V.	12-Jun-06	Fixed rate EUR 4.625%	n.a.	13-Jun-16	500.000	-
EDP Finance B.V.	2-Nov-07	Fixed rate USD 5.375 %	Net Investment	2-Nov-12	718.546	-
EDP Finance B.V.	2-Nov-07	Fixed rate USD 6.00 %	Net Investment	2-Feb-18	718.546	-
EDP Finance B.V.	4-Nov-08	Fixed rate GBP 8.625%	Fair Value	4-Jan-24	410.314	-
EDP Finance B.V.	12-Nov-08	Zero Coupon	n.a.	12-Nov-23	51.265	-
					<u>6.381.835</u>	<u>1.747.352</u>
<b>Issued by the Brazil Group in the Brazilian domestic market</b>						
Investco	1-Nov-01	IGPM + 10.5%	n.a.	1-Nov-11	29.894	-
Bandeirante	1-Abr-06	104.4% of CDI	n.a.	1-Mar-11	77.075	-
Escelsa	1-Jun-06	104.4% of CDI	n.a.	1-Jun-11	81.391	-
Escelsa	2-Jul-07	105.0% of CDI	n.a.	2-Jul-14	77.075	-
					<u>265.435</u>	<u>-</u>
					<u>7.097.270</u>	<u>2.197.352</u>
<b>Discounts associated to bonds emissions</b>					<u>-23.454</u>	<u>-7.758</u>
					<u>7.073.816</u>	<u>2.189.594</u>

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

(ii) Fixed in each year, varies during the useful life of the loan

Loans are analysed as follows, by maturity:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Bank loans and overdrafts:</b>				
Up to 1 year	1.305.729	739.462	94.890	132.239
From 1 to 5 years	2.834.286	885.643	104.934	156.187
More than 5 years	2.088.838	2.757.187	1.567.267	1.160.807
	<u>6.228.853</u>	<u>4.382.292</u>	<u>1.767.091</u>	<u>1.449.233</u>
<b>Bond loans:</b>				
Up to 1 year	1.124.905	467.788	1.037.543	121.406
From 1 to 5 years	2.792.859	3.819.168	887.430	1.747.352
More than 5 years	3.078.391	2.557.227	300.000	114.576
	<u>6.996.155</u>	<u>6.844.183</u>	<u>2.224.973</u>	<u>1.983.334</u>
<b>Commercial paper:</b>				
Up to 1 year	1.372.382	1.329.022	4.227.803	2.691.722
	<u>1.372.382</u>	<u>1.329.022</u>	<u>4.227.803</u>	<u>2.691.722</u>
<b>Other loans:</b>				
Up to 1 year	8.998	5.374	-	-
From 1 to 5 years	26.936	16.278	-	-
More than 5 years	53.001	28.843	-	-
	<u>88.935</u>	<u>50.495</u>	<u>-</u>	<u>-</u>
	<u>14.686.325</u>	<u>12.605.992</u>	<u>8.219.867</u>	<u>6.124.289</u>

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

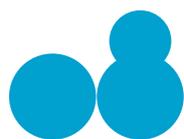
	Dec 2008		Dec 2007	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	3.812.014	3.824.018	2.541.646	2.541.646
Medium/Long term debt and borrowings - Non current	10.874.311	10.676.963	10.064.346	11.221.045
	<u>14.686.325</u>	<u>14.500.981</u>	<u>12.605.992</u>	<u>13.762.691</u>

In accordance with the accounting policies - note 2 f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements, are stated at fair value. However, the remaining financial liabilities are booked at amortised cost (see note 40 and 44).

Scheduled repayments of the Group's debt and borrowings including interest and future commitments, are as follows:

	2009 Euro'000	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and	-	752.842	1.140.341	1.413.974	2.346.924	5.220.230	10.874.311
Short term debt and borrowings	3.812.014	-	-	-	-	-	3.812.014
	<u>3.812.014</u>	<u>752.842</u>	<u>1.140.341</u>	<u>1.413.974</u>	<u>2.346.924</u>	<u>5.220.230</u>	<u>14.686.325</u>

Guarantees are detailed in Note 41 to the financial statements.



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

	2009	2010	2011	2012	2013	Following years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Bank loans and overdrafts:							
Euro	1.049.090	105.961	245.061	92.037	2.110.800	973.726	4.576.675
Brazilian Real	138.476	15.804	16.935	13.241	12.069	7.424	203.949
US Dollar	56.919	-	-	-	-	1.031.113	1.088.032
Other	61.244	61.684	60.665	57.899	42.130	76.575	360.197
	<u>1.305.729</u>	<u>183.449</u>	<u>322.661</u>	<u>163.177</u>	<u>2.164.999</u>	<u>2.088.838</u>	<u>6.228.853</u>
Bond loans:							
Euro	1.062.121	500.000	747.352	500.000	150.000	1.603.841	4.563.314
Brazilian Real	52.822	52.822	52.822	25.692	25.692	25.692	235.542
US Dollar	-	-	-	718.546	-	718.546	1.437.092
British Pounds	-	-	-	-	-	730.312	730.312
Other	9.962	9.962	9.971	-	-	-	29.895
	<u>1.124.905</u>	<u>562.784</u>	<u>810.145</u>	<u>1.244.238</u>	<u>175.692</u>	<u>3.078.391</u>	<u>6.996.155</u>
Commercial paper:							
Euro	1.372.382	-	-	-	-	-	1.372.382
	<u>1.372.382</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.372.382</u>
Other loans:							
Euro	5.459	2.773	3.730	2.807	2.509	22.743	40.021
Brazilian Real	3.539	3.836	3.805	3.752	3.724	30.258	48.914
	<u>8.998</u>	<u>6.609</u>	<u>7.535</u>	<u>6.559</u>	<u>6.233</u>	<u>53.001</u>	<u>88.935</u>
	<u>3.812.014</u>	<u>752.842</u>	<u>1.140.341</u>	<u>1.413.974</u>	<u>2.346.924</u>	<u>5.220.230</u>	<u>14.686.325</u>

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
	Euro'000	Euro'000	Euro'000	Euro'000
Provisions for social liabilities and benefits	1.082.905	935.593	-	-
Provisions for medical liabilities	750.982	779.784	-	-
	<u>1.833.887</u>	<u>1.715.377</u>	<u>-</u>	<u>-</u>

Provision for social liabilities and benefits as at 31 December 2008 includes 973,563 thousand Euros relating to retirement pension defined benefit plans (827,354 thousand Euros at 31 December 2007), 93,990 thousand Euros (90,952 thousand Euros at 31 December 2007) relating to human resources rationalisation programs and liabilities similar to pensions of the HC Energia Group and 15,352 thousand Euros (17,287 thousand Euros at 31 December 2007) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
	Dec 2008	Dec 2007	Dec 2008	Dec 2007
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the year	935.593	1.010.100	-	-
Charge for the year	47.196	65.811	-	-
Pre-retirements (curtailments)	46.117	143.002	-	-
Actuarial (gains)/losses	185.791	-155.647	-	-
Charge-off	-146.310	-145.353	-	-
Perimeter variation - Enersul	15.573	-	-	-
Transfers and reclassifications	-1.055	17.680	-	-
Balance at the end of the year	<u>1.082.905</u>	<u>935.593</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Balance at the beginning of the year	779.784	760.460	-	-
Charge for the year	48.791	45.709	-	-
Pre-retirements (curtailments)	3.086	10.915	-	-
Actuarial (gains)/losses	-43.842	-9.297	-	-
Charge-off	-33.318	-32.996	-	-
Transfers and reclassifications	-3.519	4.993	-	-
Balance at the end of the year	<u>750.982</u>	<u>779.784</u>	-	-

As mentioned under accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2007, gains of 164,944 thousand Euros and in 2008, losses of 140,467 thousand Euros (that include a gain of 1,482 thousand Euros, corresponding to the effect of asset ceiling variation in Brazil).

#### Employee benefit plans

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

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

#### I. Defined benefit pension plans

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

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement. The responsibilities with early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

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

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

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

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

As at 31 December 2008 and 2007 the number of participants covered by the pension plans was as follows:

	Portugal	Brazil	Portugal	Brazil
	2008	2008	2007	2007
Number of participants				
Retirees and pensioners	18.446	1.559	18.148	1.860
Active workers	6.838	2.165	7.476	2.914
	<u>25.284</u>	<u>3.724</u>	<u>25.624</u>	<u>4.774</u>



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

Assumptions	Dec 2008			
	Portugal	Brazil		
		Bandeirante	Escelsa	Energest
Expected return of plan assets	6,34%	11,00%	11,25%	10,75%
Discount rate	5,75%	11,25%	11,25%	11,25%
Salary increase rate	3,70%	5,55%	5,55%	5,55%
Pension increase rate	2,90%	4,50%	4,50%	4,50%
Social Security salary appreciation	2,10%	4,50%	4,50%	4,50%
Inflation rate	2,20%	4,50%	4,50%	4,50%
Mortality table	TV 88/90	RP-2000 Geracional	AT 2000/RP- 2000 Geracional	AT 2000/RP- 2000 Geracional
Disability table	50% EKV 80	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable

Assumptions	Dec 2007			
	Portugal	Brazil		
		Bandeirante	Escelsa	Enersul
Expected return of plan assets	6%	11,25%	11,50%	11,00%
Discount rate	5,30%	10,75%	10,75%	10,75%
Salary increase rate	3,70%	5,55%	5,55%	5,55%
Pension increase rate	2,90%	4,50%	4,50%	4,50%
Social Security salary appreciation	2,10%	4,50%	4,50%	4,50%
Inflation rate	2,20%	4,50%	4,50%	4,50%
Mortality table	TV 88/90	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	TASA 27	TASA 27	TASA 27
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable

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

The liability for retirement pensions and related coverage for the Group, as at 31 December 2008 and 2007 is analysed as follows:

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Provision for Pension Plans</b>						
Liability at the end of the year	1.930.534	168.461	2.098.995	1.987.010	230.341	2.217.351
Fair value of plan assets at the end of the year	-991.453	-133.979	-1.125.432	-1.178.536	-211.461	-1.389.997
Provision at the end of the year	<u>939.081</u>	<u>34.482</u>	<u>973.563</u>	<u>808.474</u>	<u>18.880</u>	<u>827.354</u>

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

	2008	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
<b>Provision for Pension Plans</b>					
Liability at the end of the year	2.098.995	2.217.351	2.247.023	2.231.598	2.123.333
Fair value of plan assets at the end of the year	-1.125.432	-1.389.997	-1.316.748	-1.207.121	-929.008
Provision at the end of the year	<u>973.563</u>	<u>827.354</u>	<u>930.275</u>	<u>1.024.477</u>	<u>1.194.325</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

	2008	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	-33.781	7.315	-9.987	41.241	-55.364
Experience adjustments for the Plan assets	-136.929	-12.027	12.538	25.853	4.945

The past service liability of the pension plans for the Group, as at 31 December 2008 and 2007 is as follows:

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Evolution of the liability</b>						
Liability at the beginning of the year	1.987.010	230.341	2.217.351	2.041.221	205.802	2.247.023
Current service cost	12.544	488	13.032	14.640	645	15.285
Interest cost	100.401	21.200	121.601	92.963	22.884	115.847
Benefits paid	-179.954	-11.261	-191.215	-167.478	-11.691	-179.169
Curtailments / Settlements	46.117	-	46.117	143.002	-	143.002
Actuarial losses and gains	-42.779	-5.660	-48.439	-138.993	-7.129	-146.122
Currency fluctuation	-	-41.519	-41.519	-	17.257	17.257
Perimeter variation - Enersul	-	-25.905	-25.905	-	-	-
Other	7.195	777	7.972	1.655	2.573	4.228
<b>Liability at the end of the year</b>	<b>1.930.534</b>	<b>168.461</b>	<b>2.098.995</b>	<b>1.987.010</b>	<b>230.341</b>	<b>2.217.351</b>

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

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Cost for the year</b>						
Current service cost	12.544	488	13.032	14.640	645	15.285
Interest cost	100.401	21.200	121.601	92.963	22.884	115.847
Expected return on plan assets	-70.712	-21.836	-92.548	-69.099	-25.848	-94.947
Curtailments / Settlements	46.117	-	46.117	143.002	-	143.002
Plan participants contributions	-	-1.012	-1.012	-	-1.010	-1.010
Other	-	698	698	-	-	-
<b>Net cost for the year</b>	<b>88.350</b>	<b>-462</b>	<b>87.888</b>	<b>181.506</b>	<b>-3.329</b>	<b>178.177</b>

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

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Pension funds</b>						
Fair value of plan assets at the beginning of the year	1.178.536	211.461	1.389.997	1.151.648	165.100	1.316.748
Group contribution	3.571	7.574	11.145	23.178	6.214	29.392
Plan participants contributions	-	986	986	-	1.010	1.010
Benefits paid	-53.725	-11.261	-64.986	-53.361	-11.691	-65.052
Actual return on plan assets	70.712	21.836	92.548	69.099	25.848	94.947
Actuarial gains/(losses)	-207.641	-23.164	-230.805	-12.028	17.372	5.344
Currency fluctuation	-	-33.457	-33.457	-	16.502	16.502
Not recognized Assets (asset ceiling)	-	1.482	1.482	-	-8.894	-8.894
Perimeter variation - Enersul	-	-41.478	-41.478	-	-	-
<b>Assets value at the end of the year</b>	<b>991.453</b>	<b>133.979</b>	<b>1.125.432</b>	<b>1.178.536</b>	<b>211.461</b>	<b>1.389.997</b>

Not recognised Assets (asset ceiling) include variations of non recognised amounts as assets in respective accounting years, respectively, 25,203 thousand Euros in 2008 and 26,685 thousand Euros in 2007, adjusted for exchange fluctuations.

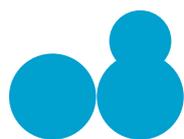
The assets of the pension fund in Portugal as at 31 December 2008 and 2007 are analysed as follows:

	Fund assets by nature					Total Euro'000
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	
31 December 2008	-	553.231	199.282	178.462	60.478	991.453
31 December 2007	29.463	584.554	291.098	209.779	63.641	1.178.536

	Fund assets by nature					Total %
	Cash %	Bonds %	Shares %	Property %	Other %	
31 December 2008	-	55,80%	20,10%	18,00%	6,10%	100,00%
31 December 2007	2,50%	49,60%	24,70%	17,80%	5,40%	100,00%

Properties included in the fund, that are being used by the Group amount to 133,847 thousand Euros at 31 December 2008 (133,988 thousand Euros at 31 December 2007).



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Shares include securities issued by Group companies that are analysed as follows:

	2008	2007
	Euro'000	Euro'000
Shares:		
EDP Renováveis	4.347	-
EDP S.A.	-	246
	<u>4.347</u>	<u>246</u>

Pension fund assets in Brazil as at 31 December 2008 and 2007 are analysed as follows:

	Fund assets by nature				
	Cash Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2008	325	33.235	1.855	119.167	154.582
31 December 2007	205	64.916	2.053	189.512	256.686

	Fund assets by nature				
	Cash %	Shares %	Property %	Other %	Total %
31 December 2008	0,21%	21,50%	1,20%	77,09%	100,00%
31 December 2007	0,08%	25,29%	0,80%	73,83%	100,00%

Other represents, essentially, financial applications indexed to CDI (Interbank Deposits Certificate).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 20,603 thousand Euros, converted at closing rate of BRL (25,203 thousand Euros, according to average exchange rate). As at 31 December 2007 the value of the asset ceiling was 45,226 thousand Euros.

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

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

The expected return rate of assets for 2009 and subsequent years, in accordance with expectations in January 2009, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

Portugal	2008		Expected return rate for 2009 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	52,1%	4,3%	48,5%	4,4%
European shares	6,3%	4,8%	18,0%	9,2%
Global shares	18,6%	7,7%	10,0%	9,5%
Hedge Funds	4,5%	6,0%	4,5%	6,7%
Property	18,5%	5,7%	18,5%	6,5%
Other	-	-	0,5%	2,5%
Total	<u>100,0%</u>	<u>5,5%</u>	<u>100,0%</u>	<u>6,3%</u>

The real return rate of assets in 2008 was -11.81%.

