



ANNUAL REPORT 2008
INSTITUTIONAL REPORT AND REPORT ON CORPORATE
GOVERNANCE AND SUSTAINABILITY





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ONE DAY, ALL WORLD ENERGY WILL COME FROM RENEWABLES

EDP's vision of generating all the energy the world needs. A greener, cleaner and more efficient world. An EDP world.



INDEX

MESSAGE TO SHAREHOLDERS	7
VISION, COMMITMENTS AND VALUES	10
SUMMARY OF KEY METRICS	12
COMPANY HIGHLIGHTS	16
EDP GOVERNING BODIES	18
EDP IN THE WORLD	24
EDP GROUP BUSINESS	26
Organisational Structure	28
Business Climate	30
Strategic Agenda	42
Summary of Activities	44
CONTRIBUTION TO SUSTAINABILITY	68
Corporate Approach	68
R&D and Innovation	70
EDP Communication	72
Recognition	76
Employees	78
Customers	88
Suppliers	96
Community	98
Environmental Performance	104
CORPORATE GOVERNANCE	108
Statement of Compliance	110
Corporate Governance Structure	120
Functional Structure of EDP	132
Shareholder Structure and Exercise of Shareholder Positions	150
Remuneration	156
The EDP Share and Dividend Policy	160
Relations Between the Company and the Market	168
FINANCIAL STATEMENTS	172
PROPOSAL FOR THE APPROPRIATION OF PROFITS	176
OUTLOOK FOR 2009	177
ACKNOWLEDGMENTS	179
ANNEXES (GRI EVALUATION AND OTHERS)	180
EXTERNAL CHECKS	184
EXTRACT FROM THE MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP	186



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MESSAGE TO SHAREHOLDERS

Dear Shareholders,

Time to take stock

In 2006, EDP charted a clear course aimed at achieving a balance between ambition and pragmatism. EDP chose a position set on three pillars – maintaining a low risk profile, greater efficiency and focused growth – which were taken on board by the whole organisation. We exceeded all the goals set, thanks to the ambition, foresight and capability demonstrated by the company's different teams.

These have been three years of significant events that have made EDP the largest Portuguese company quoted on the stock exchange, internationally recognised and well prepared for upcoming challenges in the sector.

EDP became stronger in this period.

A company boasting a corporate growth capacity much higher than others in its sector, with a 51% increase in installed generation capacity to a total of 18,589 MW and a 54% rise in EBITDA to EUR 3.155 billion. A more efficient company, with a 24% improvement in the ratio of operating costs over gross margin, which reached 29%, an indicator that is the best among peers in the Iberian Peninsula. A company with a generation mix more appropriate to the world that we live in, with a 35% reduction in CO₂ emissions to 0.39 tonnes per MWh. A more solid company, with a 17% improvement in the ratio of adjusted indebtedness of regulatory receivables. A more profitable company, with the highest net profit ever of EUR 1,092 billion and a 63% rise in current income to EUR 925 million. A company that remunerates its shareholders better, with a 40% increase in dividend, if the proposal to distribute 14 cents per share is approved. A company recognised internally and externally, with the satisfaction of our employees and customers hitting new all-time highs.

We were able to make a difference in this period.

We helped put hydroelectric power back on the agenda. EDP is the company with the largest programme for the construction and development of hydroelectric projects in western European with over 3,000 MW. It has 864 MW in projects under construction and around 2,000 MW in projects under development in Portugal as part of the National Dam Plan.

We set up the world's fourth largest wind-power operator and the second listed company in the sector in terms of market capitalisation. The EDP Renováveis IPO, the largest in Europe in 2008, which followed admission to trading in the United States, which became the largest market in the world in this areas at the end of the year, were essential to the leadership position that EDP holds today, reflected in a fivefold increase in installed capacity to 5,052 MW in the last three years.

We created the right conditions for doubling the installed capacity of combined-cycle power stations in the Iberian Peninsula. There are 2,122 MW capacity in operation or in the development phase. Gas needs have been guaranteed until 2010 through an innovative strategic partnership with Sonatrach at European level.

We have successfully managed the regulatory agenda, thereby maintaining EDP's low risk profile. The coming into force of contractual balance costs, the extension of the public domain for another 27 years (on average) and the revision of electricity prices and tariffs for 2009-2011 are clear examples of action taken in this area.

We improved quality of service in electricity distribution and coverage of gas network, in which we are the second largest operator in the Iberian Peninsula. From 2005 to 2008, equivalent interruption time went down 37% and 9% in Portugal and Spain respectively, while there was a 25% increase in kilometres of network and 18% in the number of customers.

We prepared the supply business in the Iberian Peninsula for liberalisation of the electricity and gas businesses. The incorporation of EDP Gás consolidated the business in this sector and permitted more efficient integrated management.

In Brazil, we trebled our installed capacity and rebalanced our portfolio, with relative weight of generation in operating profit increasing threefold to around 60%. The entry into service of new power stations and the swap of our investment in Enersul for a majority holding in the Lajeado hydroelectric power station in 2008 made a decisive contribution to this new reality, which is more suited to our involvement in this market.

In terms of efficiency, our goal of an annual saving of EUR 150 million in 2010 was achieved in 2008.

Financially speaking, EDP has strengthened its position. EDP's received more than EUR 1 billion from the sale of non-strategic assets, which was 25% above our original commitment. We demonstrated our credibility in the market, especially in the context of a more



MESSAGE TO SHAREHOLDERS

difficult market by placing two bond issues to a total of around EUR 1.4 billion and a revolving line of credit of EUR 1.6 billion in late 2008 and early 2009. We also sold the tariff deficit in two operations worth EUR 175 million in 2008 and over 1.2 billion in early 2009.

In the current crisis scenario in the financial markets, EDP share prices fell 39.7% in 2008, though they were still 4% up on the beginning of 2006, in line with the sector and performance that was significantly better than the PSI 20.

A sustainable vision of the future...

The choices made, the measures taken in recent years and the differentiation that motivates us reflect our ambition to create a sustainable long-term future for EDP. We invested in the competences that helped to build EDP, such as hydroelectric power, but we were not reaping all the possible benefits from them. The recovery of shelved projects, the launch of increases in power on a new scale, the extension of the public domain and participation in the National Dam Plan clearly demonstrate this commitment and these competences. On the other hand, we have developed new competences in a sector with high long-term growth worldwide, of which renewables are an example. Decisions such as the right time to enter new locations and the EDP Renováveis IPO enabled us to achieve scale enough to become world leaders. These are some examples of how to reconcile the creation of value at short, medium and long term.

For this vision, it is important to emphasise that our actions are guided by a set of values and practices that guarantee balance in the different branches of our activity with all stakeholders.

In recent years, our efforts to promote sustainability have been confirmed at the highest level. EDP was once again considered best in class by Storebrand. It has maintained its SAM silver category. We joined Global Compact, an international United Nations initiative in 2004. In 2008 we entered the Dow Jones Sustainability Indexes World and STOXX. We were the only Portuguese company to be included in these stock exchanges indexes, which are the strictest in the world and distinguish the companies in each sector that show the best performance in terms of transparency and sustainability and exhibit excellence in economic, environmental and social management.

Along this course, innovation in technology, processes and behaviours plays a decisive role. Our new approach to overall management of new hydroelectric projects, internal and external energy efficiency programmes, greater support for decentralised, renewable generation, InovGrid an intelligent grid project headed by EDP, sponsorship of electric vehicles and wave energy projects are further evidence of our commitments to lead the revolution in interaction between consumers and producers.

The increase in our commitment to innovation, in which we have quadrupled our investment in the last three years, reflects the importance of continuing to create the right options and the right time.

...with clear goals

EDP's new strategic plan for 2009-12 was announced at the end of 2008. The objective was not only to set new goals focusing on the areas in which the previous ones had already been exceeded, but also and above all to shine the spotlight on the options created by the company in recent years, many of which with deadlines reaching beyond this horizon, which guarantee unique conditions for EDP's sustainable growth. Priority in this new cycle goes to implementing these options. Our strategic agenda based on controlled risk, higher efficiency and oriented growth has therefore been reinforced.

But just like in 2006, we have set ambitious targets for 2012, which we have already shared with our employees and committed to the market.

We want EBITDA to grow 12% a year and net profit per share 10% a year (based on 2007). We wish dividend per share to rise EUR 0.015 a year. Our cost reduction programme will be more ambitious than the previous one and our goal is a saving of EUR 160 million in 2012.

We are going to invest an average of 3 billion a year, more than two-thirds in renewable energies, including hydroelectric projects. We want to reach an installed capacity of over 24 GW by 2012, more than twice that at the end of 2005.

However, the economic and financial framework means that we can expect 2009 to be a difficult year. EDP knows that, as the largest Portuguese company, it has a fundamental role to play in stimulating the economy and society. This is why EDP will create jobs in 2009 and why it is the company that will invest most in Portugal, around EUR 1.2 billion.

The EDP team and culture

There can be no doubt that people are our distinguishing feature. After EDP's internationalisation it is increasingly crucial to attract, develop and manage talent. Although this diversity is a challenge, it is above all an opportunity to broaden the "world" that we have here.

In 2008, we strengthened differentiated management of employee segments in order to attract, identify, develop and keep key people in the organisation. I would like to mention the High Potential Young People programme, which had 160 participants. This initiative also ties in with our goal of rejuvenating personnel by establishing a young people attraction programme and forming partnerships with renowned Portuguese and foreign universities. Finally, the foundations have been laid for a future EDP Corporate University which will be a centre of excellence for the development of the Group's human capital.

At the end of the year, we held the EDP Meetings, which brought together all employees in Portugal, Spain and the rest of Europe, followed by the United States and Brazil in early 2009. It was an important opportunity not only for sharing the Company's vision and strategy but also and especially for discussing ideas with all the members of the team. We also launched the EDPWay programme, a new vehicle motivation aimed at instilling, promoting and strengthening the EDP culture. Corporate TV became a reality with the launch of EDP ON. Today, EDP ON is a favoured in-house communication channel, which is used to broadcast EDP news, events and culture to all the organisation's regions.

Fundação EDP gained new impetus and launched several cultural initiatives in the areas of energy, the environment and social responsibility. I would like to point out that the Electricity Museum is one of the country's most successful museums, with more than 110,000 visitors, which is 71% up on 2007. The creation of Instituto EDP – Energias do Brasil was another step in this policy of involvement in the societies in which we operate, of which Fundação HC was already an example in Spain.

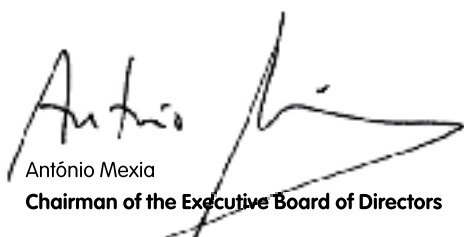
I would like to express my appreciation to our customers and suppliers and the government and regulatory bodies, for and with whom we work every day.

A word about the dual governance model chosen by the shareholders, which I believe is becoming a reference capable of enhancing management and supervision tasks in a context in which clarity and transparency of companies' data and practices are fundamental to guaranteeing their credibility. I would like to thank the General Supervisory Board for the demands that it has made on the whole team.