Brazil	2008		Expected return rate for 2009 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
European shares	-	-	-	-
Global shares	21,5%	25,0%	15,0%	20,0%
Hedge Funds	-	-	-	-
Property	1,2%	6,5%	1,0%	6,3%
Investments	73,2%	12,2%	74,0%	11,0%
Other	4,1%	12,2%	10,0%	11,0%
Total	<u>100,0%</u>	<u>12,2%</u>	<u>100,0%</u>	<u>11,0%</u>

As at 31 December 2008 the amount of future benefits expected to be paid, relating to the activity in Portugal and Brazil, was as follows:

Expected future benefits to be paid				
Portugal	Pensions	Medical plans	Other benefits	Total
2009	187.618	23.370	14.394	225.382
2010	184.438	23.881	14.521	222.840
2011	179.130	24.381	14.721	218.232
2012	174.269	24.884	15.131	214.284
2013	168.100	25.462	15.554	209.116
2014	162.366	26.071	16.050	204.487
2015	154.473	26.766	16.788	198.027
2016	147.256	27.501	17.323	192.080
2017	142.727	28.395	18.241	189.363
2018	136.108	29.360	18.892	184.360

The contributions made to the pension Funds in 2008 amounted to 3,571 thousand Euros (23,178 thousand Euros in December 2007) and were fully paid in cash.

The pensions paid by the Funds in 2008 totalled 53,725 thousand Euros (53,361 thousand Euros in December 2007).

Expected future benefits to be paid			
Brazil	Pensions	Other Benefits	Total
2009	9.666	1.143	10.809
2010	8.653	1.208	9.861
2011	11.836	1.269	13.105
2012	12.917	1.326	14.243
2013	13.933	1.378	15.311
2014	15.378	1.424	16.802
2015	16.604	1.463	18.067
2016	18.317	1.493	19.810
2017	19.624	1.515	21.139
2018	20.924	1.528	22.452

The contributions made to the pension Funds in 2008 amounted to 7,574 thousand Euros (6,214 thousand Euros in 2007) and were fully paid in cash.

The pensions paid by the Funds in 2008 totalled 11,261 thousand Euros (11,691 thousand Euros in 2007).

The amount of 93,990 thousand Euros relating to HC Energia Group, included under Provisions for social welfare and benefits, includes 40,955 thousand Euros relating to provisions for revision of the collective labour agreement of the Hidrocontábrico Group ("Convénio Colectivo"), signed in December 2007. This agreement regulates, among other matters, the pre-retirement regime for the years 2008 until 2012. The liability under the agreement was determined based on an actuarial study considering, among other assumptions, a discount rate of 5,5%, PERM/F-2000P mortality tables, long term salary increase rate of 3% and an inflation rate of 2,5%. The provision includes 51,703 thousand Euros related to responsibilities with pre-retirement before 31 December 2007 and 1,332 thousand Euros of responsibilities with medical acts and other calculated benefits, based on the actuarial assumptions referred above.

## II. Defined contribution pension plan

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

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

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

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



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

	Dec 2008		Dec 2007	
	Portugal	Brazil	Portugal	Brazil
<b>Assumptions</b>				
Discount rate	5,75%	11,25%	5,30%	10,75%
Annual increase rate of medical service costs	4,00%	10% (b)	4,50%	10% (b)
Estimated administrative expenses per beneficiary per year (Euros)	233	not applicable	150	not applicable
Mortality table	TV 88/90	RP-2000 Geracional	TV 88/90	Geracional adjusted
Disability table	50% EKV 80	Wyatt 85 Class 1	50% EKV 80	TASA 27
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

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

(b) 10% in the first year, decreasing to 5.5% in 9 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2008 and 2007 is as follows:

	Portugal	Brazil	Portugal	Brazil
	2008	2008	2007	2007
Number of participants				
Retirees and pensioners	18.446	834	17.962	865
Current employees	6.838	1.098	7.476	1.275
	<u>25.284</u>	<u>1.932</u>	<u>25.438</u>	<u>2.140</u>

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

	2008	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
<b>Provision for medical</b>					
Liability at the end of the year	750.982	779.784	760.460	743.462	725.575
Provision at the end of the year	<u>750.982</u>	<u>779.784</u>	<u>760.460</u>	<u>743.462</u>	<u>725.575</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Medical Care Plans are analysed as follows:

	2008	2007	2006	2005	2004
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	-4.160	-69.385	-9.693	61.049	-5.246
	<u>-4.160</u>	<u>-69.385</u>	<u>-9.693</u>	<u>61.049</u>	<u>-5.246</u>

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

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Evolution of the liability</b>						
Liability at the beginning of the year	754.288	25.496	779.784	736.104	24.356	760.460
Current service cost	7.223	256	7.479	8.517	305	8.822
Current interest cost	38.993	2.319	41.312	34.282	2.605	36.887
Benefits paid	-31.396	-1.922	-33.318	-31.356	-1.640	-32.996
Curtailements / Settlements	3.086	-	3.086	10.915	-	10.915
Actuarial gains and losses	-40.519	-3.323	-43.842	-7.177	-2.120	-9.297
Currency fluctuation	-	-4.058	-4.058	-	2.001	2.001
Other	3.259	-2.720	539	3.003	-11	2.992
<b>Liability at end of the year</b>	<u>734.934</u>	<u>16.048</u>	<u>750.982</u>	<u>754.288</u>	<u>25.496</u>	<u>779.784</u>
<b>Provision at end of the year</b>	<u>734.934</u>	<u>16.048</u>	<u>750.982</u>	<u>754.288</u>	<u>25.496</u>	<u>779.784</u>

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

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

	Dec 2008			Dec 2007		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Cost for the year</b>						
Current service cost	7.223	256	7.479	8.517	305	8.822
Interest cost	38.993	2.319	41.312	34.282	2.605	36.887
Curtailment	3.086	-	3.086	10.915	-	10.915
Net cost for the year	<u>49.302</u>	<u>2.575</u>	<u>51.877</u>	<u>53.714</u>	<u>2.910</u>	<u>56.624</u>

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation	
		-1%	+1%
Liabilities at the end of the year	734.584	689.208	789.296
2009 cost for the year			
Current service cost	6.622	5.896	7.560
Interest cost	41.141	38.532	44.287
	<u>47.763</u>	<u>44.428</u>	<u>51.847</u>

### 36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Provision for legal and labour matters and other contingencies	116.528	152.428	-	-
Provision for customer guarantees under current operations	14.993	8.093	-	-
Provisions for other liabilities and charges	192.198	215.520	79.014	29.580
	<u>323.719</u>	<u>376.041</u>	<u>79.014</u>	<u>29.580</u>

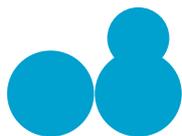
The changes in the Provisions for legal and labour matters and other contingencies are as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Balance at the beginning of the year	152.428	153.985	-	-
Changes in the consolidation perimeter	-30.869	-	-	-
Charge for the year	14.566	18.568	-	-
Write back for the year	-2.561	-455	-	-
Charge off for the year	-2.195	-21.265	-	-
Other and exchange differences	-14.841	1.595	-	-
Balance at the end of the year	<u>116.528</u>	<u>152.428</u>	<u>-</u>	<u>-</u>

"Provision for legal and labour matters and other contingencies" of 116,528 thousand Euros (2007: 152,428 thousand Euros), includes provisions for tax litigation of 62,224 thousand Euros (2007: 79,261 thousand Euros) and legal litigation in progress and other labour contingencies of 54,304 thousand Euros (2007: 73,167 thousand Euros), the main contingencies being as follows:

- The Group's subsidiaries in Brazil, Bandeirante, Energias do Brasil, Escelsa and Escelsapar have booked provisions of 50,720 thousand Euros (2007: 69,666 thousand Euros) for tax matters for the period from 1998 to 2006. The matters inherent to these contingencies are being legally questioned by the respective subsidiaries. The most significant contingencies are as follows: (i) COFINS tax for 1998 of the subsidiary Bandeirante of 17,238 thousand Euros including interest; (ii) COFINS and PIS tax over equity interests of the subsidiary EDP Energias do Brasil of 18,375 thousand Euros.

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



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- There are several legal actions in process against subsidiaries of the EDP Group, for which provisions totalling 54,304 thousand Euros have been booked (2007: 73,167 thousand Euros). The main actions are as follows:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 15,998 thousand Euros (2007: 28,397 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986.
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of 11,200 thousand Euros.
- iii) There is litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the public thoroughfare for the years 2004 and 2005, in the amount of 3,172 thousand Euros.
- iv) The remaining legal processes, totalling 12,115 thousand Euros, correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for damages caused.

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

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Balance at the beginning of the year	8.093	17.579	-	-
Changes in the consolidation perimeter	-1.810	-949	-	-
Charge for the year	20.279	257	-	-
Write back for the year	-1.289	-235	-	-
Charge off for the year	-9.968	-314	-	-
Other and exchange differences	-312	-8.245	-	-
Balance at the end of the year	14.993	8.093	-	-

**Provisions for customer guarantees under current operations** of 14,993 thousand Euros (2007: 8,093 thousand Euros) correspond mainly to provisions for commercial losses.

The movements in **Provision for other liabilities and charges** are analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Balance at the beginning of the year	215.520	216.909	29.580	19.910
Changes in the consolidation perimeter	-	165	-	-
Charge for the year	36.339	62.342	61.117	17.439
Write back for the year	-35.264	-38.382	-2.408	-5.413
Charge off for the year	-28.734	-11.444	-9.275	-2.162
Other and exchange differences	4.337	-14.070	-	-194
Balance at the end of the year	192.198	215.520	79.014	29.580

As at 31 December 2008, "Provision for other liabilities and charges" on a consolidated basis, in the amount of 192,198 thousand Euros (2007: 215,520 thousand Euros) mainly includes the following situations:

- i) The Group has booked a provision of 20,725 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down to its transfer to Enersa, the company that will dismantle it.
- iii) Provisions for dismantling of wind farms of 47,311 thousand Euros (2007: 20,280 thousand Euros) to cover the costs of returning the locations and land to their original state, of 39,240 thousand Euros referring to the wind farms of the Horizon Group and the remaining balance to cover the wind farms of the NEO Group.
- iii) Provision for incidents, related to the subsidiary Energia RE - Sociedade Cativa de Resseguro, in the amount of 21,516 thousand Euros (2007: 18,440 thousand Euros).

As at 31 December, 2008, "Provision for other liabilities and charges" on a company basis, of 79,014 thousand Euros (2007: 29,580 thousand Euros), includes 57,190 thousand Euros related to a provision to cover for the negative equity of subsidiary companies, booked during the year against financial costs - Impairment for financial investments (see note 14).

### 37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Trade and other payables - Current:</b>				
Suppliers	956.745	785.649	125.068	212.869
Property, plant and equipment suppliers	649.475	464.706	522	3.765
Other shareholders of Group companies	13.837	33.751	-	13.468
Advances from customers	29.905	44.049	43	46
Other payables:				
- Employees	64.286	49.893	3.496	2.358
- Supply of other goods and services	685	1.026	138.847	9.746
- Concession rents	11.857	4.183	-	-
- Amount payable to the Regulatory Entity in Brazil	11.591	13.274	-	-
- Amount to be invested in research and development (Brazil)	13.734	17.668	-	-
- Purchase of 80% of Pebble Hydro	-	57.482	-	57.482
- Portuguese public debt securities (Treasury bonds) to liquidate	48.206	-	-	-
- Amounts payable for electricity transactions in MIBEL	119.714	-	119.714	-
- Group companies	-	-	-	80.265
Payables - associated companies	-	-	113.830	117.089
Regulatory Liabilities - Brazil	27.127	24	-	-
Energetic efficiency program - Brazil	10.757	18.377	-	-
Holiday pay, bonus and other charges	90.382	93.504	652	942
Derivative financial instruments	178.473	111.825	239.948	114.874
Government grants and co-participation in investment in fixed assets	105.418	179.954	-	-
Extension of the period of the public hydric domain concession	-	759.000	-	-
Accrued costs - Energy management business	107.885	37.175	107.885	37.175
Accrued costs - Energy purchase (PRE)	97.128	63.787	-	-
Accrued costs - Overhauls	659	15.031	-	-
Accrued costs - Supply of energy	39.251	55.123	-	-
Accrued costs relating to CMEC revisable mechanism	84.155	20.576	-	-
Accrued costs to purchase of coal	-	26.203	-	-
CO2 emission licenses	496.425	197.905	-	-
Accrued costs - Subcontracts (Horizon)	68.821	38.224	-	-
Deferred income	35.508	14.155	-	-
Deferred income - CMEC	131.136	151.330	-	-
OMIP futures	-	10.360	13.154	-
Amounts payable for tariff adjustments - Portugal	300.073	-	-	-
Tariff adjustment payable to REN	78.584	-	-	-
Supplementary capital contributions payable to EDP Imobiliária	-	-	48.206	-
Tariff return - Enersul	-	70.538	-	-
Payable current account with Agents	11.940	6.329	-	-
Creditors - Group companies (EDP Finance BV)	-	-	768.931	-
Other creditors and sundry operations	369.343	308.789	24.600	59.640
	<b>4.153.100</b>	<b>3.649.890</b>	<b>1.704.896</b>	<b>709.719</b>

The caption "Other creditors Portuguese public debt securities (Treasury bonds) to liquidate" corresponds to the amount payable for the acquisition of Portuguese public debt securities (Treasury bonds) occurred during the year (see note 27).

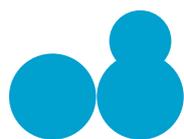
The amount of 759,000 thousand Euros relating to extension of the period of the public hydric domain concessions refers to the amount payable by the EDP Group for the extension of the public hydric domain concessions (see note 17), which was paid during 2008.

The caption CO2 emission licenses includes 214,760 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 149,315 thousand Euros related to the HC Energia Group in Spain, related to CO2 consumptions made during the year. This caption also includes 132,350 thousand Euros related to licenses that HC Energia Group expects to return to the Spanish Government as a result of the Real Decreto-Ley 03/06 application (see notes 7, 10 and 46).

The caption "Amounts payable for tariff adjustment - Portugal" of 300,073 thousand Euros, corresponds to the amount payable to REN that refers to the tariff adjustment of the Portuguese electric system in 2007 (16,374 thousand Euros) and in 2008 (283,699 thousand Euros), which will be liquidated in 2009.

The caption "Tariff adjustment payable to REN" of 78,584 thousand Euros corresponds to the amount of tariff adjustment of 2008 that will be paid in 2009 and that will subsequently be recovered by EDP Serviço Universal in 15 years from 2010.

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



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The caption "Creditors - Group companies (EDP Finance BV)", in 2008 and on a company basis, corresponds to financing obtained by EDP, S.A., Sucursal en España through EDP Finance B.V.

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Trade and other payables - Non-current</b>				
Regularisation account - (Reg. DL 344-B/82)	794	1.218	-	-
State participation in Multipurpose hydroelectric power stations	10.893	9.671	10.893	9.665
Deposits received from customers and other debtors	38.415	45.383	4	4
Payables to related companies	64.619	44.104	-	-
Suppliers of property, plant and equipment	5.076	5.179	1.333	1.245
Government subsidies for investment in fixed assets	1.736.514	1.713.165	-	563
Put options over minority interests liabilities	771.641	800.391	-	-
Amounts payable for the acquisition of the "RELAX" project	46.279	46.735	-	-
Deferred income	56.789	71.038	-	-
Energy sales contracts - Horizon	119.655	125.735	-	-
Deferred income - CMEC	467.209	581.401	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1.096.668	733.273	-	-
Amounts payable for concessions	228.944	264.763	-	-
Amounts payable for the acquisition of Renovatio Group	63.000	-	-	-
Derivative financial instruments	125.965	-	-	-
Payables - Group companies (EDP Finance BV)	-	-	2.388.201	3.144.434
Other creditors and sundry operations	34.622	22.461	1.409	-
	<b>4.867.083</b>	<b>4.464.517</b>	<b>2.401.840</b>	<b>3.155.911</b>

The amounts booked in the caption "Government subsidies for investment in fixed assets" current and non current correspond to the amount of customer contributions for the investment of the Group, and is recognised in the income statement over the useful life of the related assets (see note 12).

In the caption "Put options over minority interests liabilities", as referred under accounting policies - note 2 b) the Group books the put options related to interests held by minority interests in EDP Group subsidiaries, at the acquisition date or in a subsequent date, as an anticipated acquisition of those minority interests, booking a financial liability for the present value of the best estimate of the payable amount, regardless of the probability of exercising the options. As at 31 December 2008 the responsibilities with options over minority interests include the put option of Ente Vasco de la Energia over HC Energia of 30,4% of interest in Naturgás share capital of 426,839 thousand Euros (31 December 2007: 401,373 thousand Euros), the put option of Caja Madrid over Neo for the interest of 20% of Genesa share capital of 258,841 thousand Euros (31 December 2007: 264,817 thousand Euros) and the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 85,961 thousand Euros (31 December 2007: 134,201 thousand Euros).

At the moment of the Horizon acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, have been valued through discounted cash flows models and market assumptions at 190,400 thousand USD, being booked a non current liability under Energy sales contract - Horizon, which is amortised over the useful life of the contracts under the caption Other operational income (see note 7).

"Deferred income - CMEC" current and non current include 598,345 thousand Euros (31 December 2007: 732,731 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) reduced by the amortisations of the years 2008 and 2007 of 138,716 thousand Euros and 110,279 thousand Euros, respectively (see note 6), by financial income related to gains associated to the revisibility calculation (27,611 thousand Euros in 2008 and 7,717 thousand Euros in 2007) and by financial expenses (31,942 thousand Euros in 2008 and 17,260 thousand Euros) as referred in note 14. The remaining amount of 84,155 thousand Euros refers to other accrued costs related to the revisibility calculation.

The subsidiary Horizon books the receipts from equity investors associated to wind farms projects as non current liabilities under Liability to institutional investors in corporate partnership in wind farms in USA. This liability is reduced by the amount of tax benefits provided and payments made to the equity investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest calculated based on the liability amount and the expected return rate of the equity investors (see note 14).

The caption "Amounts payable for concessions" refers to the amounts payable, in the medium/long term, related to the concession rights of the operation of the hydic domain of Alqueva and Pedrógão transferred by EDIA of 165,089 thousand Euros as at 31 December 2008 (31 December 2007: 199,909 thousand Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 63,855 thousand Euros as at 31 December 2008 (31 December 2007: 64,854 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 178,473 thousand Euros and 125,965 thousand Euros, respectively, includes the trading and hedge portfolios (see note 40).

The caption "Payables - Group companies (EDP Finance B.V.)" non current on a company basis, of 2,388,201 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following Horizon's acquisition and for the financing of the investment plan of EDP Renováveis Group.

### 38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
State and other public entities				
- Income tax	160.615	378.173	10.533	10.123
- Withholding tax	44.923	28.620	278	467
- Social security contributions	8.358	8.384	19	21
- Value added tax	37.305	23.573	-	-
- Turnover tax (Brazil)	33.126	49.133	-	-
- Social tax (Brazil)	22.333	16.913	-	-
- Other taxes	81.802	71.181	-	-
	<u>388.462</u>	<u>575.977</u>	<u>10.830</u>	<u>10.611</u>

As at 31 December 2008, "Other taxes" include foreign taxes, namely from Spain - HC Energia Group of 41,048 thousand Euros and Naturgás Group of 25,045 thousand Euros (At 31 December 2007: HC Energia Group 38,119 thousand Euros and Naturgás Group of 18,495 thousand Euros).

### 39. Assets and liabilities classified as held for sale

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, is explained under accounting policies - note 2 u).

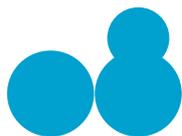
This caption is analysed as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Assets classified as held for sale</b>				
Land held for sale - Horizon	985	-	-	-
Investment held in the company Denerge - EDP Energias do Brasil	11.562	-	-	-
Investment held in the company ESC 90 - EDP Energias do Brasil	18.281	-	-	-
Investment held in the company Edinfor	-	39.745	-	44.500
Other assets held for sale	-	2.641	-	-
	<u>30.828</u>	<u>42.386</u>	<u>-</u>	<u>44.500</u>
<b>Liabilities classified as held for sale</b>				
Liabilities on ESC 90 (associated company)	-15.841	-	-	-
	<u>14.987</u>	<u>42.386</u>	<u>-</u>	<u>44.500</u>

EDP Group has an interest of 3.16% in Denerge - Desenvolvimento Energético S.A., resulting from the asset swap operation occurred in 2008 with Grupo Rede. The EDP Group has an option to swap this asset (see note 41) that intends to exercise during next year.

EDP Group through its subsidiary EDP - Energias do Brasil, celebrated on 29 August, 2008 a sales and purchase agreement with Net Serviços de Comunicação S.A. regarding the sale of the interest of 48.51% held by EDP in the share capital of ESC 90 Telecomunicações Ltda. ("ESC 90"), a company operating in the cable TV and broadband segment, through a concession in the cities of Vitória and Vila Velha, both in the State of Espírito Santo. The operation is subject to approval from Agência Nacional de Telecomunicações — ANATEL. Based on this decision, the assets and liabilities of Esc 90 were classified as held for sale.

In December 2007 the Executive Board of Directors of EDP, S.A. notified LogicaCMG Corporate Holdings Limited ("LogicaCMG") of its decision to exercise its sales option over 40% of the share capital of Edinfor — Sistemas Informáticos, S.A. ("Edinfor") in 2008. As a result of this decision, the investment in Edinfor was classified in the consolidated and company financial statements as "Assets classified as held for sale", being booked at the lower of book value and fair value less costs to sell.



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40. Derivative financial instruments

The Group classifies derivative financial instruments as fair value hedges of a recognised asset or liability ("fair value hedge") and as cash flow hedges of recognised liabilities and highly probable future transactions ("cash flow hedge"), in accordance with IAS 39.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Hedged risk	2008		2007	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	18.539	-18.539	-40.487	40.487
- Fair value	Interest rate and exchange rate swap	Interest rate and exchange rate	-52.141	52.141	-29.037	29.037
- Cashflow	Interest rate swap	Interest rate	-22.836	-	14.794	-
- Cashflow	Exchange rate forwards	Exchange rate	4.434	-	-	-
- Cashflow	Energy Swap	Energy price	-39.773	-	-	-
			<u>-91.777</u>	<u>33.602</u>	<u>-54.730</u>	<u>69.524</u>

The changes in the fair value reserve relating to cash flow hedges in 2008 and 2007 were as follows:

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Balance at the beginning of the year	2.014	-14.265
Fair value changes	-58.175	14.794
Transfers to results	1.508	1.485
Balance at the end of the year	<u>-54.653</u>	<u>2.014</u>

The Fair value reserve (cash flow hedge) includes 11,291 thousand Euros, relating to future cash flow hedges. This amount is being amortised over the same period that the cash flows will affect the income statement.

The valuation of the financial instruments is recorded under Debtors and other assets and Trade and other payables in accordance with its nature.

The gains and losses on the financial instruments portfolio booked in the income statement in 2008 and 2007 are as follows:

	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
Derivatives held for trading	55.295	-33.468	147.089	-11.357
Fair value hedges				
- Derivatives	-33.602	-69.524	18.539	-40.487
- Hedged liabilities	33.602	69.524	-18.539	40.487
Cash flow hedges				
- Derivatives	-1.508	-1.485	-1.485	-1.485
	<u>53.787</u>	<u>-34.953</u>	<u>145.604</u>	<u>-12.842</u>

Maturities of the derivative financial instruments relating to financing operations as at 31 December 2008 are as follows:

	Fair Value Euro'000	Group			Total Euro'000
		Notional			
		Until 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	
<b>Interest rate contracts</b>					
Interest rate swaps	70.211	1.051.765	932.557	812.407	2.796.729
Options purchased and sold	-2.515	1.506.609	54.761	2.051	1.563.421
	<u>67.696</u>	<u>2.558.374</u>	<u>987.318</u>	<u>814.458</u>	<u>4.360.150</u>
<b>Interest rate and exchange rate contracts</b>					
CIRS (currency interest rate swaps)	-174.390	43.586	43.113	675.913	762.612
	<u>-174.390</u>	<u>43.586</u>	<u>43.113</u>	<u>675.913</u>	<u>762.612</u>
	<u>-106.694</u>	<u>2.601.960</u>	<u>1.030.431</u>	<u>1.490.371</u>	<u>5.122.762</u>

Maturities of the derivative financial instruments relating to financing operations as at 31 December 2007 are as follows:

	Group				Total Euro'000
	Fair Value Euro'000	Notional			
		Until 1 year Euro'000	From 1 to 5 years Euro'000	More than 5 years Euro'000	
<b>Interest rate contracts</b>					
Interest rate swaps	62.223	69.109	1.915.845	162.741	2.147.695
Options purchased and sold	221	16.450	1.571.376	2.627	1.590.453
	<u>62.444</u>	<u>85.559</u>	<u>3.487.221</u>	<u>165.368</u>	<u>3.738.148</u>
<b>Interest rate and exchange rate contracts</b>					
CIRS (currency interest rate swaps)	-53.592	-	359.940	-	359.940
	<u>8.852</u>	<u>85.559</u>	<u>3.847.161</u>	<u>165.368</u>	<u>4.098.088</u>

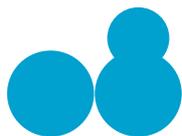
The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2008 are as follows:

	Fair Value	Currency	Group	
			EDP Pays	EDP Receives
<b>Interest rate contracts</b>				
Interest rate swaps	2.796.729	EUR	[ 5.95% - 3.0% ]	[ 6.40% - 3.04% ]
<b>Interest rate and exchange rate contracts</b>				
CIRS (currency interest rate swaps)	730.313	GBP / EUR	8,67%	8,63%
CIRS (currency interest rate swaps)	32.299	USD / BRL	[16.35% - 13.47% ]	[ 4.38% - 4.0% ]

	Nominal value Euro'000	Group	
		EDP Pays	EDP Receives
<b>Interest rate contracts</b>			
Options purchased on interest rates (CAP purchases)	534.810	[ 5.75% - 4.00% ]	
Options sold on interest rates (CAP sale)	500.000	[ 5.30% - 5.20% ]	
Options sold on interest rates (FLOOR sale)	528.611	[ 4.27% - 3.00% ]	

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2007 are as follows:

	Currency	Group	
		EDP Pays	EDP Receives
<b>Interest rate contracts</b>			
Interest rate swaps	EUR	[ 5.41% - 3.0% ]	[ 6.40% - 3.78% ]
<b>Interest rate and exchange rate contracts</b>			
CIRS (currency interest rate swaps)	EUR / GBP	5,73%	6,63%
CIRS (currency interest rate swaps)	USD / BRL	[13.22% - 10.89% ]	[ 4.38% - 4.0% ]
<b>Interest rate contracts</b>			
Options purchased on interest rates (CAP purchases)	551.753	[ 5.75% - 4.00% ]	
Options sold on interest rates (CAP sale)	500.000	[ 5.30% - 5.20% ]	
Options sold on interest rates (FLOOR sale)	538.699	[ 4.27% - 3.00% ]	



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41. Commitments

Financial and real guarantees granted by EDP Group, not included in the balance sheet as of 31 December 2008 and 2007, are analysed as follows:

Type	Group		Company	
	Dec 2008 Euro'000	Dec 2007 Euro'000	Dec 2008 Euro'000	Dec 2007 Euro'000
<b>Guarantees of a financial nature</b>				
EDP, S.A.	407.256	528.494	407.256	528.494
Hidroantábrico Group	65.027	52.364	-	-
Brazil Group	40.569	104.397	-	-
NEO Group	6.341	26.306	-	-
Horizon Group	3.233	3.057	-	-
Other	3.729	10	-	-
	<u>526.155</u>	<u>714.628</u>	<u>407.256</u>	<u>528.494</u>
<b>Guarantees of an operating nature</b>				
EDP, S.A.	1.042.960	1.243.985	1.042.960	1.243.985
Hidroantábrico Group	301.454	300.134	-	-
Brazil Group	66.333	131.822	-	-
NEO Group	401.647	40.034	-	-
Horizon Group	907.363	542.564	-	-
Other (Portugal)	9.110	10.262	-	-
	<u>2.728.867</u>	<u>2.268.801</u>	<u>1.042.960</u>	<u>1.243.985</u>
<b>Total</b>	<u>3.255.022</u>	<u>2.983.429</u>	<u>1.450.216</u>	<u>1.772.479</u>
<b>Real guarantees</b>	<u>6.313</u>	<u>36.800</u>	<u>-</u>	<u>-</u>

The financial guarantees contracted at 31 December 2008 and 2007 include 466,916 thousand Euros and 548,839 thousand Euros, respectively, relating to loans contracted by Group companies and included in their consolidated debt. These include guarantees for loans of 335,938 thousand Euros at December 2008 contracted by Energias do Brasil Group to finance the construction of hydro electrical plants, having associated counter-guarantees of 122,987 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current power generation and current distribution activities. The total operating guarantees of 454,651 thousand Euros and 429,474 thousand Euros at 31 December 2008 and 2007, respectively, include guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2008 and 2007 these loans amounted to 742,190 thousand Euros and 565,446 thousand Euros, respectively and are included in the Group's consolidated debt.

The commitments relating to short and medium/long term debt, finance lease instalments and other long term liabilities (included in the balance sheet) and other liabilities relating to purchases and operating lease instalments not yet due (not included in the balance sheet) are disclosed at 31 December 2008 and 2007, separated by maturity:

	Dec 2008				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term debt (including interest)	18.381.211	4.522.169	2.891.980	4.503.073	6.463.989
Finance lease instalments payable	6.517	2.979	3.033	505	-
Operating lease liability	493.111	35.193	60.424	54.888	342.606
Purchase obligations	32.506.448	4.201.423	5.670.470	4.700.128	17.934.427
Other long term liabilities	2.428.415	238.707	479.685	468.079	1.241.944
	<u>53.815.702</u>	<u>9.000.471</u>	<u>9.105.592</u>	<u>9.726.673</u>	<u>25.982.966</u>

	Dec 2007				
	Principal				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term debt (including interest)	16.123.440	3.238.521	3.231.995	3.343.361	6.309.563
Finance lease instalments payable	6.517	2.979	3.033	505	-
Operating lease liability	4.056	2.640	1.178	238	-
Purchase obligations	43.119.977	5.395.359	7.405.281	5.860.035	24.459.302
Other long term liabilities	2.155.810	224.238	439.022	423.068	1.069.482
	<b>61.409.800</b>	<b>8.863.737</b>	<b>11.080.509</b>	<b>9.627.207</b>	<b>31.838.347</b>

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Iberian Peninsula and Brazil.

The short and long term debt corresponds to the balance of borrowings and related interest contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the year-end.

Finance lease instalments payable relates to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include accrued interest.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term liabilities relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated balance sheet (Note 35 — Employee benefits).

As at 31 December 2008 the Group has the following contingent liabilities/rights relating to call and put options on investments:

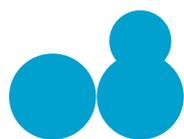
- Put option of Cajastur over EDP of 3.13% of the share capital of HC Energia;
- Put option of Ente Vasco de la Energia over HC Energia of 30.4% of Naturgás, for the highest of the following amounts:
  - Initial price discounted to the put option exercise date, considering the dividends distributed up to date;
  - Fair value of the asset, determined by investment banks.
- Put option of Caja Madrid over NEO for 20% of its participated company Genesa. The option can be exercised between January 2010 and 1 January 2011, the price of exercising the option being determined by an investment bank valuation process;
- EDP holds a put option over Mercado Electrónico and Mercado Electrónico has a call option over EDP of 34% of the investment in Central E, S.A.. The price of the options will be determined based on the last 12 months invoicing and the exercise period of the options start in June 2010 and end in June 2015;
- EDP holds, through its subsidiary NEO, a call option over Cajastur of "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, the price of exercising the option being determined by an investment bank valuation process;
- EDP holds, through its subsidiary NEO, a call option over Copcisa for 49% of NEO Catalonia share capital;
- EDP holds, through its subsidiary NEO, a call option over Renovatio Group Limited for Renovatio and Cernavoda share capital;
- EDP holds, through its subsidiary Veinco Energia Limpia, S.L. a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. The price of exercising the option is 900 thousand Euros and can be exercised when Jorge, S.L. obtains licences to expand Dehesa de Coscojar and El Águila windfarms, up to 30 days upon notification of suspensive conditions, with a deadline of 18 April 2014;
- EDP Group, through its subsidiary EDP - Energias do Brasil acquired an interest of 3.16% in Denerge following the asset swap operation occurred in August 2008 with Grupo Rede. The acquisition agreement for this investment includes an option clause, valid for 2 years, to swap Denerge shares for a subscription of Grupo Rede shares, in a possible Initial Public Offering, or an equivalent participation in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share.