Today, EDP has 12,245 employees all over the world. My sincere thanks go to them for the contribution that has allowed EDP to beat the challenges and achieve its goals.

To our shareholders, thank you for the trust that you have placed in the Company in the Company and its strategy. The confident, sustainable way in which we are able to face the future would not have been possible without your cooperation.

Our solidity, vitality, reputation and recognition are fruits of the coherent, consistent way in which we have implemented the Company's vision and strategy. Even in a more difficult world economy, our teams have stuck to their long-term goals. They have maintained high levels of energy and motivation. This is why we are going to continue. We believe that it is a course that will enable EDP to become even better.



António Mexia
Chairman of the Executive Board of Directors

Lisbon, 05.03.09



VISION, COMMITMENTS AND VALUES

AN INTEGRATED ENERGY
COMPANY, A LEADER
IN VALUE CREATION
IN THE MARKETS WHERE
WE CAN MAKE A DIFFERENCE.

VISION

COMMITMENTS

THE EDP WAY

EFFICIENT AND EXCELLENT
NATURAL AND SUSTAINABLE
ENTHUSIASTIC AND ALL-ENCOMPASSING
RESPONSIBLE AND TRUSTWORTHY
GLOBAL AND FAIR
INNOVATIVE AND ENTERPRISING
AMBITIOUS AND RECEPTIVE

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

CUSTOMERS

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

PEOPLE

LIFE AND THE ENVIRONMENT

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

RESULTS

- We help our customers make rational use of energy as a way of assisting them and improving the environment;
- We respect the trust that our shareholders and investors place in us and we reward them with our results;
- We always seek to improve our performance and achieve excellence, working in partnership with our providers;
- We lead the energy markets in which we operate with top-level results in customer satisfaction, operational performance and efficiency indicators;
- We always seek success in everything that we do.

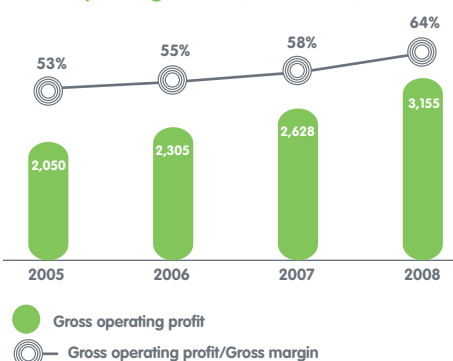


SUMMARY OF KEY METRICS

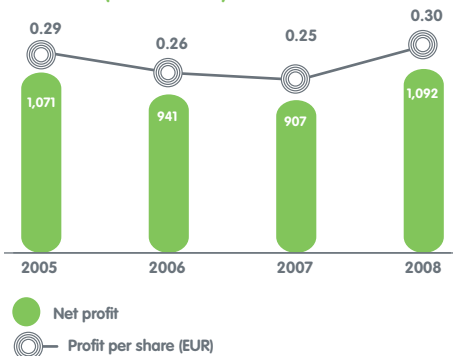
Financial Indicators

EUR thousands	2008	2007	2006	2005
EDP Group Consolidated				
Turnover	13,894,063	11,010,778	10,349,826	9,648,167
Gross operating profit	3,154,936	2,628,275	2,305,450	2,050,167
Operating profit	1,930,872	1,560,329	1,253,036	1,141,880
Net profit	1,091,866	907,252	940,823	1,071,102
Operating cash flow	1,744,506	2,270,151	2,017,523	1,652,816
Net operating investment	3,618,187	2,700,166	1,456,537	1,427,154
Financial investment/(Divestiture)	-1,362,987	1,866,940	96,940	-775,682
Net assets	35,709,095	31,483,807	25,468,911	24,035,570
Equity	6,365,180	6,264,146	5,589,235	4,823,400
Net debt	13,889,511	11,692,248	9,283,118	9,463,183
Net debt/Gross operating profit	4.4	4.4	4.0	4.6
Financial liabilities/equity	230.7%	201.2%	181.7%	219.4%
Profit per share (EUR)	0.30	0.25	0.26	0.29
Dividend yield	5.2%	2.8%	2.9%	3.8%
Market appreciation	9,854,369	16,344,724	14,041,105	9,506,998
Electricity Generation – Iberian Peninsula (excluding EDP Renováveis)				
Turnover	4,095,750	2,859,052	2,654,122	2,784,898
Gross operating profit	1,172,168	1,167,982	1,211,468	1,305,626
Operating profit	739,188	783,467	868,657	1,022,142
Net profit	523,733	540,564	612,900	685,885
Operating investment	685,688	739,940	389,540	258,113
Electricity Distribution – Iberian Peninsula				
Turnover	6,213,227	4,797,443	4,416,468	3,920,528
Gross operating profit	769,810	455,482	571,846	458,562
Operating profit	496,768	183,796	236,093	170,308
Net profit	304,116	108,773	138,725	122,897
Operating investment	283,893	253,741	306,591	387,526
Electricity Supply – Iberian Peninsula				
Turnover	1,172,809	1,181,280	865,043	879,544
Gross operating profit	35,720	58,397	-140,670	-259,799
Operating profit	28,279	37,294	-141,624	-275,287
Net profit	5,593	2,580	-110,727	-194,984
Operating investment	6,246	3,536	571	5,751
EDP Renováveis				
Turnover	532,429	296,485	249,058	127,589
Gross operating profit	437,877	213,863	146,858	65,674
Operating profit	231,616	102,337	57,652	36,387
Net profit	104,364	43,250	20,070	10,315
Operating investment	2,090,862	1,388,603	386,035	226,184
Gas – Iberian Peninsula				
Turnover	1,280,199	994,200	1,128,425	717,431
Gross operating profit	206,653	188,472	144,759	123,436
Operating profit	163,598	145,050	110,222	89,461
Net profit	126,114	103,353	169,302	32,775
Operating investment	78,804	72,301	51,756	62,053
Energias do Brazil				
Turnover	1,844,908	1,854,977	1,726,298	1,503,654
Gross operating profit	562,277	586,540	433,907	412,330
Operating profit	380,168	456,865	332,111	340,594
Net profit	149,752	253,058	162,641	180,889
Operating investment	428,926	209,303	295,138	419,349

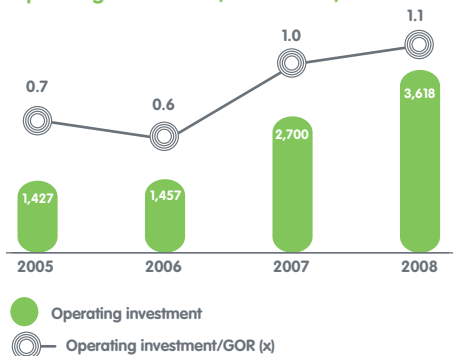
Gross Operating Results (EUR millions)



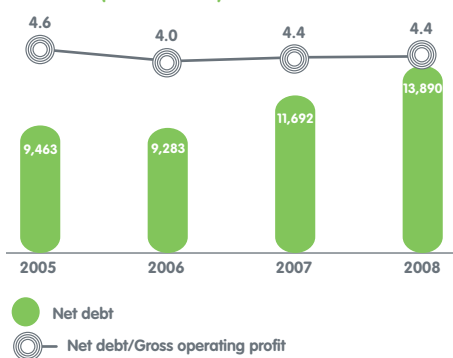
Net Profit (EUR millions)



Operating Investment (EUR millions)



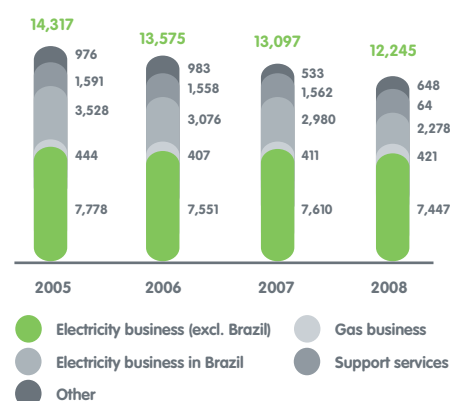
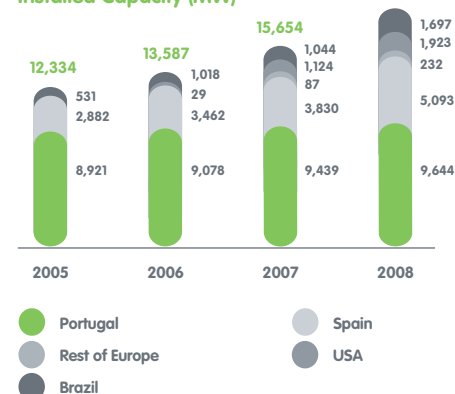
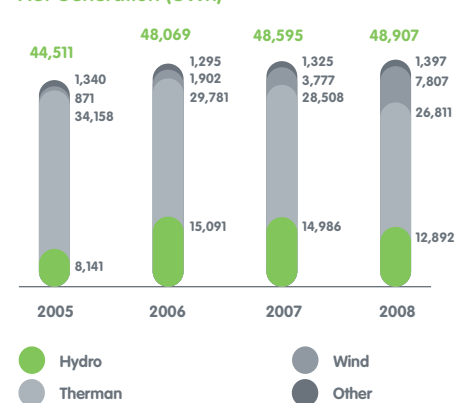
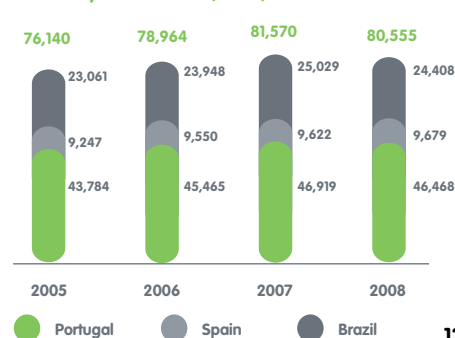
Net Debt (EUR millions)