#### 42. Stock options plan

EDP implemented a stock option program applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote value enhancement.

EDP Group has the following three stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised lapse eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.



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The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euro)
Balance as at 31 December 2006	2.460.020	2,22
Options exercised	849.687	
Options granted	-	
Balance as at 31 December 2007	1.610.333	2,21
Options exercised	492.848	
Options granted	-	
Balance as at 31 December 2008	1.117.485	2,21

Stock options in 2008 can be analysed as follows:

Options outstanding	Weighted average exercise price (Euro)	Weighted average remaining contractual life (Years)	Options exercisable	Fair value of options (Euro'000)
1.117.485	2,21	5,05	630.320	876.769

In 2008 no cost was recognised related to stock options as the past service cost was recognised in prior years.

In addition to the options granted, the EDP Group granted treasury stock to employees (452,045 shares acquired at the price of 3.9842 Euros), totalling 1,801 thousand Euros.

43. Related parties

The main transactions with related parties and balances with subsidiaries and associates eliminated in the consolidation process in the year ended 31 December 2008 are as follows:

Main shareholders and shares held by company officers:

EDP, S.A.'s shareholder structure as at 31 December 2008 is analysed as follows:

	Nr. of Shares	% Capital	% Voting rights
Parpública - Participações Públicas, SGPS, S.A.	749.323.856	20,49%	20,69%
Iberdrola - Participações, SGPS, S.A.	347.371.083	9,50%	5,00%
Caixa Geral de Depósitos, S.A.	191.172.634	5,23%	5,00%
Caja de Ahorros de Asturias	183.257.513	5,01%	5,00%
José de Mello - SGPS, S.A.	176.291.567	4,82%	4,87%
Grupo Banco Comercial Português e Fundo de Pensões Grupo BCP	124.198.519	3,39%	3,43%
Banco Espírito Santo, S.A.	111.566.342	3,05%	3,08%
Picket Asset Management	104.396.422	2,86%	2,88%
Sonatrach	81.713.076	2,23%	2,26%
International Petroleum Investment Company (IPIC)	73.130.755	2,00%	2,02%
EDP (Treasury stock)	35.703.591	0,98%	-
Remaining shareholders	1.478.412.357	40,44%	
	<b>3.656.537.715</b>	<b>100,00%</b>	

The number of shares held by company officers in 2008 and 2007 are as follows:

	2008 Nr. of shares	2007 Nr. of shares
<b>Board of the General Meeting</b>		
Rui Eduardo Ferreira Rodrigues Pena	1.445	1.445
Maria Teresa Isabel Pereira	9.257	6.192
	<b>10.702</b>	<b>7.637</b>
<b>General and Supervisory Board</b>		
Alberto João Coraceiro de Castro	4.578	4.578
António Francisco Barroso de Sousa Gomes	4.135	4.135
Carlos Jorge Ramalho dos Santos Ferreira	40.000	24.400
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1.375	1.375
Vital Martins Moreira	27.082	21.870
Vitor Fernando da Conceição Gonçalves	3.465	3.465
	<b>80.895</b>	<b>60.083</b>

	2008	2007
	Nr. of shares	Nr. of shares
<b>Executive Board of Directors</b>		
António Luís Guerra Nunes Mexia	1.000	1.000
António Fernando Melo Martins da Costa	13.299	13.299
António Manuel Barreto Pita de Abreu	34.549	34.074
João Manuel Manso Neto	1.268	1.268
Jorge Manuel Pragana da Cruz Morais	12.497	12.497
Nuno Maria Pestana de Almeida Alves	40.000	-
	<b>102.613</b>	<b>62.138</b>

#### Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration attributed to the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2008 was as follows:

	EBD Euro'000	GSC Euro'000
President	1.257	623
Members	5.934	787
	<b>7.191</b>	<b>1.410</b>

The remuneration of the members of the Executive Board of Directors includes a variable component of 3,244 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

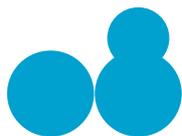
#### Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

In the context of the qualitative improvement of the governance practices, one should note that the General and Supervisory Board has approved the "Reference Framework for the Treatment of Conflicts of Interests", which is available for consultation on the EDP website ([www.edp.pt](http://www.edp.pt)). This set of rules related to the prevention, identification and resolution of potential important conflicts of relevant corporate interest has a wider scope of application than the rules included in CMVM Regulation n.º 1/2007.

The Corporate Governance and Sustainability Committee is responsible for supervising the application of the aforementioned rules reporting its activities to the General and Supervisory Board.

With reference to 2008, the Corporate Governance and Sustainability Committee concluded that, with respect to the cases it analysed and on the basis of the information provided by the Executive Board of Directors, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.



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**Balances and transactions with subsidiaries and associates**

As at 31 December 2008, credits over subsidiaries and associates, at Company level, and eliminated in the consolidated financial statements are analysed as follows:

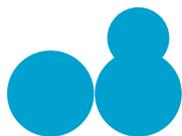
	Intra-group financial mov. Euro'000	Loans granted Euro'000	Other receivables Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	5.454	280.000	1.580	287.034
EDP Brasil	-	-	7.504	7.504
EDP Comercial	-	-	6.283	6.283
EDP Distribuição	1.030.212	1.406.215	43.034	2.479.461
EDP Finance	-	-	655.931	655.931
EDP Gás	19.207	13.150	1.060	33.417
EDP Imobiliária e Participações	5.045	343.591	4.079	352.715
EDP Inovação	-	813	383	1.196
EDP Internacional	-	661	103	764
EDP Powerline	4.201	-	97	4.298
EDP Produção	7.911	3.171.324	111.463	3.290.698
EDP Produção Bioelétrica	-	21.370	470	21.840
EDP Renováveis	-	862.817	74.646	937.463
EDP Serviço Universal	-	-	92.721	92.721
EDP Serviner	-	-	147	147
EDP Soluções Comerciais	-	3.250	19.085	22.335
EDP Valor	-	1.750	5.019	6.769
Electrica Ribera del Ebro	-	-	10.659	10.659
Enernova	-	-	1.276	1.276
Hidroeléctrica del Cantábrico	675	-	79.491	80.166
Labelec	-	1.500	522	2.022
NEO	-	-	2.434	2.434
NQF Investimentos, SGPS (NQF SGPS)	-	17.000	3	17.003
OPTEP	-	-	571	571
Sávida	-	-	234	234
Other	-	-	5.136	5.136
	<u>1.072.705</u>	<u>6.123.441</u>	<u>1.123.931</u>	<u>8.320.077</u>

As at 31 December 2007, **credits** over subsidiaries and associates, **at Company level**, and eliminated in the consolidated financial statements are analysed as follows:

<b>Companies</b>	<b>Intra-group financial mov. Euro'000</b>	<b>Loans granted Euro'000</b>	<b>Other receivables Euro'000</b>	<b>Total Euro'000</b>
Balwerk	843	279.878	658	281.379
Edinfor	-	11.108	743	11.851
EDP Brasil	-	-	9.455	9.455
EDP Comercial	4.321	-	44.062	48.383
EDP Distribuição	510.132	1.343.125	64.919	1.918.176
EDP Estudos e Consultoria	344	-	168	512
EDP Finance	-	200.663	17.735	218.398
EDP Gás	4.643	-	2.197	6.840
EDP Imobiliária e Participações	4.653	297.622	2.242	304.517
EDP Inovação	-	-	1.212	1.212
EDP Powerline	4.332	-	50	4.382
EDP Produção	177.418	1.837.269	62.584	2.077.271
EDP Produção Bioelétrica	-	13.867	263	14.130
EDP Serviço Universal	117.602	-	25.943	143.545
EDP Serviner	-	-	153	153
EDP Soluções Comerciais	14.153	-	17.575	31.728
EDP Valor	-	-	5.092	5.092
Electra	-	-	169	169
Enagás	116	-	-	116
Enernova	-	98.239	2.357	100.596
Hidroeléctrica del Cantábrico	1.185	-	9.095	10.280
Horizon Wind Energy	-	319.951	19.626	339.577
Labelec	-	-	562	562
NEO	-	1.866.095	5.830	1.871.925
NQF Gás III SGPS (NQF Energia)	-	-	2.001	2.001
NQF Investimentos, SGPS (NQF SGPS)	77	1.400	15.000	16.477
OPTEP	-	-	1.878	1.878
Pebble Hydro	-	-	1.205	1.205
Portgás	-	-	252	252
Sávida	-	-	305	305
Other	41	90	1.168	1.299
	<b>839.860</b>	<b>6.269.307</b>	<b>314.499</b>	<b>7.423.666</b>

As at 31 December 2008, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

<b>Companies</b>	<b>Intra-group financial mov. Euro'000</b>	<b>Loans obtained Euro'000</b>	<b>Other payables Euro'000</b>	<b>Total Euro'000</b>
Edalpro	197	-	-	197
EDP Comercial	1.497	-	2.076	3.573
EDP Distribuição	-	-	42.868	42.868
EDP Estudos e Consultoria	1.416	-	4.639	6.055
EDP Finance	-	-	3.131.528	3.131.528
EDP Gás.Com	-	-	2.258	2.258
EDP Imobiliária e Participações	-	-	48.346	48.346
EDP Inovação	1.238	-	3.871	5.109
EDP Produção	-	-	275.332	275.332
EDP Renováveis	-	-	24.352	24.352
EDP Serviner	1.443	-	55	1.498
EDP Soluções Comerciais	1.497	-	4.404	5.901
EDP Valor	29.492	-	7.078	36.570
Electrica Ribera del Ebro	-	-	848	848
Hidroantárbrico Energia	-	-	2.166	2.166
Hidroeléctrica del Cantábrico	-	-	937	937
EDP Internacional	462	-	-	462
Labelec	3.680	-	1.001	4.681
NEO	-	-	6.684	6.684
NQF Gás III SGPS (NQF Energia)	62.147	-	4	62.151
NQF Investimentos, SGPS (NQF SGPS)	1.949	-	-	1.949
Sávida	6.775	-	353	7.128
Soporgen	-	-	1.542	1.542
Other	-	-	4.719	4.719
	<b>111.793</b>	<b>-</b>	<b>3.565.061</b>	<b>3.676.854</b>



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As at 31 December 2007, the **debts** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-group financial mov. Euro'000	Loans obtained Euro'000	Other payables Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	-	-	2.357	2.357
Edalpro	131	-	-	131
Edinfor	-	-	11.418	11.418
EDP Comercial	-	-	7.324	7.324
EDP Distribuição	-	-	31.873	31.873
EDP Estudos e Consultoria	-	-	5.501	5.501
EDP Finance	-	-	3.238.285	3.238.285
EDP Imobiliária e Participações	-	-	196	196
EDP Inovação	1.841	-	2.904	4.745
EDP Produção	-	-	282.406	282.406
EDP Renováveis	-	-	37.994	37.994
EDP Serviço Universal	-	-	153	153
EDP Serviner	2.622	-	88	2.710
EDP Soluções Comerciais	-	-	3.821	3.821
EDP Valor	21.526	-	2.176	23.702
Electrica Ribera del Ebro	-	-	9.412	9.412
Erenova	22.739	-	16	22.755
Hidrocantábrico Energia	-	-	2.355	2.355
Hidroeléctrica del Cantábrico	-	-	27.301	27.301
EDP Internacional	371	-	78	449
Labelec	579	-	1.437	2.016
MRH	1.075	-	-	1.075
NQF Gás III SGPS (NQF Energia)	63.628	-	83	63.711
O&M Serviços	1.091	-	-	1.091
Portgás	-	-	809	809
Sávida	6.865	-	2	6.867
Tergen	715	-	-	715
Other	36	-	505	541
	<u>123.219</u>	<u>-</u>	<u>3.668.494</u>	<u>3.791.713</u>

**Expenses** related to intra-Group transactions for the year ended 31 December 2008, **at Company level**, eliminated on consolidation are as follows:

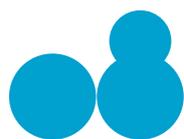
	Interest on Intra-Group financial mov. Euro'000	Interest on loans obtained Euro'000	Other costs Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	145	-	94	239
EDP Comercial	-	-	22.364	22.364
EDP Distribuição	-	-	8.690	8.690
EDP Estudos e Consultoria	77	-	16.116	16.193
EDP Finance	-	-	157.872	157.872
EDP Gás .Com	754	-	339	1.093
EDP Inovação	126	-	3.280	3.406
EDP Produção	707	-	1.205.319	1.206.026
EDP Renováveis	-	-	28.317	28.317
EDP Serviço Universal	1.540	-	477	2.017
EDP Valor	952	-	5.881	6.833
Eléctrica Ribera del Ebro	-	-	9.427	9.427
Erenova	340	-	-	340
Hidroeléctrica del Cantábrico	-	-	41.827	41.827
Hidrocantábrico Energia S.A.U.	-	-	30.463	30.463
Labelec	79	-	533	612
NEO	-	-	7.226	7.226
Sávida	233	-	30	263
Other	384	-	7.582	7.966
	<u>5.337</u>	<u>-</u>	<u>1.545.837</u>	<u>1.551.174</u>

**Expenses** related to intra-Group transactions for the year ended 31 December 2007, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group financial mov. Euro'000	Interest on loans obtained Euro'000	Other costs Euro'000	Total Euro'000
<b>Companies</b>				
Edinfor	-	-	80.329	80.329
EDP Comercial	-	-	42.543	42.543
EDP Distribuição	9.246	-	8.383	17.629
EDP Estudos e Consultoria	41	-	13.801	13.842
EDP Finance	-	-	16.791	16.791
EDP Gás	14.236	-	-	14.236
EDP Inovação	25	-	1.300	1.325
EDP Produção	733	-	569.334	570.067
EDP Renováveis	-	-	37.994	37.994
EDP Serviço Universal	18.484	-	492	18.976
EDP Valor	679	-	3.221	3.900
Eléctrica Ribera del Ebro	-	-	14.830	14.830
Hidroeléctrica del Cantábrico	-	-	36.703	36.703
Hidrocantábrico Energia S.A.U.	-	-	10.856	10.856
Labelec	56	-	1.165	1.221
Other	889	-	500	1.389
	<u>44.389</u>	<u>-</u>	<u>838.242</u>	<u>882.631</u>

**Income** related to intra-Group transactions for the year ended 31 December 2008, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group financial mov. Euro'000	Interest on loans granted Euro'000	Other income Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	16	14.304	-	14.320
EDP Comercial	1.102	-	4.382	5.484
EDP Distribuição	17.112	92.893	36.721	146.726
EDP Finance	-	4.278	61.175	65.453
EDP Imobiliária e Participações	257	20.882	349	21.488
EDP Produção	8.087	151.690	117.108	276.885
EDP Gás	851	744	707	2.302
EDP Renováveis	-	12.958	108.596	121.554
EDP Serviço Universal	3.432	-	58.134	61.566
EDP Soluções Comerciais	979	-	32.778	33.757
EDP Valor	49	-	9.190	9.239
EDP Powerline	207	-	-	207
Enernova	7	1.258	118	1.383
Eléctrica Ribera del Ebro	-	-	15.202	15.202
Hidroeléctrica del Cantábrico	-	-	50.589	50.589
Hidrocantábrico Energia S.A.U.	-	-	2.359	2.359
Horizon Wind Energy, LLC	-	3.200	2	3.202
NEO	-	37.819	546	38.365
Other	45	948	14.661	15.654
	<u>32.144</u>	<u>340.974</u>	<u>512.617</u>	<u>885.735</u>



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**Income** related to intra-Group transactions for the year ended 31 December 2007, **at Company level**, eliminated on consolidation are as follows:

Companies	Interest on Intra-Group financial mov. Euro'000	Interest on loans granted Euro'000	Other income Euro'000	Total Euro'000
Balwerk	581	117	215	913
EDP Comercial	5.818	-	129.664	135.482
EDP Distribuição	30.872	59.250	16.240	106.362
EDP Finance	-	10.665	1.713	12.378
EDP Imobiliária e Participações	13.544	1.420	136	15.100
EDP Produção	10.060	66.940	64.772	141.772
EDP Serviço Universal	27.361	-	22.515	49.876
EDP Soluções Comerciais	1.156	-	7.256	8.412
EDP Valor	-	-	2.277	2.277
Enernova	-	5.256	503	5.759
Hidroeléctrica del Cantábrico	-	-	11.239	11.239
Hidrocantábrico Distribuição Eléctrica, S.A.U.	-	-	5.153	5.153
Hidrocantábrico Energia S.A.U.	-	-	7.294	7.294
Horizon Wind Energy, LLC	-	-	2.037	2.037
NEO	-	6.103	3.066	9.169
Other	292	314	2.030	2.636
	<u>89.684</u>	<u>150.065</u>	<u>276.110</u>	<u>515.859</u>

**Assets** and **Liabilities** with related companies at 31 December 2008, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associated Companies	28.394	1.905	26.489
Jointly Controlled Companies	25.786	2.503	23.283
	<u>54.180</u>	<u>4.408</u>	<u>49.772</u>

**Assets** and **Liabilities** with related companies at 31 December 2007, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associated Companies	7.021	622	6.399
Jointly Controlled Companies	21.045	7.247	13.798
	<u>28.066</u>	<u>7.869</u>	<u>20.197</u>

**Transactions** with related companies at 31 December 2008, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associated Companies	11.064	1.270	-1.133	-18
Jointly Controlled Companies	1.641	965	-10.005	-3.827
	<u>12.705</u>	<u>2.235</u>	<u>-11.138</u>	<u>-3.845</u>

**Transactions** with related companies at 31 December 2007, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associated Companies	8.376	187	-1.678	-631
Jointly Controlled Companies	25.285	1.435	-5.339	-6.435
	<u>33.661</u>	<u>1.622</u>	<u>-7.017</u>	<u>-7.066</u>

#### 44. Fair value of financial assets and liabilities

	Group Dec 2008			Group Dec 2007		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
Available-for-sale financial assets	350.887	350.887	-	705.260	705.260	-
Trade receivables	1.758.657	1.758.657	-	1.759.176	1.759.176	-
Derivative financial instruments	216.670	216.670	-	106.520	106.520	-
Financial assets at fair value through profit or loss	83.227	83.227	-	49.034	49.034	-
Cash and cash equivalents	713.587	713.587	-	864.711	864.711	-
	<u>3.123.028</u>	<u>3.123.028</u>	<u>-</u>	<u>3.484.701</u>	<u>3.484.701</u>	<u>-</u>
<b>Financial liabilities</b>						
Loans	14.686.325	14.500.981	-185.344	12.605.992	13.762.691	1.156.699
Trade payables	1.606.220	1.606.220	-	1.250.355	1.250.355	-
Derivative financial instruments	178.473	178.473	-	111.825	111.825	-
	<u>16.471.018</u>	<u>16.285.674</u>	<u>-185.344</u>	<u>13.968.172</u>	<u>15.124.871</u>	<u>1.156.699</u>

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

The market value of the medium/long term loans is calculated based on the discounted cashflows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term. Regarding short term debt, the market value does not differ substantially from the booked value.

#### 45. Gains or losses on the sale of discontinued operations

In August 2008, EDP Group through EDP Energias do Brasil, S.A. ("EDP Energias do Brasil"), made a swap with Grupo Rede of all the interest held by EDP Energias do Brasil in Enersul share capital (electricity distribution company in the State of Mato Grosso do Sul) for all interest held by Rede Energia in the share capital of the companies Rede Lajeado Energia S.A. ("Rede Lajeado") and Investco S.A. ("Investco"), as well as for the interests held by Rede Power in the companies Rede Lajeado and Tocantins Energia S.A. share capital.

As at 31 December 2008, the net profit of Enersul has been classified in the income statement as discontinued operations, in accordance with IFRS 5. The Group has recognised with this operation a loss on a consolidated basis of 8,448 thousand Euros.

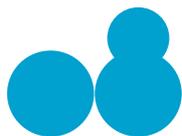
This operation allowed EDP Energias do Brasil to consolidate its position in Investco, in which it held an interest of 27.65% of share capital with voting rights, changing to an interest of 73% of share capital with voting rights, ensuring a control position in Investco management. Investco is a company that manages the hydroelectric power plant of Lajeado, in Tocantins. This plant has an installed capacity of 902.5 MW being operated under the terms of a service concession agreement for a period of 35 years (until 2032).

#### 46. CO2 licenses

The movements in the portfolio of CO2 licenses are analysed as follows:

	Group Dec 2008 CO <sub>2</sub> (Ton)	Group Dec 2007 CO <sub>2</sub> (Ton)
CO2 licenses as at 1 January	820.169	-57.292
Licenses canceled (granted in PNALE I)	-820.169	-
Licenses granted free of charge	15.335.505	18.350.203
Licenses purchased	5.352.160	4.017.195
Licenses transferred (from own consumption to trading)	-2.446.000	-1.395.492
	<u>18.241.665</u>	<u>20.914.614</u>
Licenses to be returned (consumed)	<u>16.868.208</u>	<u>20.094.445</u>
Excess/(Lack) of licenses	<u>1.373.457</u>	<u>820.169</u>

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).



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The movements in the CO<sub>2</sub> licenses held for trading and classified as inventories are analysed as follows:

	Group Dec 2008	Group Dec 2007
	CO <sub>2</sub> (Ton)	CO <sub>2</sub> (Ton)
CO <sub>2</sub> licenses held for trading on 1 January	148.908	258.416
Licenses canceled (granted in PNALE I)	-148.908	-
Licenses acquired in the market	7.983.009	1.034.500
Emission licenses transferred to the trading portfolio	2.446.000	1.395.492
Licenses sold	-8.599.000	-2.539.500
	<u>1.830.009</u>	<u>148.908</u>
CO <sub>2</sub> licenses for trading (in ton) - EUA	1.630.853	148.908
CO <sub>2</sub> licenses for trading (in ton) - CER	199.156	-
	<u>1.830.009</u>	<u>148.908</u>
Fair Value at 31 December - EUA (in Euros)	15,36	0,02
Fair Value at 31 December - CER (in Euros)	13,53	-
CO <sub>2</sub> Licenses for trading (in thousands of Euros)	<u>27.744</u>	<u>3</u>

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with accounting policy - note 2 I).

Fair value corresponds to the spot price (closing price) at 31 December 2008 and 2007.

#### 47. EDP Branch in Spain

The objective of "EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España" is to direct and coordinate the energy interests of subsidiaries depending from the EDP Group in Spain, organised by direction and coordination structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority participations in EDP Renováveis, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interests in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the Permanent Representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and a Coordination Committee.

The Executive Committee is composed of 5 Permanent Representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the Permanent Representatives and of the Management Committee.

The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Center of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Shared Services ("Direcção de Serviços Partilhados") and Department of IT ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Generation, Distribution, Trading and Gas Coordination Committees are composed and chaired by the respective Directors from the Board of Executive Directors of EDP in order to ensure synergies with Spain and eliminate inefficiencies and redundancies.

The balance sheet of the Branch as at 31 December, 2008 and 2007 is analysed as follows:

	EDP Branch	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Investments in subsidiaries		
EDP Renováveis SA	2.939.889	1.899.889
Hidroeléctrica del Cantábrico SA	1.981.798	-
Other	60	60
Deferred tax assets	52.404	-
Other debtors	928.506	1.785.972
<b>Total Non Current Assets</b>	<b>5.902.657</b>	<b>3.685.921</b>
Receivables	2.022	-
Debtors and other assets	154.589	402.516
Taxes receivable	7.406	98
Cash and cash equivalents	113.379	2.091
<b>Total Current Assets</b>	<b>277.396</b>	<b>404.705</b>
<b>Total Assets</b>	<b>6.180.053</b>	<b>4.090.626</b>
	<b>Dec 2008 Euro'000</b>	<b>Dec 2007 Euro'000</b>
Attributable net equity	1.925.440	20.450
Financial debt	3.419.314	3.936.242
Deferred tax liabilities	-	12
<b>Total Non Current Liabilities</b>	<b>3.419.314</b>	<b>3.936.254</b>
Financial debt	760.825	15.659
Creditors and other liabilities	74.324	118.263
Taxes payable	150	-
<b>Total Current Liabilities</b>	<b>835.299</b>	<b>133.922</b>
<b>Total Liabilities</b>	<b>4.254.613</b>	<b>4.070.176</b>
<b>Total Attributable net equity and Liabilities</b>	<b>6.180.053</b>	<b>4.090.626</b>

#### 48. Subsequent events

##### EDP Issues EUR 1Bn 5 year bond

On 10 February 2009, EDP announced to the market and general public an Eurobond issuance of 1,000,000 thousand Euros (price fixed by EDP Finance B.V) maturing in February 2014 with interest at mid swap rate plus a spread of 265 basis points. The objective of this issuance is to extend the maturity term of EDP's debt portfolio and reinforce its financial flexibility.

##### American Recovery and Reinvestment Act - Tax and policies to benefit the development of wind energy generation

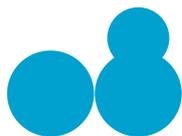
On 17 February 2009, EDP Renováveis has announced the signature of the American Recovery and Reinvestment Act of 2009, which includes a set of policies and benefits related to the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit ("ITC") that replaces the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with beginning of construction during 2009 and 2010.

##### Acquisition of CENAEEL - Central Nacional de Energia Eólica, S.A.

On February 2009, EDP Renováveis through its subsidiary EDP Renováveis Brasil has obtained the approval to close the acquisition of 100% of CENAEEL — Central Nacional da Energia Eólica S.A. with a share capital of approximately 15,000 thousand Euros realized on 11 June 2008. This company has 14 MW already in operation and 70 MW categorized as "Prospects".

##### EDP signed credit facility of 1,600,000 thousand Euros

On 5 March 2009, EDP Energias de Portugal has signed a three year revolving credit facility of 1,600,000 thousand Euros. This revolving credit facility replaces the 1,300,000 thousand Euros signed in 2004 that was due to mature in July 2009. This transaction was self-arranged by EDP as a Club Deal and was participated by 19 domestic and international banks.



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### **EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2007 and 2008**

On 5 March 2009, EDP Serviço Universal, entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus — Sociedade de Titularização de Créditos, S.A. ("Tagus"), of the rights to receive the full amount of the positive adjustments to the electricity tariffs of 1,275,682 thousand Euros (value fixed by ERSE on 15 December 2008). EDP will receive approximately 1,200,000 thousand Euros with the sale of those rights, which correspond to 99% of the value of the adjustments booked in the balance sheet at the end of 2008.

### **49. Recent accounting standards and interpretations issued**

The new standards and interpretations that have been issued, but that are not yet effective and that the Group has not yet applied, are analysed as follows:

#### **IAS 1 (Amended) - Presentation of financial statements**

The International Accounting Standards Board (IASB) issued in September 2007, the Amended IAS 1 - Presentation of Financial Statements with effective date of mandatory application in 1 January 2009, being allowed its earlier adoption.

The changes regarding the current text of IAS 1 are as follows:

- Balance sheet presentation is required for the current and comparative period. According to Amended IAS 1, a balance sheet should also be presented for the beginning of the comparative period, when an entity re-expresses the comparatives as a consequence of an accounting policy change, an error adjustment or a reclassification of an item in the financial statements. In these cases, three balance sheets would be presented, compared to the two already required.

- Following the changes required by this standard, the users of the financial statements will be able to distinguish, in an easier way, the variations in the equity of the Group on transactions with shareholders, as shareholders (ex. dividends, transactions with treasury stocks) and transactions with third parties, that are summarized in the comprehensive income statement.

Given the nature of these changes the impact will be exclusively regarding presentation. However as at 31 December 2008, the Group is still evaluating the impact of these changes.

#### **IAS 23 (Amended) - Borrowing costs**

The International Accounting Board (IASB) issued in March 2007, the Amended IAS 23 - Borrowing Costs, with effective date of mandatory application of 1 January 2009, being allowed its earlier adoption.

This standard defines that borrowing costs obtained, directly attributable to acquisition cost, construction or production of an asset (eligible asset) are included in its cost. Therefore, the option to recognise these costs directly in the profit or loss is eliminated.

The Group presently states borrowing costs in the accounts according to the alternative criteria allowed by the present version of IAS 23, therefore no impact is expected.

#### **IAS 32 (Amended) — Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation**

The International Accounting Board (IASB) issued in February 2008, the revised IAS 32 - Financial Instruments: Presentation - Puttable financial instruments and obligations arising from liquidation, with effective date of mandatory application of 1 January 2009.

According with the current requirements of IAS 32, if an issuer can be required to make a payment in money or in other financial asset in exchange for the redemption or repurchase of the financial instrument, the instrument is classified as a financial liability. As a result of this review, some financial instruments that currently comply with the definition of a financial liability will be classified as an equity instrument if (i) they represent a residual interest in the net assets of the entity, (ii) are included in a class of instruments subordinated to any other class of instruments issued by the entity; and (iii) all instruments in the class have the same terms and conditions. A change in IAS 1 Presentation of Financial Statements was also performed to add a new presentation requirement for puttable financial instruments and obligations arising from liquidation.

The Group does not expect any material impact from the adoption of this revised standard.

#### **IAS 39 (Amended) - Financial Instruments: Recognition and measurement — Eligible hedged items**

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 Financial Instruments: Recognition and measurement — Eligible hedged items, which is applicable from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on an hedged operation.

The Group is evaluating the impact of adopting this amendment.

#### **IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements**

The changes to the IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective from 1 January 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts, to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

The Group does not expect any material impact from the adoption of this amendment.

#### **IFRS 2 (Amended) - Share-based payment: Acquisition conditions**

The International Accounting Standards Board (IASB) issued in January 2008, the Amended IFRS 2 - Share-based payment - Acquisition conditions, with effective date of mandatory application of 1 January 2009, being allowed its earlier adoption.

This change to IFRS 2 allows to clarify that (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any cancellation of such programs, by the entity or third parties, has the same accounting treatment.

The Group does not expect any material impact from the adoption of this standard.

#### **IFRS 3 (Amended) - Business Combinations and IAS 27 (Amended) - Consolidated and Separate Financial Statements**

The International Accounting Standards Board (IASB) issued in January 2008, the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its earlier adoption.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as minority interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as a component attributable to non-controlling interest of the fair value of the net assets acquired (as currently required); (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition; (iii) the costs directly related with the acquisition of a subsidiary will be accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, IAS 27 was amended to require that an entity attributes a share of the accumulated losses of a subsidiary to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance, and to specify that, upon losing control of a subsidiary, an entity measures any non-controlling interest retained in the former subsidiary at its fair value, determined at the date the control is lost.

The Group does not expect any material impact from the adoption of these amendments.

#### **IFRS 8 — Operating Segments**

The International Accounting Standards Board (IASB) issued on 30 November 2008, the IFRS 8 - Operating Segments, approved by European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments and also about services and products, geographical areas where the entity operates and the most significant customers. This standard specifies how an entity should disclose its information in the annual financial statements and, consequently will amend IAS 34 Interim Financial Reporting, regarding the information to be disclosed in the interim financial reporting. Each entity should also provide a description of the segmental information disclosed namely profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

Considering the nature of this change (disclosure) the impact expected by the Group will be limited to the presentation of the financial statements. As at 31 December 2008, the Group is evaluating the impact of adopting this standard.

#### **IFRIC 12 Service Concession Arrangements**

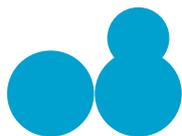
The International Financial Reporting Interpretations Committee (IFRIC) has issued in July, 2007 IFRIC 12 — Service Concession Arrangements, which is applicable from 1 January, 2008, although allowing for an early adoption. The endorsement by the European Union has not yet been approved, however, it is expected for the first quarter of 2009. The IFRIC 12 applies to public-to-private service concession arrangements. This interpretation will be applicable only when (i) the grantor controls or regulates what services the operator must provide and (ii) the grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

Some of the activities of electricity generation and distribution and gas distribution, operated by EDP Group in Portugal, Spain and Brazil, are public services provided through service concession arrangements made with the State and other public entities holding these concession rights.