Operating Highlights

	2008	2007	2006	2005
Number of Employees	12,245	13,097	13,575	14,317
Electricity business (excl. Brazil)	7,447	7,610	7,551	7,778
Electricity generation (excl. EDP Renováveis)	2,275	2,267	2,206	2,332
Electricity distribution	4,378	4,647	4,913	5,040
Electricity supply	167	164	180	194
EDP Renováveis	627	532	252	212
Gas business	422	411	407	444
Electricity business in Brazil	2,278	2,980	3,076	3,528
Generation	231	231	242	282
Distribution	2,033	2,734	2,818	3,231
Supply	14	15	16	15
Support services	1,450	1,562	1,558	1,591
Telecommunications	0	0	395	492
Other	648	534	588	484
Electricity Generation – Iberian Peninsula (excl. EDP Renováveis)				
Maximum power (MW)	12,488	11,577	11,385	11,534
Portugal	9,091	9,015	8,765	8,770
Spain	3,398	2,562	2,620	2,613
Net electricity generation (GWh)	35,625	40,111	41,643	40,879
Portugal	22,511	25,625	28,060	24,888
Spain	13,115	14,487	14,125	15,991
Electricity Generation – EDP Renováveis				
Maximum power (MW)	4,403	3,033	1,183	420
Portugal	553	424	313	151
Spain	1,695	1,268	842	269
Rest of Europe	232	87	29	0
USA	1,923	1,124	0	0
Net electricity generation (GWh)	7,809	3,775	1,904	876
Portugal	1,028	735	483	349
Spain	2,636	2,058	1,421	528
Rest of Europe	238	119	0	0
USA	3,907	866	0	0
Electricity Distribution – Iberian Peninsula				
Number of Customers	6,716,520	6,670,452	6,591,077	6,492,287
Portugal	6,088,179	6,053,875	5,987,896	5,907,365
Spain	628,341	616,577	603,181	584,922
Electricity Sales (GWh)	56,147	56,541	55,015	53,031
Portugal	46,468	46,919	45,465	43,784
Spain	9,679	9,622	9,550	9,247
Electricity Supply – Iberian Peninsula				
Number of Customers	272,841	196,299	84,759	13,290
Portugal	197,151	148,319	22,586	9,212
Spain	75,690	47,980	62,173	4,078
Electricity Sales (GWh)	12,863	13,741	10,708	12,240
Portugal	947	3,010	4,037	6,314
Spain	11,917	10,731	6,671	5,926
Gas Business				
Gas Distribution – Portugal				
Number of Customers	200,988	179,802	163,391	149,196
Gas Sales (GWh)	5,952	2,554	2,293	2,158
Gas Distribution – Spain				
Distribution Outlets	690,032	665,092	641,336	599,904
Gas Sales (GWh)	20,688	20,237	19,713	21,547
Gas Supply – Spain				
Number of Customers	628,294	415,291	248,160	94,493
Gas Sales (GWh)	24,750	18,203	13,755	11,791
Electricity Business in Brazil				
Maximum Power (MW)	1,697	1,044	1,018	531
Electricity Sales (GWh)				
Generation	5,473	4,704	3,980	2,756
Distribution	24,408	25,029	23,948	23,061
Supply	7,282	7,188	6,702	6,379
Number of Customers	2,582,900	3,207,024	3,113,604	2,972,458

Note: 100% of the displayed figures for all companies are considered, regardless of the EDP Group shareholding. Employee numbers include corporate bodies.

Number of Employees

Installed Capacity (MW)

Net Generation (GWh)

Electricity Distributed (GWh)


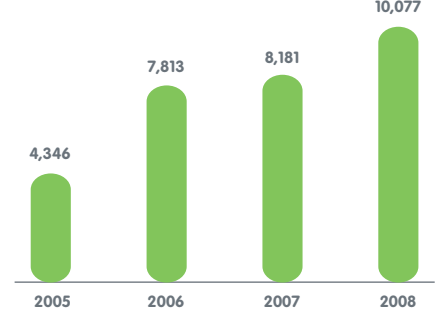


SUMMARY OF KEY METRICS

Environmental Indicators

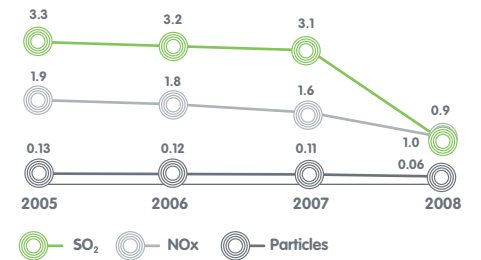
	2008	2007	2006	2005
Primary Energy Consumption (TJ)				
Total for generation	237,259	261,157	282,147	310,473
Coal	121,423	166,152	183,799	191,223
Fuel oil	11,292	15,117	17,857	50,409
Natural gas ⁽¹⁾	90,180	63,503	57,615	67,104
Other fuels	13,411	14,672	21,278	178
Forest waste	676	1,443	1,411	1,273
Fuel for vehicle fleet	277	270	187	n.d.
Electricity Consumption (MWh)				
Consumption by generation	2,244,466	1,457,748	1,687,714	1,777,479
Administrative services	31,138	33,411	24,597	28,297
Environmental Certification				
ISO 14001 environmental certification	11,424	10,343	8,680	3,297
Net maximum installed certified power (%)	61	67	65	28
Distribution of certified gas (%)	100	100	n.d.	n.d.
Atmospheric Emissions				
Total emissions (kt)				
CO ₂ ⁽²⁾	19,783	23,422	24,484	28,255
SO ₂	33.99	100.75	106.79	124.60
NOx	33.26	52.26	59.98	72.44
Particles	1.68	3.69	4.03	4.88
Overall specific CO ₂ emissions (g/kWh) ⁽³⁾	387	457	485	600
Specific CO ₂ emissions from thermal facilities (g/kWh) ⁽³⁾	647	726	738	750
SO ₂	1.13	3.12	3.22	3.31
NOx	1.11	1.62	1.81	1.92
Particles	0.06	0.11	0.12	0.13
CO ₂ avoided (kt)	10,077	8,181	7,813	4,346
Water				
Water collected				
Cooling water (m ³ x103)	1,700,122	1,851,183	2,047,094	2,700,955
Waste ⁽³⁾				
Total waste (t)	835,922	958,988	1,122,882	1,092,195
Total hazardous waste (t)	3,328	2,641	3,483	4,327
Recovered waste (%)	85	84	84	80
Biodiversity				
Distribution grid in protected areas (m ²)	13,632	20,058	9,394	8,555
Substations in classified areas (n. ^o)	41	62	30	21
Environmental Costs (EUR thousands)	163,783	157,896	163,471	75,645

CO₂ Avoided EDP Group (kt)



Specific Emissions Thermal Facilities

NOx, SO₂ e Particles (g/kWh)



Environmental Costs (EUR millions)



⁽¹⁾ Includes ambit 2 – natural gas consumption at gas distribution office buildings.

⁽²⁾ Not including vehicle fleet, including gas from iron and steel industry.

⁽³⁾ Routed to final destination.

Social Indicators

	2008	2007	2006	2005
Employment				
N.º of employees ⁽¹⁾	12,166	13,013	13,363	14,141
Gender ratio (% males)	80	80	81	81
Overall satisfaction rate	75	n.d.	73	n.d.
Turnover ⁽²⁾	0.06	0.05	0.06	0.04
Average age of employees (years)	45	45	45	45
Absentee rate (%)	3.44%	3.74	4.05	4.51
Personnel costs (EUR thousands)	573,674	574,406	585,086	545,987
Employee benefits (EUR thousands)	161,200	291,926	162,287	200,291
Gratuities (EUR thousands)	34,000	29,557	28,200	28,160
Training ⁽³⁾				
Total hours of training	487,111	464,807	332,771	209,316
Average training per employee (hrs)	40.0	35.7	32.1	19.8
Employees trained (%)	82%	91%	69%	71%
Total training costs (EUR thousands)	7,232	7,988	6,925	6,002
Productivity at work (EUR/h)	182	160	133	n.d.
Prevention and Safety ⁽⁴⁾				
OSHAS 18 001 (% installed capacity)	46	56	64	n.d.
On-duty accidents (n.º)	76	84	110	95
Fatal on-duty accidents (n.º)	0	0	3	0
Fatal accidents of subcontracted workers/Service providers (n.º)	6	5	6	9
EDP frequency rate (Fr)	3.43	3.70	4.60	3.90
EDP severity rate (Sr)	176	225	252	216
Overall frequency rate (Fr)	6.18	4.29	4.61	4.7
Total days lost due to accidents (n.º)	3,894	5,092	5,999	5,261

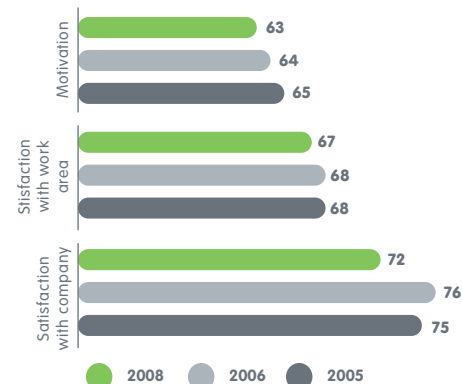
⁽¹⁾ The n.º of employees does not include corporate bodies for the purpose of a broken down analysis (79).

⁽²⁾ Low turnover figures do not justify breaking employees down by gender or age group.

⁽³⁾ Between 2005 and 2006 the information does not include Brazil or gas.

⁽⁴⁾ In 2005 and 2007, Fr only includes Portugal.

Employee Satisfaction



EDP Frequency and Severity Rate

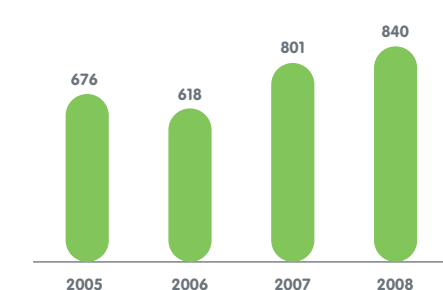


Economic Indicators

	2008	2007	2006	2005
Sustainability index	129.0	116.1	100.0	n.d.
Economic indicators				
Accumulated economic value (EUR thousands)				
Allocations to foundations	12,282	9,569	10,904	24,358
Returned to the community	195,565	88,348	300,905	152,189
Dividends	454,937	402,219	365,600	365,654
Direct economic value generated	13,467,781	10,751,229	10,392,596	9,724,915
Economic value distributed	11,963,191	9,450,451	9,096,790	8,506,287
Supplier costs	735,768	684,187	741,398	816,781
Personnel costs	734,874	866,333	747,374	746,278
Spending on R&D (EUR thousands)	23,690	13,306	n.d.	n.d.
Fines and penalties (EUR thousands)	408	484	258	n.d.
Public support (EUR thousands)	653	993	186	n.d.
Presence in the market				
Contribution to GDP	8.3%	6.8%	6.7%	6.5%
Billing of energy services (EUR) ^(a)	12,658	5,435	n.d.	n.d.

^(a) Figures for Portugal

Accumulated Economic Value (EUR millions)





COMPANY HIGHLIGHTS

JAN 31 – EDP Renováveis: Wind and Hydro Investor Day at the Serralves Museum in Porto.

MAR 27 – EDP acquires wind power assets from the Eole 76 Group in France.

In France, EDP Renováveis acquired, from EOLE 76 and Eurocape, 3 wind farms operating in Normandy (35 MW) and various wind farm development projects, mostly located in the Normandy and Rhônes-Alpes regions, with a total capacity of 560 MW. The transaction had an equity value of EUR 51.3m.

MAR 31 – EDP transfers the right to receive the 2006 and 2007 Portuguese tariff deficit.

EDP Serviço Universal, S.A. fully and unconditionally transferred its tariff deficit for 2006 and 2007 (EUR 176m), to Millennium BCP and Caixa Geral de Depósitos for the sum of EUR 177m.

MAY 6 – EDP divests its holdings in Turbogás and Portugen.

EDP signed a purchase-and-sale agreement with International Power Portugal Holdings SGPS, SA to divest its holdings of 40% and 27% respectively in Turbogás Produtora Energética, SA and Portugen – Energia, SA. This transaction carried a price of EUR 140m.

MAY 8 – Gross dividend payment of EUR 0.125 per share (2007 financial year).

MAY 18 – EDP becomes a member of the London Benchmarking Group (LBG).

This association of over 100 companies works together to determine the return on social investment, by creating a broad benchmark and sharing current best practice.

MAY 25 – ERSE removes permitted income associated with electricity meters in electricity distribution.

ERSE announced the revision of the Commercial Relations regulations for the energy sector, reflecting changes imposed by Law n.º 12/2008, of 26 February, approved by the Portuguese Parliament, which states that charging of ‘... any amount by way of price, hire, depreciation or periodic inspection of meters...’ is prohibited and also that ‘... the invoice must be issued monthly’.



FEB 7 – Approval of the EDP Code of Ethics Regulations.

The Regulations govern the functioning of the corporate Ethics Committee, which should work in liaison with the Corporate Governance and Sustainability Committee of the General Supervisory Board.

FEB 19 – EDP acquires 1,050 MW of capacity from Hydra Energy, LLC, to be installed in the USA.

FEB 26 – EDP exercises its sell option on its 40% stake in Edinfor.

APR 1 – Construction and operation of the Foz Tua hydroelectric power station awarded to EDP.

The Portuguese Government makes provisional award to EDP – Gestão de Produção de Energia, S.A. of the water resources usage concession for 75 years starting from the entry into operation of the Foz Tua Hydroelectric Plant.

APR 9 – EDP and IPIC approve a cooperation framework in the electricity and gas sectors.

APR 9 – IPIC holds 2.0% of EDP's share capital.

APR 11 – General Meeting of EDP's Shareholders.

Approval of the individual and consolidated financial statements for 2007; appointment of Cajastur Inversiones, S.A., Carlos Jorge Ramalho dos Santos Ferreira, Fernando Manuel Barbosa Faria de Oliveira and Khalifa Al Romaihi to the General and Supervisory Board, and amendment of certain articles in the Articles of Association.

APR 11 – Portgás signs a contract for a regional gas distribution concession, which sets a 40-year period for the concession, effective from 1 January 2008.

APR 29 – EDP takes a EUR 925m revolving loan, with a term of five years.

JUN 2 – EDP Renováveis sets the subscription price for the IPO at EUR 8 per share.

JUN 2 – EDP achieves environmental certification under ISO Standard 14001:2004.

This certification covers ‘corporate management of environmental policies and strategic plans for the environment, environmental information and for the environmental performance of EDP Group organisations’.

JUN 9 – EDP and Sonatrach sign a memorandum of understanding for a possible partnership in Latin American countries.

JUN 19 – The Competition Authority authorises EDP to operate Alqueva and Pedrogão and to acquire mini-hydroelectric power stations.

SEP 1 – Energias do Brasil sells its holding in the telecom company ESC90.

Energias do Brasil signed a purchase-and-sale contract with Net Serviços de Comunicação S.A. and others, concerning the sale of 100% of Esc 90 Telecomunicações Ltda.

SEP 4 – EDP listed on the 2008/2009 Dow Jones Sustainability Index.

EDP became the only Portuguese company in 2008 to join the Dow Jones Sustainability Indexes: World and STOXX.

SEP 9 – EDP launches EDP Solidária 2008 programme.

This programme aims to allocate EUR 350k to projects that promote quality of life improvement, in particular for socially disadvantaged people, and to integrate communities at risk of social exclusion.

SEP 12 – Energias do Brasil and Grupo Rede exchange assets with a view to strengthening the position of the EDP group in electricity generation in Brazil.

Energias do Brasil and Grupo Rede have exchanged certain assets after receiving the necessary authorisations. As a result, Energias do Brasil ceased holding any stake in Enersul. At the same time, Energias do Brasil strengthened its position in Investco, from 27.65% to 73%, with voting rights.

SEP 23 – An EDP, Efaced and Babcock&Brown (77%) and Palamis Wave Power Limited (23%) joint venture launches the first commercial wave energy project in Portugal.

NOV 6 – EDP Investor Day in Lisbon, where the Group's strategic direction for the next few years was presented.

FEB 6 – Fitch keeps EDP's long-term rating at 'A-', awarding a stable outlook.

The rating agency, Fitch Ratings, confirmed its long-term rating of EDP and its subsidiary EDP Finance BV at 'A-', the 'senior unsecured' at 'A' and the short-term rating at 'F2'. Fitch also confirmed its long-term rating of HC Energia at 'A-' and its short-term at 'F2'.

FEB 10 – EDP Finance BV issues 5-year bonds totalling EUR 1bn.

FEB 25 – EDP rated 'Best in Class' by Storebrand.

For the second time running, EDP is part of this financial company's socially responsible investment portfolio, due to recognition of its leadership in the fields of the environment and society.

JUL 3 – Standard & Poor's revises EDP's outlook from negative to stable.

JUL 17 – EDP wins the contract to construct Fridão and Alvito hydroelectric power stations.

EDP submitted the winning bid for the allocation of water resources of the Fridão and Alvito hydroelectric plants for a period of 65 years. EDP's bid consisted of an offer of an additional EUR 161.7m to the minimum value of EUR 70m established in the tender specifications.



AUG 1 – EDP awards construction of the new CCGT in Spain.

EDP adjudicated the construction of the CCGT Soto 5 (424 MW) by signing a turn-key agreement with the consortium formed by France's Alstom and the Asturian company Duro Felguera, in Soto de Ribera, Astúrias.

AUG 8 – ANEEL approves Escelsa's annual tariff readjustment.

ANEEL, Brazil's electricity sector regulator, approved a mean tariff readjustment rate of 12.17% for the August 2008 to July 2009 period.

OCT 15 – ERSE publishes 2009 electricity tariff proposal and parameters for 2009-2011.

ERSE announced its 2009 electricity tariff proposal and parameters for the 2009-2011 regulatory period. For 2009 electricity tariffs, ERSE proposes a mean increase of 4.9% in end customer sales tariffs on the mainland. An estimated tariff deficit of EUR 1.717m will be created for EDP Serviço Universal in the tariff proposal now announced by ERSE.

OCT 17 – EDP Renováveis enters the Romanian market with the acquisition of 736 MW of wind power projects.

EDP Renováveis reached an agreement to acquire 85% of Renovatio Power SRL and Cernavoda Power SRL, which own wind energy generation projects in Romania totalling 736 MW.

OCT 24 – ANEEL approves Bandeirante's annual tariff readjustment.

Brazil's regulatory authority for the electricity sector, ANEEL, approved a mean rate of 14.48% for Bandeirante's annual tariff readjustment for the October 2008 to September 2009 period.

OCT 28 – EDP Finance BV issues 15-year, fixed rate bonds worth GBP 325m.

DEC 3 – BNDES approves a line of credit worth BRL 900m for Energias do Brasil investments.

DEC 16 – ERSE publishes parameters, tariffs and prices for electricity and other services in 2009-11.

DEC 26 – Transfer of Parpública stake.

Parpública informed EDP that it had transferred 408,797,735 EDP shares, corresponding to 11.1799% of its paid-in capital and voting rights, to Capitalpor – Participações Portuguesas, SGPS, S.A., which it owns outright.

Dec 29 – EDP Renováveis strikes a deal with institutional investors (USD 265m) for investment into wind power projects in the US in 2008.

MAR 5 – EDP contracts credit facilities worth EUR 1.6bn over 3 years.

EDP signed a revolving loan agreement for EUR 1.6bn over 3 years. This facility replaces the EUR 1.3bn contracted in 2004 (repayment due in July 2009), with the same objective of supporting the Group's liquidity.

MAR 5 – EDP assigns right to extraordinary tariff adjustments for 2007 and 2008.

EDP Serviço Universal, supplier of last-resort in the national electricity system, assigns the rights to receive all the increases to the electricity tariffs related to the costs of electricity consumed 2007 and those estimated for 2008, plus any financial charges, to Tagus – Sociedade de Titularização de Créditos, SA, wholly and without appeal, for EUR 1,275,682,000.



EDP GOVERNING BODIES

BOARD OF THE GENERAL MEETING

Rui Eduardo Ferreira Rodrigues Pena, Chairman

António Bernardo de Menezes e Lorena de Sêves, Vice-Chairman

Maria Teresa Isabel Pereira, Company Secretary

STATUTORY AUDITOR

KPMG & Associados, SROC, S.A., represented by Jean-Éric Gaign, Certified Auditor, Permanent Statutory Auditor

Vítor Manuel da Cunha Ribeirinho, Certified Auditor, Deputy Statutory Auditor

GENERAL SUPERVISORY BOARD

António de Almeida, Chairman

71 years old. In 1961, he received a degree in Economics from the Faculty of Economics at Universidade do Porto. In Mozambique, he was the Supervisor of Planning Services for Mozambique (1963-1965); Financial Director and Secretary General of Maragra – Marracuene Agrícola Açucareira (1966-1971) and the Director and Vice-Chairman of the Instituto de Crédito de Moçambique from 1971 to 1974. In Portugal, he was the Governor and President of Banco de Angola (1974-1978); Secretary of State of the Treasury (1978-1980 and 1983-1985); Chairman of the União de Bancos Portugueses until 1991; consultant to Banco de Portugal until 1992; consultant to Associação Industrial Portuense from 1991 to 1996; Chairman of the EDP Board of Directors (1996-1998); Director of the European Bank for Reconstruction and Development (1998-2004); Chairman of the EDP Audit Committee (2003-2004) and Chairman of OMIP (2004-2006).

Alberto Coraceiro de Castro, Vice-Chairman

56 years old. He received a degree in Economics from the Porto Faculty of Economics and a doctorate in Economics from the University of South Carolina. His areas of expertise include industrial economics, business economics and strategy, labour economics and internationalisation. He has published numerous academic and promotional texts. He lectures at Universidade Católica Portuguesa, where he is head of the Economics and Management Faculty. He is also a General Board member of Associação Empresarial de Portugal and a board member of Associação Comercial do Porto, Vice-Chairman of the Board of Directors of Associação para o Museu dos Transportes e Comunicações [Transport and Communication Museum Association] and a member of the Advisory Board of Plano Tecnológico. He serves as Chairman of the Supervisory Boards of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industrialists Association (APICCAPS).

António Sousa Gomes

72 years old. Mechanical Engineering graduate from Instituto Superior Técnico (Lisbon) and graduated from the Stanford Executive Program of Stanford University's Graduate School of Business. He was a Director at Siderurgia Nacional (1968-1974); Director of RTP, S.A. (1974-1975); he was General Secretary of SEDES from 1972 to 1973 and Chairman from 1973 to 1974. He also served as Secretary of State of Public Investments (1975-1976) and was a member of the Portuguese Parliament (1976-1980). He has served as Minister of Planning and Economic Coordination (1976-1978); Minister of Industry (1977); Minister of Public Works and Housing (1978-1979) and Vice-President of the Parliamentary Commission of European Integration (1981). From 1958 to 1960 he was Chairman of JJC, Chairman of the Board of Directors of IPE from 1983 to 1991, Director of EGF from 1987 to 1991 and Director of EFACEC from 1988 to 1992. He also served as a member of the Board of Directors for the Serralves Foundation in 1998, Chairman of the Board of CIMPOR, S.A. from 1992 to 2001 and is currently Non-Executive Chairman of Corporation Noroeste.