After a preliminary assessment EDP Group has identified the following activities as being included within the scope of this interpretation:

In Portugal

- Service concession to distribute high and medium tension electricity — National Distribution Network, granted to EDP Distribuição — Energia, S.A.;
- Service concession to distribute low tension electricity - Municipalities, granted to EDP Distribuição — Energia, S.A.;
- Concessions for micro hydroelectric generation, granted to EDP — Gestão da Produção de Energia, S.A. and Pebble Hydro Group;
- Service concession to distribute medium and low tension natural gas, granted to Portgás, S.A.;



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In Spain

- Service concessions to produce electricity through hydroelectric power stations, granted to subsidiaries of NEO Group;

In Brazil

- Public service concession to distribute electricity, granted to Bandeirante Energia, S.A.;
- Public service concession to distribute electricity, granted to Escelsa - Espírito Santo Centrais Eléctrica, S.A.;
- Public Service concession to operate a hydroelectric power station and its associated transmission system, granted to Investco/Lajeado;
- Public Service concession for electricity generation, granted to Enerpeixe and Energest and its subsidiaries (CESA, Costa Rica and Pantanal).

The Group is currently gathering information to determine in detail the accounting impacts in the consolidated financial statements resulting from the adoption of this interpretation.

### IFRIC 13 Customer Loyalty Programmes

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007, the IFRIC 13 - Customer Loyalty Programmes, with effective date of mandatory application on 1 July 2008, being allowed its earlier adoption.

This interpretation addresses how companies grant their customers loyalty award credits (often called points) when buying goods or services, allowing them to exchange these credits, in the future, by free goods or services or with a discount.

Considering the available information, it is still not possible to reliably determine the impact of this interpretation and therefore no estimate is presented. However the Group is evaluating the impact of adopting this standard.

### IFRIC 15 - Agreements for the construction of Real Estate

The IFRIC15 - Agreements for the Construction of Real Estate will be effective from 1 January, 2009.

This interpretation includes guidance that allows determining if a contract for the construction of real estate is within the scope of IAS 18 Revenue or IAS 11 Construction Contracts. It is expected that IAS 18 will be applied to a larger number of transactions.

The Group does not expect any material impact from the adoption of this interpretation.

### IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The International Financial Reporting Interpretations Committee (IFRIC), issued in July, 2008, IFRIC 16 — Hedges of a Net Investment in a Foreign Operation, with mandatory application date for years started after 1 October, 2008, although allowing for an early adoption.

This interpretation intends to clarify that:

- The hedge of a net investment in a foreign operation can only be applied to exchange differences resulting from the foreign subsidiaries' financial statements conversion from its functional currency to the parent company's functional currency and only for an amount equal or smaller to the subsidiary's net assets;
- The hedge instrument can be contracted by any of the Group's entities, except by the entity that is being hedged; and
- At the moment of the hedged subsidiary's sale, the accumulated gain or loss related to the effective hedge component is reclassified to profit and loss.

This interpretation allows an entity that uses the step by step consolidation method to choose an accounting policy that allows determining the accumulated foreign exchange conversion adjustment that is reclassified to profit and loss when the subsidiary is sold, as it would do if applying the direct consolidation method. This interpretation has a prospective application.

The Group is evaluating the impact of this interpretation's adoption in its financial statements.

### IFRIC 17 - Distributions of Non-cash Assets to Owners

The International Accounting Board (IASB) issued in November 2008, the IFRIC 17 - Distributions of Non-cash Assets to Owners, with effective date of mandatory application for annual periods commencing on or after 1 July 2009, and earlier application is permitted.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognized in profit and loss in the period of the distribution.

The Group does not expect this interpretation to have a material impact in its financial statements.

### IFRIC 18 - Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November, 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July, 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The assets recognition and initial measurement;
- The identification of the identifiable services (one or more services in exchange for the transferred asset);
- Revenue recognition;
- Accounting of money transfers from customers.

The Group does not expect this interpretation to have a material impact in its financial statements.

#### **Annual Improvement Project**

In May, 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority will be mandatory for the Group in 2009.

The main changes resulting from the Annual Improvement Project are as follows:

- Changes to IFRS 5 — Non-current Assets Held for Sale and Discontinued Operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

This standard will be adopted prospectively by the Group.

- Changes to IAS 1 Financial Statements presentation, which is applicable from 1 January 2009. The change clarifies that only some financial instruments classified as trading instruments are an example of current assets and liabilities. Until this change all trading instruments were classified as current assets and liabilities.

The Group does not expect any material impact from the adoption of this change.

- Changes to IAS 16 Property, Plant and Equipment, which is applicable from 1 January 2009. The change that occurred on this standard establishes classification rules (i) for the income originated by the sale of rented assets subsequently sold and (ii) for the income from these assets during the period between the termination date of the rental agreement and the date of the sale agreement.

The Group does not expect any material impact from the adoption of the changes referred above.

- Changes to IAS 19 Employee Benefits, which is applicable from 1 January 2009. The changes allowed clarifying (i) the concept of negative costs associated to past services resulting from changes in the defined benefit plan, (ii) the interaction between the expected return from the assets and the costs of managing the plan, and (iii) the distinction between short and medium and long term benefits.

The changes to IAS 19 will be adopted by the Group in 2009. However, the Group does not expect any material impact from the adoption of the changes referred above in its consolidated financial statements.

- Changes to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, which is applicable from 1 January 2009. This change established that the benefit arising from obtaining a government loan at rates below market rates, should be measured as the difference between the fair value of the liability at granting date, determined in accordance with IAS 39 Financial Instruments: Recognition and Measurement and the amount received. This benefit should be subsequently accounted in accordance with IAS 20.

The Group does not expect any significant impact from the adoption of this change.

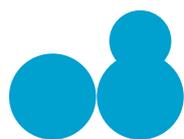
- Changes to IAS 23 Borrowing Costs, applicable from 1 January 2009. The concept of borrowing costs was changed to clarify that these costs should be determined according to the effective interest rate as defined in IAS 39 Financial Instruments: Recognition and Measurement, thus eliminating the inconsistency between IAS 23 and IAS 39.

The Group does not expect any significant impact from the adoption of this change.

- Changes to IAS 27 Consolidated and Separate Financial Statements, applicable from 1 January 2009. The change to this standard determines that in the cases when an investment in a subsidiary is accounted at fair value in the individual accounts, according with IAS 39 Financial Instruments: Recognition and Measurement and qualifies for classification as a non-current asset held for sale according with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the investment should continue to be measured as defined in IAS 39.

This change will not have an impact in the financial statement of the Group considering that, in the individual accounts, the investments in subsidiaries are accounted for at acquisition cost, according to IAS 27.

- Change to IAS 28 Investments in Associates, applicable from 1 January 2009. The changes to IAS 28 Investments in Associates had the objective of clarifying (i) that an investment in an associate should be treated as a single asset for impairment testing purposes under the scope of IAS 36, (ii) that any impairment loss to be recognized should not be allocated to specific assets namely to goodwill and (iii) that the impairment reversions are accounted as an adjustment to the carrying amount of the associate as long as and to the extent that the recoverable amount of the investment increases.



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The Group does not expect any significant impact from the adoption of this change.

- Change to IAS 38 Intangible Assets, applicable from 1 January 2009. This change determined that incurred deferred expenses related with publicity or promotional activities can only be recognised in the balance sheet if an advance payment was made regarding goods and services that will be received in a future date. The recognition in profit and loss should occur when the entity has the right to receive the goods and services.

The Group does not expect any significant impact from the adoption of this change.

- Changes to IAS 39 Financial Instruments: Recognition and Measurement, applicable from 1 January 2009. These changes include mainly:

(i) the clarification that it is possible to perform transfers from and to the category of fair value through profit and loss regarding derivatives, whenever these start or end a hedge relationship in cash-flows hedge models or net investment in an associate or subsidiary, (ii) the change to the definition of financial instrument at fair value through profit and loss in what relates to the trading portfolio, determining that in the case of financial instrument portfolios jointly managed and for which there is evidence of a recent and real model of short-term profit taking, these should be classified as trading on initial recognition; (iii) the change to the documentation requirements and the effectiveness tests of the hedge relationship for the operational segments defined under the scope of IFRS 8 - Operating Segments; and (iv) the clarification that the measurement of a financial liability at amortized cost, after the interruption of the respective fair value hedge relationship, should be performed based on the new effective rate calculated at the interruption date.

The Group does not expect any significant impact from the adoption of this change.

Changes to IAS 40 Investment Properties, applicable from 1 January 2009. Following this change, properties under construction or development for subsequent use as investment properties are included under the scope of IAS 40 (before they were included under the scope of IAS 16 Property, Plant and Equipment). These properties under construction can be accounted at fair value except if they cannot be reliably measured in which case they should be accounted at acquisition cost.

The Group is evaluating the impact of the adoption of this change.

**50. Environmental matters**

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2008 and 2007 are analysed as follows:

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Air and climate protection	93.052	119.556
Biodiversity and landscape protection	20.555	8.238
Waste management	8.876	2.627
Research and development in the environmental area	1.197	862
Soil, subterranean and superficial water protection	1.596	8.568
Residual water management	112	-
Noise and radiation reduction	607	-
Other environmental management and protection activities	5.518	2.860
	<u>131.513</u>	<u>142.711</u>

Investments recognised in Air and climate protection as Property, plant and equipment in 2008 include costs incurred by EDP Produção of 65,452 thousand Euros. The main assets correspond to gas desulfurization and desnitrification equipments of the Sines Thermoelectric Plant, which at 31 December 2008, have a net book value of 175,000 thousand Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2008 Euro'000	Dec 2007 Euro'000
Air and climate protection	15.196	1.224
Biodiversity and landscape protection	1.394	696
Waste management	6.731	3.123
Soil, subterranean and superficial water protection	2.894	721
Other environmental management and protection activities	2.521	7.717
Research and development in the environmental area	2.420	-
Other expenses	1.113	1.756
	<u>32.269</u>	<u>15.237</u>

As referred under accounting policies - note 2 o), the Group made provisions for decommissioning of Property, plant and equipment assets whenever there is a legal or contractual obligation to dismantle these assets at the end of their useful lives. Consequently, at 31 December 2008 the Group has booked provisions relating to the obligation to dismantle and put the land where the wind farms are located in its original condition of 47,311 thousand Euros (20,280 thousand Euros at 31 December 2007) and provisions related to the decommissioning of the Trillo nuclear power plant of 20,725 thousand Euros (20,975 thousands Euros at 31 December 2007) - see note 36.

During the year 2008, EDP Group incurred in fines and other penalties for breaching environmental regulations of 132 thousand Euros (0 thousand Euros in 31 December 2007).

Environmental income recognised in 2008 relates to the sale of environmental subproducts of 4,005 thousand Euros (4,062 thousand Euros in 2007), the sale of environmental waste of 5,744 thousand Euros (6,252 thousand Euros in 2007) and public environmental protection incentives of 328 thousand Euros (229 thousand Euros in 2007).

## 51. Segmental reporting

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

A geographical segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services within a particular economic environment which is subject to risks and returns that are different from those of components operating in other economic environments.

The Group develops a set of activities in the energy sector in Portugal and abroad, with special emphasis in generation, distribution and supply of electricity and distribution and supply of gas.

The Group manages its activity based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other operations.

The segments defined by the Group are the following:

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP - Energias do Brasil
- Iberian Gas
- Other Operations

The EDP Group makes a separate analysis of the generation electricity business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking in consideration the specifications of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

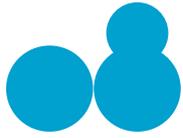
The segment **Iberian Generation** corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.
- Sub-Group Pebble Hydro
- Electrica de la Ribera del Ebro, SA
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Grupo 4
- Patrimonial de La Ribera del Ebro, S.L.

The segment **Iberian Distribution** corresponds to the activities of distribution of electricity in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- EDP Soluções Comerciais, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotacion Redes
- Hidrocantábrico Distribucion Eléctrica, S.A.U.

The segment **Iberian Supply** corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the Iberian distribution activity. This segment includes, namely, the following companies:



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- EDP Comercial - Comercialização de Energia, S.A.
- Hidroantábrico Energia, S.A.U.

The segment **EDP Renováveis** corresponds to the power generation activity through renewable energy resources and includes all the companies of NEO Energia and Horizon Wind Energy subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies that compose this segment, including consolidation adjustments.

The segment **EDP Energias do Brasil** includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the segment EDP Renováveis. As in the segment **EDP Renováveis**, this segment includes all the adjustments for the companies that compose this segment, including consolidation adjustments.

The segment **Gas** includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Gas de Euskadi Transporte de Gas, S.A.U.
- Naturgas Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Grupo, S.A.
- Septentrional de Gas, S.A.

The segment **Other operations** includes the centralized management of financial investments and the remaining activities not included in the businesses segments, namely the centralized management of human resources, logistic platforms and shared service center.

The column "Adjustments" includes the annulment of dividends paid to EDP Energias de Portugal by the companies included in the segments as well as, the adjustments related to the annulment of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and between segments annulments.

#### Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the annulment of transactions between companies of the same segment.

The balance sheet captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the annulment of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

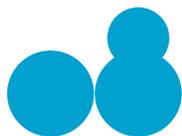
The income statement captions for each business segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the annulment of transactions between companies of the same segment.

For comparability purposes the information for 31 December 2007 has been updated with the criteria changes which occurred in 2008, which essentially reflects the fact that the holding companies and their consolidation adjustments have been included in some segments, whereas in 2007 these companies were aggregated in the columns "Adjustments" and "Other Operations", namely for the segments EDP Energias do Brasil, Iberian Generation and Iberian Gas.

#### 52. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union, some of which may not conform to Generally Accepted Accounting Principles in other countries. In the event of discrepancies, the Portuguese language version prevails.