Carlos dos Santos Ferreira

59 years old. He received his degree in Law in 1971 from the Faculty of Law of Universidade Clássica de Lisboa. He was a member of the Tax Reform Commission (1984-1988), a member of the Portuguese Parliament, Vice-Chairman of the Parliamentary Commission for Health and Social Security (1976), a voting member of the Management Board of ANA (1977-1987), Chairman of the Board of Fundação de Oeiras (1987-1989) and Chairman of the Companhia do Aeroporto de Macau (1989-1991). He was a director of the Champalimaud Group (1992-1999) and was Chairman of the Board of Mundial Confiança and of the General Meeting of Banco Pinto & Sotto Mayor. Between 1999 and 2003 as part of the BCP Group, he served as Director of Servibanca, Vice-Chairman and a voting member of the Board of Directors of Seguros e Pensões Gere. He also acted as Director and Chairman of the Board of Directors of Império Bonança, the insurance companies Ocidental and Ocidental Vida, Seguro Directo, Império Comércio e Indústria (ICI), Companhia Portuguesa de Seguros de Saúde, Autogere and Corretoresgest, and he was Director of Eureka B.V. He was also Vice-Chairman of Estoril Sol and Finansol, Non-Executive Chairman of Willis Portugal-Corretores de Seguros (2003-2005) and Director of Seng Heng Bank. From 2005 until December 2007 he was Chairman of the Board of Caixa Geral de Depósitos. He is currently Chairman of the Board of Banco Comercial Português.

Diogo Lacerda Machado

47 years old. He holds a degree in Law. Management trainee at FIMA-LEVER-IGLO (1986) and was a legal consultant for the Tourism Fund and the Academic Association of the Universidade de Lisboa Faculty of Law (1986-1988). He was also an advisor to the Government of Macau's Deputy Secretary for Administration and Justice (1988-1990), a senior legal consultant of the Tourism Fund (1990-1992) and Director of Interfina and several of its shareholding companies (1992-1995). From 1995 to 1999 he was a lawyer and partner of the law firm Sampaio Caramelo, Fonseca Santos & Lacerda Machado and a member of the Superior Judicial Council from 1997 to 1999. He served as Legal Director for the Parque Expo'98 Group and as Director of Associated Companies (1999), Secretary of State for Justice of the Portuguese government (1999-2002) and lawyer for the firm J.A. Pinto Ribeiro and Associados (2002-2004). Lawyer working off-counsel with the Barrocas, Sarmento e Neves law firm. He was a Board Member of VEM – Varig, Engenharia e Manutenção (Brazil), between 2006 and 2007. He is a Board Member of BAO – Banco da África Ocidental (Guinea-Bissau) and Moza Banco (Mozambique). Is a member of the Committee for Access to Government Documents (CADA).

Eduardo Catroga

66 years old. He received a degree in Finance from ISEG (Universidade Técnica de Lisboa) and a post-graduate degree from Harvard Business School. He served as Minister of Finance for the Portuguese government from 1994 to 1995. He is a guest lecturer in Business Strategy for the MBA programme. His career has essentially centred on corporate management and administration, specifically in CUF and in SAPEC. He was Consultant to the Ministry of Finance (1967), Financial Director and Planning and Control Director of CUF (1974) and Board Member of CUF (1974-75), Member of CUF's Administrative Board (1975-77) and Vice Chairman of Quimigal (1978-1980). He was CEO of the SAPEC Group (1981-1993), Board Member of Cel-Cat (1982-93), of BP Portuguesa (1983-1988), of Finantia – Sociedade de Investimentos (1989-1993) and Chairman of the Portuguese Association of Chemical Products Companies between 1982 and 1988. Currently he is Chairman of the Board of Directors of the SAPEC Group, Director of Nutrinveste, Director of Banco Finantia and a member of the Securities' Market National Body.

Fernando Manuel Faria de Oliveira

67 years old. He has a degree in Mechanical Engineering from IST. He was Secretary of State for Foreign Trade (1980-1983), Assistant Secretary of State to the Deputy Prime Minister (1995), Secretary of State for Finance and the Treasury (1988-1989), Assistant Secretary of State for Finance (1989-1990), Minister for Trade and Tourism (1990-1995) and Member of Parliament for Faro (1991) and Lisbon (1995). He was a Member of the Board of Directors of Siderurgia Nacional (1980-1983), non-executive Member of the Board of Directors of EGF – Empresa Geral de Fomento (1988), of CELBI – Celulose da Beira Industrial (1987-1988), of ICEP (Portuguese Institute for Foreign Trade) (1986-1988) and a Director of BFE – Banco de Fomento Exterior (1990), Member of the Advisory Board of the National Administration Institute and of APAD – Portuguese Development Support Agency (2000-2002), Member of the Executive Board of UCCLA (Luso-Afro-America-Asian Union of Capital Cities) (2000-2002), Vice Chairman of the Board of Directors of IPE – Investimentos e Participações Empresariais, SA (1983-1990) and Director (1990-2002), Chairman of the Advisory Board of ELO – the Portuguese Association for Economic Development and Cooperation (2001-2005), Member of the Board of Directors of Carlton Life, SGPS, SA and of HPP – Hospitais Privados de Portugal, SGPS, SA (2003-2005), non-executive Director of TAP (1998-2006) and Chairman of the Executive Board of Banco Caixa Geral, Spain (2005-2007). He is currently Chairman of the Board of Directors of the Caixa Geral de Depósitos.

José Maria Brandão de Brito

62 years old. Full professor of Economics at ISEG/UTL where he is currently Head of the Economics Department. Of the posts he held and duties he performed, attention is particularly drawn to the following: INII staff member (1968-75); Vice Chairman of the Advisory Board of IAPMEI (1975-80); Vice Chairman (executive) of the Board of Directors of TAP – Air Portugal, SA (1996-98); Chairman (executive) of the Board of Directors of Rádio Televisão Portuguesa, SA (1998-2001); Vice Chairman and CEO of Portugal Global, SGPS, SA (2001-02); Commissioner for the 'Engenho e Obra – Engenharia em Portugal no Sec. XX' Exhibition (Cordoaria Nacional, 2003); Director of IDEFE/ISEG – Institute for Development and Economic and Corporate Research (2007-); elected member of the UTL General Council (2009-). He is a member of various scientific institutions and has taken part in over 50 national and international congresses, symposia and seminars. He has written opinion pieces regularly in the press. He is the author of dozens of books and other publications on aspects of theoretical and applied economics.

José Maria Espírito Santo Silva Ricciardi

54 years old. He received his degree in Applied Economic Sciences from the Administration and Management Institute of the Faculty of Economic, Political and Social Sciences of Université Catholique de Louvain (Belgium). He served as Financial Controller at the European headquarters of the Espírito Santo Group (GES) from 1981 to 1983, assisting the group's General Financial Controller on an international level. He was an Assistant Director of the Banco Espírito Santo Internacional Ltd. from June 1983 and in 1987 he was appointed Director of Merchant Banking at Banco Internacional de Crédito (BIC). In 1990, he worked at BIC, as Deputy Director-General of the Corporate General Directorate and Director of the Capital Markets Directorate. He was appointed Director of Espírito Santo Sociedade de Investimentos in 1992 and Vice-Chairman of the Board of Directors of Banco Espírito Santo



EDP GOVERNING BODIES

de Investimento in 1995. Since 1999 he has served as Director of the Executive Board of Banco Espírito Santo and Chairman of the Executive Board of Banco Espírito Santo de Investimento.

Khalifa al Romaihi

30 years old. He graduated in Corporate Administration from the University of Portland in 2002. He was an Assistant Manager of IPIC – International Petroleum Investment Company between 2004 and 2007. He is a Member of the Council of HDO Standing Committee & HDO since 2005, a Director of Cosmo Oil – CSR Promotion Committee, since 2007, and was a Member of the Board of Directors of the Oman Polypropylene Company (OPP) between 2006 and 2007 and representative of IPIC in Borealis between 2005 and 2007. Since 2007, he has been responsible for the Investment Management Division.

Manuel Alves Monteiro

51 years old. He has a degree in Law and is Director of the companies CIN, Novabase, Douro Azul and AICEP (Agency for Portuguese Investment and Foreign Trade). He is a member of the Advisory Boards of the Faculties of Economics at Porto and of Economics and Management at the Universidade Católica – Porto and of Porto Vivo, Sociedade de Reabilitação Urbana – Porto, SA. He is a member of the Coordinating Board of SEDES and Chairman of the Salaries Committees for Douro Azul, SGPS, SA and Sardinha & Leite, SGPS, SA. He was a non-executive board member of Jerónimo Martins, SGPS, SA served as Chairman of Euronext Lisbon and was a member of the Board of Directors of the Paris, Brussels and Amsterdam stock exchanges and Euronext NV. He was also Chairman of the Porto Stock Exchange and CEO of the Lisbon and Porto Stock Exchanges and Interbolsa. He was Director of the Portuguese Corporate Governance Institute, Chairman of the Portuguese Association of Financial Analysts, a voting member of the CMVM Advisory Board and Chairman of Casa da Música/Porto 2001, S.A. He has also held posts in executive bodies of international organisations linked to the capital market: Executive Board of the Ibero-American Stock Exchange Federation (FIABV); the European Committee of Futures and Options Exchanges (ECOFEX), the International Finance and Commodities Institute (IFCI) and the European Capital Markets Institute, (ECMI). He was awarded the Chevalier de L'Ordre Nationale de la Legion d'Honneur" by order of the President of the French Republic.

Mohammed Meziane

64 years old. Mr Meziane received degrees in Chemical Engineering from the École Polytechnique in Algiers and in Petrochemical Engineering from the Algerian Institute of Oil. He joined Sonatrach in 1967, where he began his career working in the company's ammonia plant and later at the refinery in Arzew. He was Director of the Algiers refinery in 1973 and in 1978 he was appointed Director of the Refining Sector. In 1980 he was named Vice-Chairman of Sonatrach and was head of the refining and liquefied natural gas sectors. In 1984 he was invited to work at the Office of the Minister of Energy. In 1986, he was appointed Director of Industrial Safety and in 1988, Director for International Exchanges. From 1991 to 1996, he served as head of the Office of Oil. He was also appointed Director-General at the Ministry of Energy, a post which he held until he was appointed Chairman and CEO of Sonatrach in 2003.

Rui Pena

69 years old. He received a degree in Law from the Faculty of Law at Universidade de Lisboa. He works as a lawyer and his professional activity has centred around the areas of administrative, trade, financial and business law, with a particular emphasis on the so-called regulated markets. He is a senior partner at the law firm of Rui Pena, Arnaut & Associados, which he founded. From 1973 to 2007, he was Chairman of the Board of Directors, Executive Director and Non-Executive Director of various Portuguese and international companies. He served as Minister of National Defence from 2001 to 2002 and was a member of the General Council of the Portuguese Bar Association from 1987 to 1989. He was a lecturer in Administrative Law at Universidade Autónoma de Lisboa from 1983 to 1987 and a member of the Lisbon Municipal Assembly in 1986. He is a part of the arbitration and reconciliation body of the International Centre for Settlement of Investment Disputes (ICSID). He served as President of the Inter-Parliamentary Union's Portuguese group from 1980 to 1982. He was an assistant at the Faculty of Law at Universidade de Lisboa from 1977 to 1980, Professor in Administrative Law at Universidade Livre de Lisboa from 1978 to 1981 and a member of the governing board in the same subject at the Universidade de Lisboa Faculty of Law from 1977 to 1980. In 1978 he served as Minister of Administrative Reform and as a member of the Portuguese Parliament from 1976 to 1983. From 1964 to 1975 he was a legal consultant and director of various companies in the SACOR Group.

Vasco José de Mello

52 years old. He received a Bachelor of Science in Business Management from the American College of Switzerland in 1978 and attended the Citigroup Training Programme in New York from 1978 to 1979. He was adviser to the Board of Directors of the Industrial Textile and Chemical Union (1980-1982), where he went on to become a voting member of the Board (1982-1999). He was a voting member of the Board of Directors of the Independent Communications Society (1992-1994) and of Transitec-Lausanne (1982-1987). He served as Empowered Director of CUF Finance from 1985 until 2002. He was a voting member of the Board of Directors of Companhia de Seguros Império from 1992 to 1996 and Chairman from 1996 to 2000. He was also Chairman of the Board of Banco Mello, S.A. (1995-2000), Banco Mello de Investimentos (1991-2000) and Vice-Chairman of the Board of Directors

of José de Mello, SGPS, (1994-2004). He was a voting member of the Board of Directors at ONI, SGPS (2000-2002) and Chairman of União Internacional Financeira, SGPS (2001-2004). He was Vice-Chairman of the Executive Board at Banco Comercial Português (2000-2007), a voting member of the Supervisory Board of Bank Millennium, Poland, (2005-2007) and a voting member of the Board of Directors of Abertis, Barcelona (2003-2007). He has served as Chairman of the Board of Directors and the Executive Board of Brisa-Autoestradas de Portugal, S.A. since 2002 and as Chairman of the Board of Directors of José de Mello, SGPS, S.A., since 2004.

Vitor Seabra Franco*

58 years old. He received a degree in Finance from the Instituto Superior de Economia in Lisbon and in Law (with a special mention in Legal Sciences) from the Faculty of Law of Universidade Clássica de Lisboa. He was awarded a doctorate in Economic and Business Sciences from Universidad Autónoma de Madrid. He is a full professor at Instituto Superior de Ciências do Trabalho e da Empresa (ISCTE). He teaches the subjects of Management Accounting and Control in the Licentiate, Masters and PhD accounting courses at the ISCTE. He has written books on Management Accounting. He is a partner in Grant Thornton & Associates, SROC, Lda. He was an inspector for the Inspectorate-General of Finances and was Chairman of the General Assembly of the Association of Statutory Auditors.

* On 4 March 2009, he announced his resignation from EDP's General and Supervisory Board

Vital Moreira

63 years old. He received his degree in Law from the Faculty of Law of Universidade de Coimbra (FDUC), where he also received his master's and doctorate degrees in Public Law. He currently lectures at FDUC. He is also a lecturer in the European Studies programme at the Faculty of Humanities at Universidade de Coimbra and in the master's degree programme in Public Policy at ISCTE in Lisbon. He is President of the Centre for Public Law and Regulatory Studies (CEIDPRE) at FDUC and Director of the postgraduate programme in Public Regulation and Competition organised by CEDIPRE. He is also Vice-Chairman of the "Services of General Economic Interest" committee of the European Centre of Publicly-Owned Enterprises (CEEP), based in Brussels. He was a member of the Portuguese Parliament during the first democratic parliament (1975-1976) and during several subsequent parliamentary mandates. He served as a Justice of the Portuguese Constitutional Court. (1982-1989), a member of the National Council for the Assessment of Higher Education (1998-2002) and Chairman of the Projects Committee to commemorate 100 years of the Portuguese Republic (2006-2007).

Vitor Fernando da Conceição Gonçalves

53 years old. He received his degree in Business Organisation and Management from ISEG in 1978. In 1987 he received his doctorate in Business Sciences from FCEE at Universidad de Sevilla. He received a degree in Management from Universidade Técnica de Lisboa in 1993, Full professor in Management at ISEG since 1994. Vice-Chancellor at Universidade Técnica de Lisboa since 2007. Non-executive Director of ZON Multimedia and Chairman of the Audit Committee (2007-). Member of the Economic and Social Council since 2007. Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre since 2005. Chairman of the Gaptec/UTL Department (2007-). He served as Chairman of the ISEG Directive Council (2003-2006), Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programmes for executives. Guest lecturer at several universities in Portugal and abroad. Member of the Assessment Committee for doctoral, post-doctoral and research candidates invited by the Fundação para a Ciência e Tecnologia (Science and Technology Foundation) since 1997. Chairman of the Management and Administration Undergraduate Degree Evaluation Committee for Portuguese Universities (2001/2002). Member of the Executive Council of Economics and Business Management Specialisation of the Portuguese Economists' Association (1999-2001) and member of the Professional Council. Director of Promindústria – Sociedade de Investimento SA (1994-1996). President of the Institute for Development and Studies in Financial and Business Economics (IDEFE) from 2003 to 2007. From 2001 to 2002, he was the president of the group of "high-level experts" at the European Commission that evaluated the programme on European competitiveness, the European Research Area. He is the author of dozens of articles on management which have been published in magazines and other national and international publications.

Manuel Menéndez Menéndez*

48 years old. He received a degree in Economics and Business Administration in 1982 and a doctorate in Economic Sciences from Universidad de Oviedo in 1985. He was also a lecturer at the Department of Business Administration and Accounting at Universidad de Oviedo in 1990. He was a voting member of the Board of Directors and member of the Executive Board of Cajastur and Hidrocarbónico; a member of the Board of Directors, Executive Board and the Audit and Control Committee of AIRTEL; a voting member of the Board of Directors of Ahorro Corporación, LICO Corporación and ENCE; Vice-Chairman of the Board of Directors of SEDES, S.A. and Executive Chairman of Sociedad de Garantías Recíprocas de Astúrias. He is Chairman of Cajastur, Hidrocarbónico and Naturgas Energia; a voting member of the Boards of Directors of Nuevas Energías de Occidente and CECA (Spanish Confederation of Savings Banks); a voting member of the Directive Council of UNESA (Spanish Association for Electricity Industry) and a member of the Official Register of Account Auditors in Spain. He also represents Peña Rueda, S.L (a 100%-owned subsidiary of CajAstur) on the Enagas Board of Directors.

* On 29 February 2008 he announced his resignation from EDP's General and Supervisory Board.



EDP GOVERNING BODIES

EXECUTIVE BOARD OF DIRECTORS

António Mexia, Chairman

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

Ana Maria Fernandes

46 years old. She graduated in Economics from the Faculty of Economics at Oporto (1986). She received a postgraduate degree in Finance from the Faculty of Economics of Universidade do Porto and an MBA from the Escola de Gestão do Porto (1989). She lectured at the Faculty of Economics of Universidade do Porto from 1989 until 1991. She began her professional career in 1986 at Conselho – Gestão e Investimentos, a company of the Banco Português do Atlântico Group, in the capital markets, investments and business restructuring field. In 1989 she began working at Efisa, Sociedade de Investimentos, in the area of corporate finance, and was later made a director of Banco Efisa. In 1992 she joined the Grupo Banco de Fomento e Exterior as director in the area of investment banking and was Head "Corporate Finance" at BPI between 1996 and 1998. In 1998 she joined Gás de Portugal as Director of Strategic Planning and M&A and in 2000 became Director of Strategy and Portfolio Management of Galp Business. She later became president of Galp Power and Director of Transgás. In 2004 she was appointed a director of the Board of Galp Energia. In 2004 she was appointed to the Board of Directors of Galp Energia where she stayed until the start of 2006.

António Martins da Costa

54 years old. He holds a degree in Civil Engineering (1976) and a MBA from Escola de Gestão do Porto (1989). He also received additional executive training at INSEAD (Fontainebleau, France, 1995), AESE (Lisbon, 2000) and the Wharton School (Philadelphia, USA, 2003). His professional career began in 1976 as a university lecturer in Engineering. He later joined EDP in 1981 in the Hydraulic Generation Sector. In 1989 he began working in the financial sector, where he served as Director-General of Banco Millennium BCP and as Executive Business Director for insurance, pensions (S&P) and funds and asset management (AF Investimentos) companies belonging to the Millennium BCP Group. He was also Director of Eureka BV (the Netherlands), Chairman of Eureka Polska and Executive Vice-Chairman of PZU (Poland), the largest insurer and manager of assets and pension funds in Central and Eastern Europe. From 2003 he took on the duties of President of EDP – Energias do Brasil, becoming CEO of Horizon Wind Energy in the USA in 2007.

António Pita de Abreu

58 years old. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as an assistant lecturer and guest lecturer in the Department of Electrotechnical Engineering and Computers. Since 1977 he has worked in the electricity sector, where until 2006 he occupied the following positions: executive member of the EDP Board of Directors; Chairman of the Board of Directors of REN (Portuguese National Electricity Grid), EDP Produção, CPPE (Portuguese Electricity Generation Company), EDP Cogeração and of Termoelétrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição – Energia, member of the Board of Directors of EDP Energia and of EDP Brasil; executive member of the Board of Directors of REN; Chairman of the Board of OniTelecom and Edinfor; Vice-Chairman of the Board of Turbogás and a voting member of the Board of Directors of EDA (Electricidade dos Açores). He is currently President of EDP – Energias do Brasil and member of the Infrastructure Council for the Federation of Industries in the State of S. Paulo (Brazil).

João Manso Neto

50 years old. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the master's degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1988 to 1995 he worked at Banco Português do Atlântico, occupying the positions of Supervisor for the International Credit Division, Head of the International Credit Division, Department Director, Deputy Central Director for International Management and Central Director of Financial Management and Retail Commerce South. From 1995 to 2002 he worked at the Banco

Comercial Português, where he held the posts of General Director of Financial Management, General Manager of Large Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk. From 2002 to 2003, in Banco Português de Negócios, he was the Chairman of BPN Serviços ACE, Director of BPN SGPS, Director of Sociedade Lusa de Negócios and a member of the Board of Banco Efisa. He is still a voting Member of the OMEL Board of Directors. From 2003 to 2005 he worked at EDP as Director-General and Administrator of EDP Produção. In 2005 he was named Appointed Adviser at HC Energía, Chairman of Genesa and Director of Naturgas Energia and OMEL.