## EDP Group Activity by Business Segment

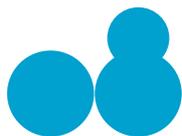
Information by business segment – December 2008 (Amounts in thousand of Euros)

	Iberian Generation			Iberian Distribution *			Iberian Supply			Electricity					
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	Adjustments	Total
Turnover	3.066.782	1.037.032	-8.064	4.095.750	6.056.159	157.068	6.213.227	165.042	1.007.767	1.172.809	400.616	131.813	-	-	532.429
Cost of consumed electricity	-1.057.117	-29.249	-	-1.086.366	-4.562.113	-	-4.562.113	-145.024	-937.940	-1.082.964	-487	-506	-	-	-993
Cost of consumed gas	-	-	-	-	-	-	-	-	-2.430	-2.430	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-813.062	-676.386	-	-1.489.448	-11.909	1.021	-10.888	-5.994	-5.990	-11.984	-11.251	-	-	-	-11.251
	1.196.603	331.397	-8.064	1.519.936	1.482.137	158.089	1.640.226	14.024	61.407	75.431	388.878	131.307	-	-	520.185
Other operating income / (expenses)															
Other operating income	16.372	22.125	-	38.497	48.942	17.472	66.414	2.424	31.693	34.117	5.584	84.601	1.676	-2.337	89.524
Supplies and services	-108.981	-55.582	8.064	-156.499	-284.339	-59.948	-344.287	-15.828	-34.011	-49.839	-55.777	-45.381	-7.317	2.062	-106.413
Personnel costs	-80.495	-33.294	-	-113.789	-173.761	-20.897	-194.658	-4.681	-5.134	-9.815	-18.532	-17.099	-1.723	-191	-37.545
Employee benefits	-36.218	-1.683	-	-37.901	-132.087	-3.611	-135.698	-147	-173	-320	-161	-929	-	-	-1.090
Other operating expenses	-6.082	-71.993	-	-78.075	-253.028	-9.160	-262.188	-1.568	-12.286	-13.854	-13.218	-14.033	-	466	-26.785
	-215.404	-140.427	8.064	-347.767	-794.273	-76.144	-870.417	-19.800	-19.911	-39.711	-82.104	7.159	-7.364	-	-82.309
	981.199	190.970	-	1.172.169	687.864	81.945	769.809	-5.776	41.496	35.720	306.774	138.466	-7.364	-	437.876
Provisions	1.080	-19.037	-	-17.957	1.452	-126	1.326	-7.384	2.995	-4.389	807	-	-	-	807
Depreciation and amortisation expense	-296.289	-122.781	-	-419.070	-340.399	-29.288	-369.687	-1.056	-1.996	-3.052	-120.077	-87.687	-	-	-207.764
Compensation of amortisation and depreciation	3.596	451	-	4.047	91.767	3.553	95.320	-	-	-	696	-	-	-	696
	689.586	49.603	-	739.189	440.684	56.084	496.768	-14.216	42.495	28.279	188.200	50.779	-7.364	-	231.615
Gain from the sale of financial assets	49.398	1.741	-	51.139	680	-	680	-	-	-	2.363	-	-	-	2.363
Other financial income	344.575	75.753	-112.499	307.829	19.038	194	19.232	372	1.595	1.967	9.035	3.190	454.126	-195.450	270.901
Other financial expenses	-430.033	-102.867	112.499	-420.401	-106.643	-13.376	-120.019	-1.126	-17.806	-18.932	-157.918	-45.595	-340.057	195.450	-348.120
Share of profit of associates	5.982	340	-	6.322	-	-	-	-	-	-	4.444	-6	-	-	4.438
Profit / (loss) before tax	659.508	24.570	-	684.078	353.759	42.902	396.661	-14.970	26.284	11.314	46.124	8.368	106.705	-	161.197
Income tax expense	-152.516	-6.075	-	-158.591	-79.135	-12.732	-91.867	2.780	-7.291	-4.511	-16.992	-	-31.987	-	-48.979
Profit after taxes and before gains/(loss) from discontinued operations	506.992	18.495	-	525.487	274.624	30.170	304.794	-12.190	18.993	6.803	29.132	8.368	74.718	-	112.218
Gains / (losses) on sale of discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net profit / (loss) for the year</b>	<b>506.992</b>	<b>18.495</b>	<b>-</b>	<b>525.487</b>	<b>274.624</b>	<b>30.170</b>	<b>304.794</b>	<b>-12.190</b>	<b>18.993</b>	<b>6.803</b>	<b>29.132</b>	<b>8.368</b>	<b>74.718</b>	<b>-</b>	<b>112.218</b>
<b>Attributable to:</b>															
Equity holders of EDP	506.430	17.303	-	523.733	274.624	29.492	304.116	-12.181	17.774	5.593	24.892	8.368	74.718	-3.614	104.364
Minority interest	562	1.192	-	1.754	-	678	678	-9	1.219	1.210	4.240	-	-	3.614	7.854
<b>Net profit / (loss) for the year</b>	<b>506.992</b>	<b>18.495</b>	<b>-</b>	<b>525.487</b>	<b>274.624</b>	<b>30.170</b>	<b>304.794</b>	<b>-12.190</b>	<b>18.993</b>	<b>6.803</b>	<b>29.132</b>	<b>8.368</b>	<b>74.718</b>	<b>-</b>	<b>112.218</b>
<b>Other Information:</b>															
Property, plant and equipment	3.986.466	1.923.817	-	5.910.283	4.292.343	654.378	4.946.721	3.418	7.394	10.812	3.574.347	3.478.077	359	-	7.052.783
Intangible assets	1.475.247	620.621	-	2.095.868	-	241.633	241.633	523	5	528	812.560	569.513	-	12.723	1.394.796
Current assets	1.012.757	719.260	-68.977	1.663.040	1.122.160	165.132	1.287.292	43.120	273.644	316.764	473.514	126.338	335.303	-202.835	732.320
Equity and minority interest	2.080.537	2.140.472	25.022	4.246.031	604.661	403.650	1.008.311	11.481	-143.810	-132.329	408.978	2.786.532	4.988.352	-2.993.752	5.190.110
Current liabilities	2.559.050	1.113.724	-38.116	3.634.658	3.572.679	467.697	4.040.376	25.038	214.621	239.659	793.471	175.002	21.010	-208.722	780.761

\* Include Last Resource Supply in Portugal

a) For business segment reporting purposes, only in the Income Statement are considered the discontinued operation of Enersul.

EDP Energias do Brasil						Gas						Operations		EDP Group
Generation	Distribution	Supply	Other operations	Adjustments	Total	Iberian Activity				Other operations	Adjustments	Continuing	Discontinuing	
						Portugal	Spain	Adjustments	Total					
297.241	1.487.553	291.316	-	-231.202	1.844.908	259.418	1.163.404	-142.623	1.280.199	162.135	-1.630.253	13.671.204	222.859	13.894.063
-46.077	-865.688	-261.977	-	193.793	-979.949	-	-1.108	609	-499	-	1.154.634	-6.538.250	-69.023	-6.627.273
-	-	-	-	-	-	-212.563	-904.667	136.789	-980.441	-	159.671	-823.200	-	-823.200
-553	-13.013	-7	-62	-	-13.635	-	-1.890	607	-1.283	-387	-5.148	-1.544.024	-2.381	-1.546.405
<b>250.611</b>	<b>608.852</b>	<b>29.332</b>	<b>-62</b>	<b>-37.409</b>	<b>851.324</b>	<b>46.855</b>	<b>255.739</b>	<b>-4.618</b>	<b>297.976</b>	<b>161.748</b>	<b>-321.096</b>	<b>4.745.730</b>	<b>151.455</b>	<b>4.897.185</b>
1.910	17.603	-	645	-	20.158	2.408	12.129	-620	13.917	84.918	-121.303	226.242	2.431	228.673
-16.009	-116.390	-1.967	-10.377	-	-144.743	-14.367	-42.497	4.380	-52.484	-147.858	294.340	-707.783	-27.985	-735.768
-10.237	-78.054	-2.017	-5.733	-	-96.041	-4.228	-22.609	374	-26.463	-95.688	16.323	-557.676	-15.998	-573.674
-485	-9.336	-80	-430	-	-10.331	-75	-479	-	-554	-5.722	32.216	-159.400	-1.800	-161.200
-11.627	-77.068	-5.956	-848	37.409	-58.090	-8.085	-17.603	-51	-25.739	-19.303	29.116	-454.918	-45.362	-500.280
-36.448	-263.245	-10.020	-16.743	37.409	-289.047	-24.347	-71.059	4.083	-91.323	-183.653	250.692	-1.653.535	-88.714	-1.742.249
214.163	945.607	19.312	-16.805	-	562.277	22.508	184.680	-535	206.653	-21.905	-70.404	3.092.195	62.741	3.154.936
-78	-6.980	-	-1.340	-	-8.398	47	-445	-	-398	-5.997	7.012	-27.994	-4.077	-32.071
-40.140	-141.850	-108	-55.016	54.892	-182.222	-11.774	-35.465	6	-47.233	-10.499	-37.054	-1.276.581	-29.009	-1.305.590
-	8.511	-	-	-	8.511	1.399	3.176	-	4.575	447	-2.884	110.712	2.885	113.597
173.945	205.288	19.204	-73.161	54.892	380.168	12.180	151.946	-529	163.597	-37.954	-103.330	1.898.332	32.540	1.930.872
-	-	-	-	-	-	-	-	-	-	-9.254	436.804	481.732	-	481.732
23.130	64.344	1.199	65.878	-57.666	96.885	10.652	15.103	-3.773	21.982	2.270.216	-1.813.920	1.175.092	11.005	1.186.097
-73.699	-106.372	-318	-70.601	57.666	-193.324	-13.780	-1.710	3.766	-11.724	-2.048.177	1.048.092	-2.112.605	-16.194	-2.128.799
-	-	-	-33	-	-33	1.544	241	-	1.785	-	22.175	34.687	-	34.687
123.376	163.260	20.085	-77.917	54.892	283.696	10.596	165.580	-536	175.640	174.831	-410.179	1.477.238	27.351	1.504.589
-19.823	-53.673	-6.579	-9.504	-10.170	-99.749	-3.382	-36.493	36	-39.839	-164.855	333.917	-274.474	-9.325	-283.799
103.553	109.587	13.506	-87.421	44.722	183.947	7.214	129.087	-500	135.801	9.976	-76.262	1.202.764	18.026	1.220.790
-	-	-	-	-	-	-	-	-	-	-	-	-	-8.448	-8.448
<b>103.553</b>	<b>109.587</b>	<b>13.506</b>	<b>-87.421</b>	<b>44.722</b>	<b>183.947</b>	<b>7.214</b>	<b>129.087</b>	<b>-500</b>	<b>135.801</b>	<b>9.976</b>	<b>-76.262</b>	<b>1.202.764</b>	<b>9.578</b>	<b>1.212.342</b>
93.780	109.587	13.506	-87.421	20.301	149.753	5.193	124.252	-3.331	126.114	9.976	-134.080	1.089.569	2.297	1.091.866
9.773	-	-	-	24.421	34.194	2.021	4.835	2.831	9.687	-	57.818	113.195	7.281	120.476
<b>103.553</b>	<b>109.587</b>	<b>13.506</b>	<b>-87.421</b>	<b>44.722</b>	<b>183.947</b>	<b>7.214</b>	<b>129.087</b>	<b>-500</b>	<b>135.801</b>	<b>9.976</b>	<b>-76.262</b>	<b>1.202.764</b>	<b>9.578</b>	<b>1.212.342</b>
1.378.400	709.618	128	614	-	2.088.760	297.368	523.461	-429	820.400	144.700	151.103	al	al	21.125.562
284.952	48.336	298	87.370	-	420.956	135.650	743.527	-62.887	816.290	355.993	516.236	al	al	5.842.300
138.213	336.503	41.883	114.627	-65.706	565.520	57.359	608.176	-10.385	655.150	3.545.771	-3.837.890	al	al	4.927.967
1.009.726	474.306	19.577	125.833	-1.456	1.627.986	308.365	1.053.054	-585.258	776.161	6.923.329	-11.092.690	al	al	8.546.909
315.868	449.808	32.539	126.252	-64.090	860.377	126.343	304.457	-9.366	421.434	2.914.814	-4.522.662	al	al	8.369.417



## EDP Group Activity by Business Segment

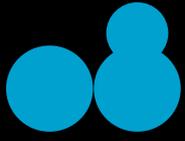
Information by business segment – December 2007 (Amounts in thousand of Euros)

	Iberian Generation			Iberian Distribution			Electricity			Renewable *			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Iberian Supply			Renewable *		
								Portugal	Spain	Total	Europe	U.S.A.	Total
Turnover	2,059,334	801,571	-1,853	2,859,052	4,653,244	144,199	4,797,443	343,031	838,249	1,181,280	264,172	32,313	296,485
Cost of consumed electricity	-320,492	-25,333	6,275	-339,550	-3,414,129	-	-3,414,129	-312,924	-738,548	-1,051,472	-206	-739	-945
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-602,049	-372,355	46	-974,358	-13,035	-279	-13,314	-9,796	-17,508	-27,304	-16,363	-	-16,363
	1,136,793	403,883	4,468	1,545,144	1,226,080	143,920	1,370,000	20,311	82,193	102,504	247,603	31,574	279,177
Other operating income / (expenses)													
Other operating income	12,683	3,180	-	15,863	51,682	38,931	90,613	213	29,536	29,749	6,292	13,085	19,377
Supplies and services	-102,923	-53,322	1,807	-154,438	-260,218	-55,859	-316,077	-18,203	-31,542	-49,745	-40,124	-9,187	-49,311
Personnel costs	-80,140	-33,007	-	-113,147	-181,368	-25,734	-207,102	-4,590	-6,532	-11,122	-13,414	-8,180	-21,594
Employee benefits	-48,231	-10,877	-	-59,108	-217,188	-16,610	-233,798	-195	-199	-394	-101	-215	-316
Other operating expenses	-6,948	-53,109	-6,275	-66,332	-235,569	-12,585	-248,154	-1,458	-11,136	-12,594	-10,337	-3,133	-13,470
	-225,559	-147,135	-4,468	-377,162	-842,661	-71,857	-914,518	-24,233	-19,873	-44,106	-57,684	-7,630	-65,314
	911,234	256,748	-	1,167,982	383,419	72,063	455,482	-3,922	62,320	58,398	189,919	23,944	213,863
Provisions	-1,476	-13,839	7,796	-7,519	16,763	371	17,134	-15,433	1,392	-14,041	-	-	-
Depreciation and amortisation expense	-258,983	-122,053	-	-381,036	-345,306	-31,853	-377,159	-4,730	-2,333	-7,063	-91,252	-20,430	-111,682
Compensation of amortisation and depreciation	3,596	444	-	4,040	85,498	2,840	88,338	-	-	-	156	-	156
	654,371	121,300	7,796	783,467	140,374	43,421	183,795	-24,085	61,379	37,294	98,823	3,514	102,337
Gain from the sale of financial assets	-7,490	-	-	-7,490	-	-	-	-	-	-	6,596	-	6,596
Other financial income	105,719	50,217	-20,584	135,352	40,899	519	41,418	1,716	1,584	3,300	67,745	5,074	72,819
Other financial expenses	-189,733	-35,952	30,887	-194,798	-105,126	-12,094	-117,220	-19,687	-15,425	-35,112	-130,632	-5,236	-135,868
Share of profit of associates	13,886	375	-	14,261	-	-	-	-	-	-	3,046	-98	2,948
Profit / (loss) before tax	576,753	135,940	18,099	730,792	76,147	31,846	107,993	-42,056	47,538	5,482	45,578	3,254	48,832
Income tax expense	-137,142	-48,994	-	-186,136	11,918	-10,467	1,451	13,099	-15,506	-2,407	-4,101	-	-4,101
Profit after taxes and before gains/(loss) from discontinued operations	439,611	86,946	18,099	544,656	88,065	21,379	109,444	-28,957	32,032	3,075	41,477	3,254	44,731
Gains / (losses) on sale of discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net profit / (loss) for the year</b>	<b>439,611</b>	<b>86,946</b>	<b>18,099</b>	<b>544,656</b>	<b>88,065</b>	<b>21,379</b>	<b>109,444</b>	<b>-28,957</b>	<b>32,032</b>	<b>3,075</b>	<b>41,477</b>	<b>3,254</b>	<b>44,731</b>
<b>Attributable to:</b>													
Equity holders of EDP	437,514	84,952	18,098	540,564	88,065	20,707	108,772	-28,949	31,529	2,580	39,996	3,254	43,250
Minority interest	2,097	1,994	-	4,091	-	672	672	-8	503	495	1,481	-	1,481
<b>Net profit / (loss) for the year</b>	<b>439,611</b>	<b>86,946</b>	<b>18,099</b>	<b>544,656</b>	<b>88,065</b>	<b>21,379</b>	<b>109,444</b>	<b>-28,957</b>	<b>32,032</b>	<b>3,075</b>	<b>41,477</b>	<b>3,254</b>	<b>44,731</b>
<b>Other information:</b>													
Property, plant and equipment	3,695,453	1,856,403	-	5,551,856	4,291,344	587,257	4,878,601	2,587	5,113	7,700	2,752,573	2,175,843	4,928,416
Intangible assets	1,123,857	533,358	-	1,657,215	-	235,501	235,501	523	7	530	615,803	536,971	1,152,774
Current assets	753,665	441,263	-13,926	1,181,002	957,656	68,191	1,025,847	81,499	188,980	270,479	497,988	333,636	831,624
Equity and minority interest	358,494	1,475,559	28,232	1,862,285	356,886	220,949	577,835	209	398,177	398,386	151,604	1,799,685	1,951,289
Current liabilities	2,669,049	756,235	-13,877	3,411,407	2,498,084	327,773	2,825,857	71,164	144,421	215,585	560,674	400,363	961,037

\* Considering that EDP-Renováveis was only incorporated in December 2007, the amounts are not comparable with December 2008.