Jorge Cruz Morais

51 years old. He was awarded a degree in Electrotechnical Engineering from Instituto Superior Técnico in 1980 and an MBA from Universidade Nova de Lisboa in 1989. He began his career at EDP in 1983 in transport network planning. From 1991 to 1994 he served as Adviser to the EDP Board of Directors, coordinating the restructuring process that culminated in the creation of the EDP Group in 1994. He was then appointed Director of Strategic Planning and was responsible for coordinating the Group's privatisation (first and second phases of the IPO process). He was also a non-executive member of the Turbogás Board of Directors (1998-2000), non-executive member of the Board of Electricidade dos Açores (1999-2000) and Director of the Centro para a Conservação de Energia (1993-1996). From 2000 to 2004 he was the Executive Director of Oni SGPS and other Oni Group companies, acting as CFO from 2002 to 2004. From 2005 until March 2006 he served as Executive Director, fulfilling the roles of CEO of HC Energía and Naturgas Energia, the Spanish companies of the EDP Group. He is currently Chairman of APE (Portuguese Energy Association).

Nuno Alves

50 years old. He received an undergraduate degree in Engineering and Naval Construction (1980) and an MBA (1985) from the University of Michigan. He began his professional career in 1988 as Supervisor in the Studies and Planning Directorate at Banco Comercial Português, where he took on the role of Sub-Director of Financial Investment in 1990. In 1991, he became Director of Investor Relations. In 1994 he became the Director of Private Retail Coordination. In 1996 he served as Director of Capital Markets for Banco CISF, Banco de Investimento do Banco Comercial Português, and was promoted to Director of Investment Banking in 1997. In 1999, he became Chairman of the Board of Directors of CISF Dealer, where he remained until 2000 when he became Director of Milleniumbcp Investimento (formerly Banco CISF), responsible for Capital Markets and Treasury of the BCP Group. He has served as Director-General of BCP since 2000.



EDP IN THE WORLD

EUA

N.º OF EMPLOYEES: 275
INSTALLED CAPACITY (MW): 1,923



BRAZIL

N.º OF EMPLOYEES: 2,342
N.º OF CUSTOMERS: 2,582,900
INSTALLED CAPACITY (MW): 1,697
ELECTRICITY DISTRIBUTION (GWh): 24,408



FRANCE/BELGIUM

N.º OF EMPLOYEES:	27
INSTALLED CAPACITY (MW):	232
WIND POWER GENERATION (GWh):	238

edp renewables



SPAIN

N.º OF EMPLOYEES:	1,899
N.º OF ELECTRICITY CUSTOMERS:	628,341
N.º OF GAS CUSTOMERS:	628,294
INSTALLED CAPACITY (MW):	5,093
ELECTRICITY DISTRIBUTION (GWh):	9,679
GAS SALES (GWh):	20,688

PORTUGAL

N.º OF EMPLOYEES:	7,702
N.º OF ELECTRICITY CUSTOMERS:	6,088,179
N.º OF GAS CUSTOMERS:	200,988
INSTALLED CAPACITY (MW):	9,644
ELECTRICITY DISTRIBUTION (GWh):	46,468
GAS SALES (GWh):	5,952

edp **edp gás**

hc energia
grupo edp

naturgas energia

edp renewables



ANNUAL REPORT 2008
INSTITUTIONAL REPORT AND REPORT ON CORPORATE
GOVERNANCE AND SUSTAINABILITY

EDP GROUP BUSINESS



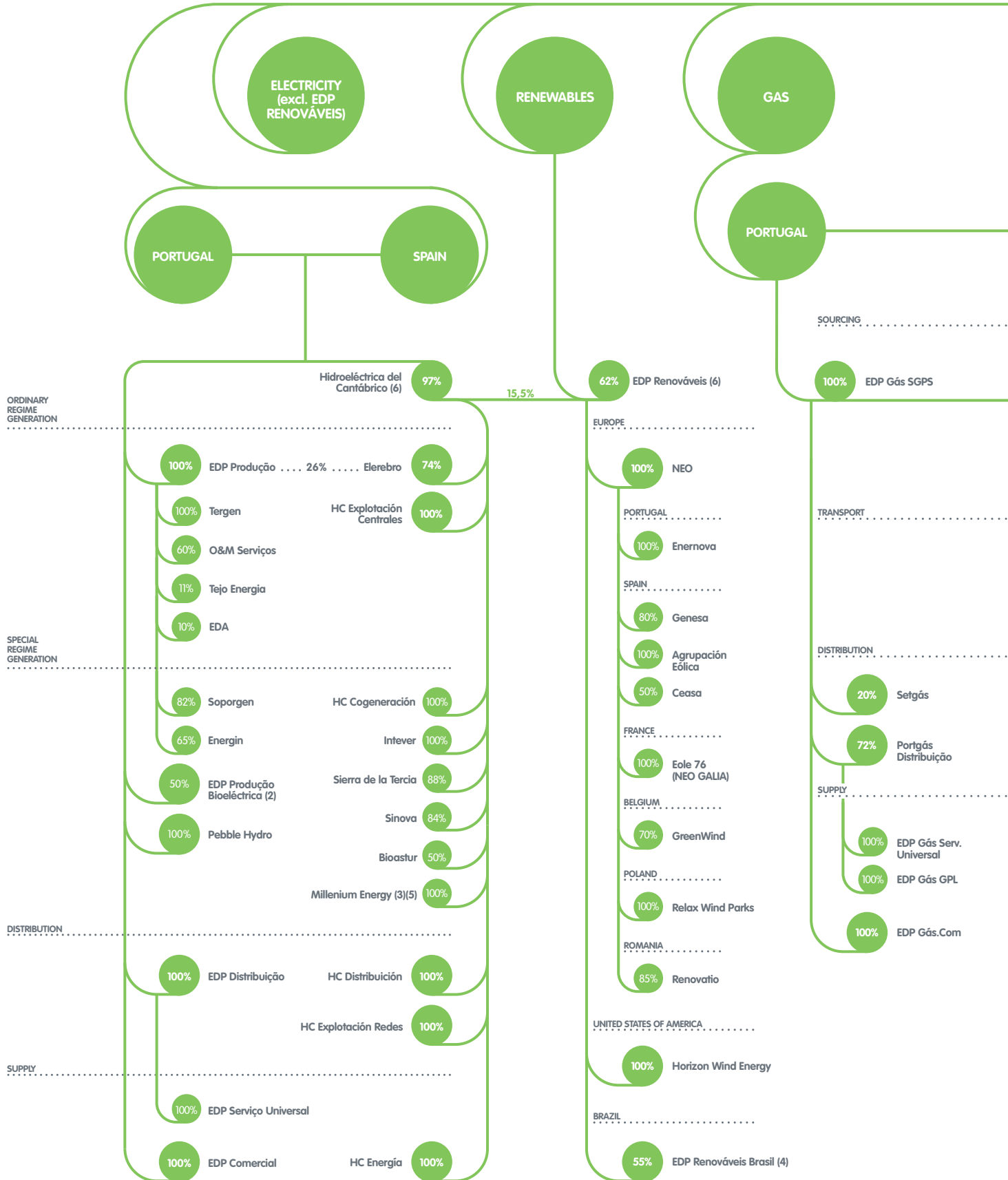
INDEX

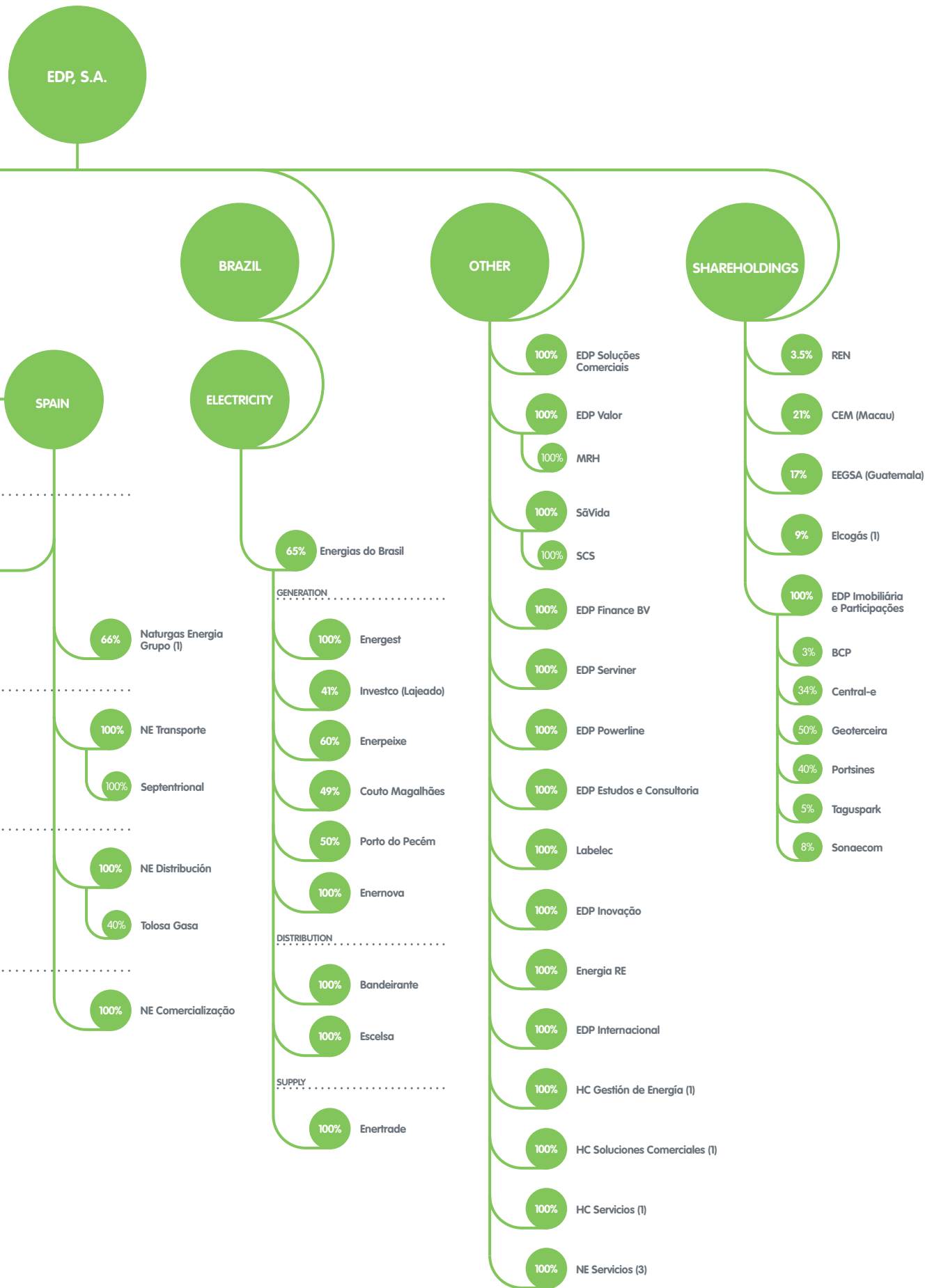
ORGANISATIONAL STRUCTURE	28
BUSINESS CLIMATE	30
Macro-economic framework	30
Energy framework	33
Regulatory framework	34
STRATEGIC AGENDA	42
SUMMARY OF ACTIVITIES	44
Electricity Business (excluding Brazil)	44
Gas Business in Iberia	59
Electricity Business in Brazil	62



EDP GROUP BUSINESS

1. ORGANISATIONAL STRUCTURE





Note: Organisational chart not comprehensive. Some of the percentages shown relate to indirect shareholdings.