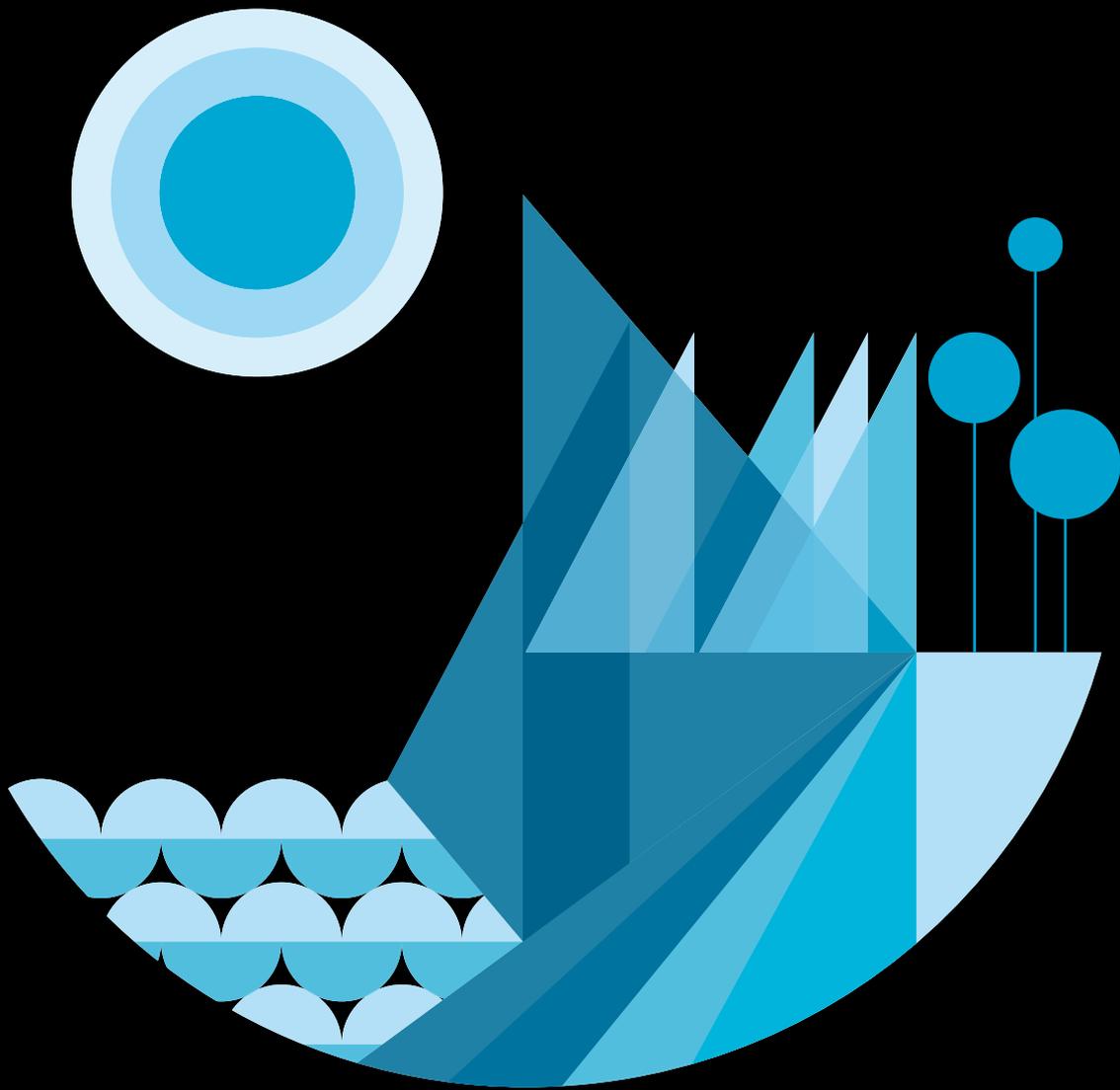
a) For business segment reporting purposes, only in the Income Statement are considered the discontinued operation of Enersul.

EDP Energias do Brasil						Gas						Operations		EDP Group
Generation	Distribution	Supply	Other operations	Adjustments	Total	Iberian Gas				Other operations	Adjustments	Continuing	Discontinuing	
						Portugal	Spain	Adjustments	Total					
218.909	1.277.567	232.427	969	-228.283	1.501.589	114.488	891.845	-12.133	994.200	259.826	-1.232.037	10.657.838	352.940	11.010.778
-24.152	-756.307	-204.757	-	226.262	-758.954	-	-4	-	-4	-126	929.071	-4.636.109	-111.991	-4.748.100
-	-	-	-	-	-	-61.908	-544.375	-112.533	-718.816	-	133.589	-585.227	-	-585.227
-684	-6.473	-2	-75	-	-7.234	-8	-124.211	123.673	-546	-96.654	15.584	-1.120.189	-3.794	-1.123.983
<b>194.073</b>	<b>514.787</b>	<b>27.668</b>	<b>895</b>	<b>-2.022</b>	<b>735.401</b>	<b>52.572</b>	<b>223.255</b>	<b>-993</b>	<b>274.834</b>	<b>163.045</b>	<b>-153.792</b>	<b>4.316.313</b>	<b>237.155</b>	<b>4.553.468</b>
157	10.813	-	5	-	10.975	4.071	6.909	-466	10.514	77.681	-97.480	157.292	3.105	160.397
-11.595	-92.608	-2.060	-8.545	1.575	-113.233	-12.103	-40.857	892	-52.068	-130.376	221.504	-643.744	-40.443	-684.187
-9.570	-59.424	-2.835	-7.905	-	-79.734	-5.250	-20.400	-	-25.650	-96.301	-	-554.650	-22.313	-576.963
-400	-13.234	-51	-711	-	-14.396	-247	-428	-	-675	-10.111	31.905	-286.893	-2.477	-289.370
-5.049	3.091	-5.038	-993	957	-7.032	-4.023	-15.029	567	-18.485	-45.789	-2.297	-414.153	-120.917	-535.070
-26.457	-151.363	-9.984	-18.149	2.533	-203.420	-17.552	-69.805	993	-86.364	-204.896	153.632	-1.742.148	-183.045	-1.925.193
167.616	363.424	17.684	-17.254	511	531.981	35.020	153.450	-	188.470	-41.851	-160	2.574.165	54.110	2.628.275
48	-8.723	-	-	-	-8.675	-256	467	-	211	-16.447	-5.145	-34.482	-7.613	-42.095
-30.737	-47.154	-114	-877	-4.790	-83.672	-12.912	-33.725	-	-46.637	-45.966	-38.727	-1.091.942	-38.916	-1.130.858
-	5.386	-	-	-	5.386	1.401	1.604	-	3.005	267	-	101.192	3.815	105.007
136.927	312.933	17.570	-18.131	-4.279	445.020	23.253	121.796	-	145.049	-103.996	-44.033	1.548.933	11.396	1.560.329
-	-	-	-	-	-	-	-	-	-	262.741	714	262.561	-	262.561
8.698	60.957	2.829	62.856	-51.607	83.733	18.015	9.626	-2.619	25.022	621.501	-374.238	608.907	14.695	623.602
-59.277	-94.512	-1.376	-82.081	72.363	-164.883	-8.385	-9.791	2.619	-15.557	-618.175	339.743	-1.141.870	-27.551	-1.169.421
24.272	-	-	-	-24.272	-	1.737	183	-	1.920	4.579	-	23.708	-	23.708
110.620	279.378	19.023	-37.356	-7.795	363.870	34.620	121.814	-	156.434	-33.350	-77.814	1.302.239	-1.460	1.300.779
-7.891	-75.750	-6.261	42	-83	-89.943	-9.977	-26.676	-	-36.653	21.281	15.451	-281.057	209	-280.848
102.729	203.628	12.762	-37.314	-7.878	273.927	24.643	95.138	-	119.781	-12.069	-62.363	1.021.182	-1.251	1.019.931
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>102.729</b>	<b>203.628</b>	<b>12.762</b>	<b>-37.314</b>	<b>-7.878</b>	<b>273.927</b>	<b>24.643</b>	<b>95.138</b>	<b>-</b>	<b>119.781</b>	<b>-12.069</b>	<b>-62.363</b>	<b>1.021.182</b>	<b>-1.251</b>	<b>1.019.931</b>
102.729	203.161	12.762	-23.623	-41.187	253.842	19.660	85.767	-2.074	103.353	-3.702	-140.623	908.036	-784	907.252
-	467	-	-13.691	33.309	20.085	4.983	9.371	2.074	16.428	-8.367	78.261	113.146	-467	112.679
<b>102.729</b>	<b>203.628</b>	<b>12.762</b>	<b>-37.314</b>	<b>-7.878</b>	<b>273.927</b>	<b>24.643</b>	<b>95.138</b>	<b>-</b>	<b>119.781</b>	<b>-12.069</b>	<b>-62.363</b>	<b>1.021.182</b>	<b>-1.251</b>	<b>1.019.931</b>
979.478	1.229.994	183	698	-	2.210.353	277.433	496.549	-	773.982	118.258	287.129	al	al	18.756.295
139.210	69.662	336	87.153	-2.036	294.325	88.028	720.834	-60.704	748.158	1.019.700	69.721	al	al	5.177.924
123.059	626.435	43.320	121.181	-71.874	842.121	55.696	461.418	-12.922	504.192	3.496.346	-3.787.226	al	al	4.364.385
761.645	933.238	21.605	575.933	-503.427	1.788.994	390.624	239.240	316.148	946.012	5.274.631	-5.520.674	al	al	7.278.758
127.307	680.658	31.569	50.320	-53.770	836.084	102.125	213.356	-12.922	302.559	560.467	-2.345.483	al	al	6.767.513

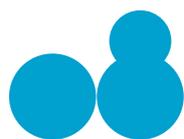


ANNUAL REPORT 2008  
FINANCIAL REPORT

DOCUMENTS ISSUED BY THE STATUTORY AUDITOR  
AND THE AUDITOR REGISTERED WITH THE CMVM







**KPMG & Associados - Sociedade de Revisores  
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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 Portuguese version)

**Introduction**

- 1** In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information for the year ended 31 December, 2008 included in the Executive Board of Directors report, and presented in the Institutional and Financial Reports, and in the consolidated financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2008 (showing total assets of 35,709,095 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 6,365,180 thousand Euros, including a profit for the year attributable to equity holders of EDP of 1,091,866 thousand Euros), the consolidated statement of income, the statement of changes in equity and the statement of cash flows 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 information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, its consolidated changes in equity and its consolidated cash flows;
  - 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 Stock Exchange 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.



### Scope

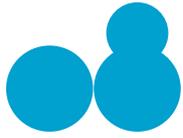
- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. 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 therein, 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 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.
- 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, 2008, the consolidated results of its operations, its consolidated cash flows and its consolidated changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 18 March, 2009

  
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 KPMG & Associados  
 Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)  
 represented by  
 Jean-éric Gaign (ROC nº 1013)



DOCUMENTS ISSUED BY THE STATUTORY AUDITOR  
AND THE AUDITOR REGISTERED WITH THE CMVM



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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 Portuguese version)

### Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information for the year ended 31 December, 2008 included in the Executive Board of Directors report, and presented in the Institutional and Financial Reports, and in the financial statements of EDP – Energias de Portugal, S.A., which comprise the balance sheet as at 31 December, 2008 (showing total assets of 18,924,947 thousand Euros and shareholders' equity of 6,270,678 thousand Euros, including a net profit of 550,978 thousand Euros), the statement of income, the statement of changes in equity and the statement of cash flows for the year then ended, and the corresponding Notes to the accounts.

### Responsibilities

- 2 The Executive Board of Directors is responsible for:
- the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which presents fairly the financial position of EDP, the results of its operations, its changes in equity and its cash flows;
  - 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 Stock Exchange Code ('CVM');
  - the adoption of adequate accounting policies and criteria;
  - the maintenance of an appropriate internal control system; and
  - the communication of any relevant fact that may have influenced the activity of EDP, its financial position or results.
- 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.



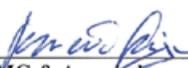
### Scope

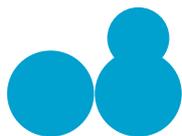
- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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.
- 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, 2008, the results of its operations, its cash flows and its changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 18 March, 2009

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



DOCUMENTS ISSUED BY THE STATUTORY AUDITOR  
AND THE AUDITOR REGISTERED WITH THE CMVM



**KPMG & Associados - Sociedade de Revisores  
Oficiais de Contas, S.A.**  
Edifício Monumental  
Av. Praia da Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

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Fax: +351 210 110 121  
Internet: www.kpmg.pt

**REPORT AND OPINION OF THE STATUTORY AUDITOR  
Consolidated Accounts  
Year ended 31 December, 2008**

(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, included in the Institutional Report, and on the consolidated financial statements, included in the Financial Report, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2008.
- 2 Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report 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 cash flows and of changes in equity, and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;
  - ii) the accounting policies and valuation criteria used are appropriate;
  - iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
  - i) the Executive Board of Directors annual report;
  - ii) the consolidated financial statements.

Lisbon, 18 March 2009

**THE STATUTORY AUDITOR**

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)  
represented by  
Jean-éric Gaign (ROC nº 1013)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.O.C., S.A.  
Capital Social: 2.840.000 Euros - Pessoa Colectiva Nº  
PT 902 161 078 - Inscrito na C.R.O.C. Nº 189 -  
Inscrito na C.M.V.M. Nº 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o nº 215, Es. 178 do Livro C - 2/3



**KPMG & Associados - Sociedade de Revisores  
Oficiais de Contas, S.A.**  
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Fax: +351 210 110 121  
Internet: www.kpmg.pt

**REPORT AND OPINION OF THE STATUTORY AUDITOR  
Year ended 31 December, 2008**

(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, included in the Institutional Report, and on the financial statements, included in the Financial Report, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2008.
- 2 Since our appointment, we have accompanied the evolution of the company's, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report 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 and of changes in equity and the related notes, present adequately the financial position and the results of EDP;
  - ii) the accounting policies and valuation criteria used are appropriate;
  - iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
  - i) the Executive Board of Directors annual report;
  - ii) the financial statements.

Lisbon, 18 March 2009

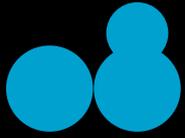
**THE STATUTORY AUDITOR**

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)  
represented by  
Jean-éric Gaign (ROC nº 1013)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

KPMG & Associados - S.R.L.C., S.A.  
Capital Social: 2.840.000 Euro - Pessoa Colectiva N.º  
PT 502 161 076 - Inscrito no C.R.C. N.º 189 -  
Inscrito na C.M.V.M. N.º 9059

Matriculada na Conservatória do registo Comercial de Lisboa sob o nº 215, fls. 178 do Livro C - 2/3

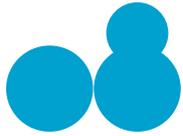


ANNUAL REPORT 2008  
FINANCIAL REPORT

STATEMENT BY THOSE RESPONSIBLE ON COMPLIANCE  
OF FINANCIAL INFORMATION PRESENTED







STATEMENT BY THOSE RESPONSIBLE ON COMPLIANCE  
OF FINANCIAL INFORMATION PRESENTED

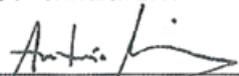


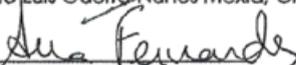
EDP – Energias de Portugal, S.A.  
Executive Board of Directors

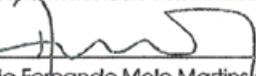
STATEMENT

With reference to 2008 financial year, and according to N.º 1 item c) of article 245.º of Decree-law n.º 357-A/2007 dated of 31.º of October, 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 fairly position of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. and its subsidiary companies included in the consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and the EDP – Energias de Portugal, S. A. position, and its subsidiary companies included in the consolidation perimeter, enclosing a description of the main risks and uncertainties related with them.

Lisbon, 5<sup>th</sup> of March 2009

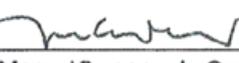
  
António Luís Guerra Nunes Mexia, Chairman

  
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



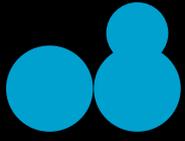
EDP – Energias de Portugal, S.A.  
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira  
Senior Accounting Officer  
Corporate Centre

#### STATEMENT

With reference to 2008 financial year, and according to N.º 1 item c) of article 245º of Decree-law n.º 357-A/2007 dated of 31<sup>st</sup> of October, I hereby, declare that, to the best of my 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 fairly position of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. and its subsidiary companies included in the consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and the EDP – Energias de Portugal, S. A. position, and its subsidiary companies included in the consolidation perimeter, enclosing a description of the main risks and uncertainties related with them.

Lisbon, 5<sup>th</sup> of March 2009





ANNUAL REPORT 2008  
FINANCIAL REPORT



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