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



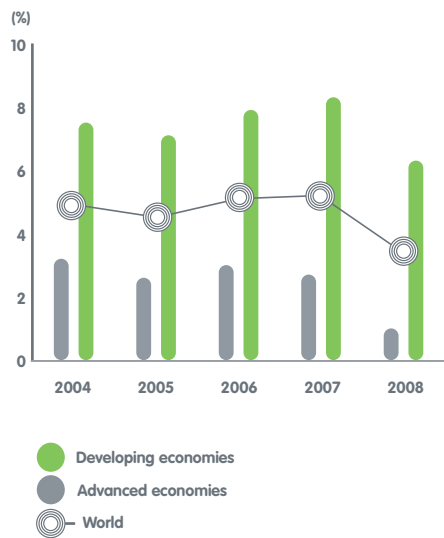
EDP GROUP BUSINESS

2. BUSINESS CLIMATE

2.1. Macro-economic framework

The **world economy** was affected in 2008 by the interaction of a series of shocks that arose from the drastic worsening of financial conditions, the rise and fall of raw materials' prices and the sudden chaotic adjustment of world macroeconomic imbalances. Activity in the developed economies fell substantially and, contrary to the expectations prevailing at the end of 2007, this had a strong impact on the performance of developing economies. This influence was particularly noticeable in the last quarter of the year, thanks to the instability that afflicted the financial markets, which led to the virtual stagnation of world trade and financial flows. Some of the European and south-east Asian countries most vulnerable to a reversal of short term investment flows had to resort to outside help and, in extreme cases, they were forced to suspend the convertibility of their currencies and restrict the movement of capital.

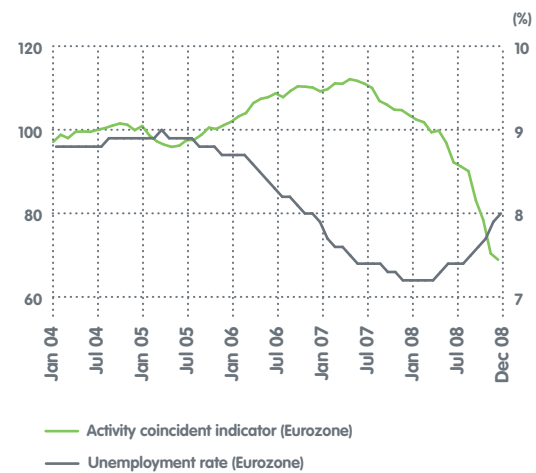
World Performance (Real GDP)



The eurozone entered into technical recession in the second half of 2008 for the first time in its ten years of existence. Average annual growth will be slightly less than 1%. The downturn was fairly evenly spread in terms of both countries and demand elements, showing common factors that restrained growth and a poor capacity for Member States to support one another. The easing of internal demand, together with the cooling of the property market and more restrictive financial conditions, was aggravated by a sharp drop in foreign trade at the beginning of the fourth quarter. This had an adverse effect on the economies based strongly on exports, forcing a desperate revision of production plans, with severe consequences on the labour market. Unemployment in the eurozone had risen by nearly 0.5 percent at the end of the year compared with the lowest figures for 2008, with countries which had benefited from

the surge in house building being the worst affected. As in the USA, inflationary pressures will fall significantly and some areas may even be affected by deflation.

Activity Indicator Eurozone & Unemployment Rate



The financial crisis in the **financial markets** worsened during the course of the year. What at first appeared to be a problem confined to a highly specialised, complex financial market spread both geographically and into other classes of assets so that it is now a deep financial crisis of unprecedented proportions, affecting the world as a whole, and one that is particularly complicated to resolve. The loss of wealth has been severe, brought about by a sharp drop in value of the leading stock markets and cyclical, financial and real assets. Volatility reached levels scarcely seen before. The risk-averse climate has persisted, paralysing markets and forcing the authorities to re-write trading rules and intervene directly to try to restore more normality to their operations. Even though the massive injection of liquidity into the world economy and the various national programmes to boost activity have so far prevented the collapse of the financial system, it is still extremely vulnerable.

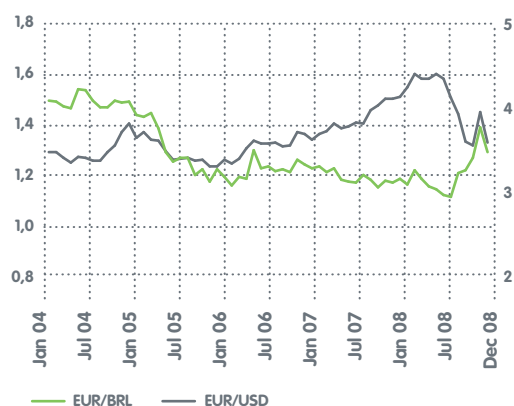
Stock Market Volatility & Corporate Debt Risk Premiums



Interest rates have been falling worldwide in the effort to promote more accommodating monetary policies. The US Federal Reserve cut interest rates to 0% and took an unusual step in terms of monetary policy strategy by intervening directly in certain segments, in addition to making generous amounts of funds available to the interbank market. Interest rates in the eurozone fell from 4.25% in July to 2.0% in January, and the markets have incorporated a scenario of further interest rate reductions in the first half of the year. But risk premiums remain high, albeit lower than those in October and November, when instability was at its peak.

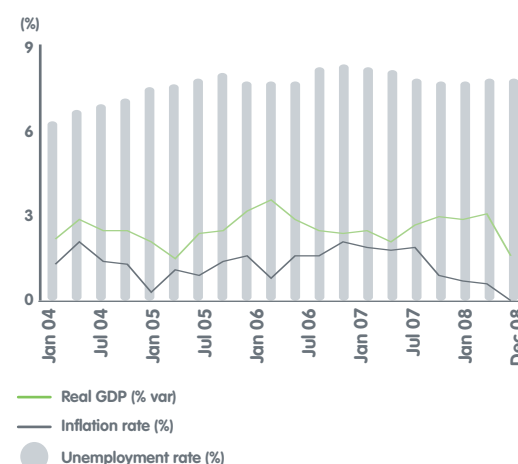
The most striking trend in the foreign exchange markets was the rapid liquidation of investments in currencies with high interest rates, and higher risk indices. This reallocation of investments underlay a tendency for emerging market currencies to depreciate in favour of safer ones, like the euro, yen, Swiss franc and later on, at the height of the turmoil, a clear preference for the US dollar and gold. As it became clear that the crisis would become a global phenomenon, the dollar recovered significantly. The euro, which was worth over USD 1.60 in the middle of the summer ended the year at about USD 1.30.

Exchange Rate Relative to Euro



The **Portuguese economy** performed much worse at the end of 2008. Taking their cue from the financial turmoil in the international markets and the drop in activity of leading foreign markets, many families and companies exercised greater caution in their normal consumption and investment decisions. The perception of tighter refinancing conditions for existing debt or for obtaining new loans overrode the positive effect that would normally arise from the implementation of a more expansionary monetary policy. Reckoning on a marked decline in activity in the fourth quarter, real average growth for 2008 is unlikely to be significantly different from zero.

Portuguese Economy Performance



The employment market in 2008 turned out to be better than the low levels of activity would have led one to suppose, but the latest figures are showing signs that the position is worsening. The weak activity at the end of a long period of highly favourable financial conditions could help lead to the closure of firms struggling to remain economically viable. Unemployment is likely to rise considerably, therefore, as is happening in other European countries.

Poor economic growth in the past few years, the persistence of relevant external imbalances and the resulting accumulation of debt by both the public and private sectors are some of the factors that have led Standard & Poors credit rating agency to downgrade Portugal from AA- to A+, and this has implications for Portuguese companies. This downgrading indicates a perception that Portugal presents a higher credit risk, and will therefore make the cost of borrowing relatively more expensive.

The **Spanish economy** is experiencing a marked downturn, due to a slowdown in the construction sector in association with the international financial instability. This decline in activity is being felt in a sharp rise in unemployment (which increased from 1.3 million unemployed to 3.2 million, during 2008), weakening family budgets and impacting on social stability.

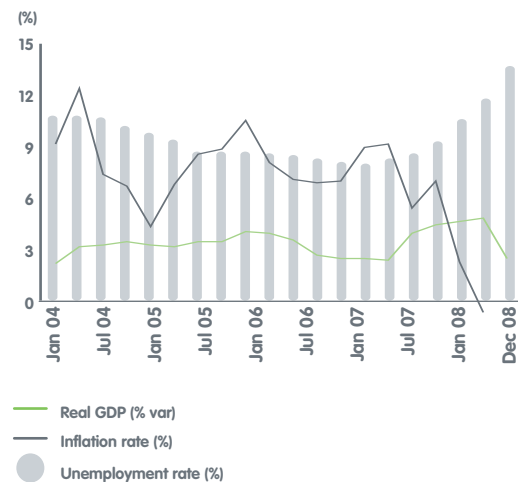
The international financial upheaval underscored and hastened the drive for adjustment in the construction and property sector that had begun in 2007. The fall in external activity strengthened the easing of domestic demand, especially investment in housing. This was seen in a substantial reduction in GDP growth, to 1.1% in 2008 – a fall of 2.6 percent compared with the previous year. On the other hand, net external demand amounted to a positive contribution to growth, the first for ten years, which resulted from the sharp reining in of imports. The external deficit thus narrowed slightly to fall below 10% of GDP, which is still



EDP GROUP BUSINESS

a very high figure. The industrial and construction sectors have suffered most in the present economic climate, with particular emphasis on the more labour intensive areas, and the repercussion is being seen in employment levels in these sectors. Unemployment practically doubled in the space of a year, and currently stands at nearly 14%. Despite this marked deterioration in the labour market, wage costs increased because of the system linking pay to inflation. As in the eurozone, disinflationary pressures were very pronounced in the last quarter of 2008. The year on year inflation rate was 1.4% in December, the lowest level since the introduction of the single currency.

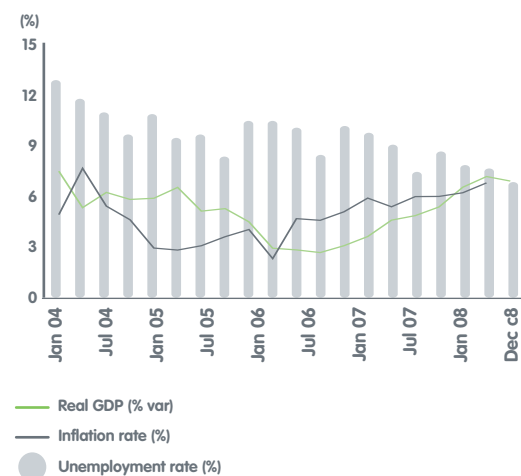
Spanish Economy Performance



The swift and sudden worsening of the economic situation, both domestic and abroad, the increased needs for external financing of the economy and the huge pressure on the public accounts justified the downgrading of Spain's credit rating from AAA to AA+ by Standard & Poors.

The **Brazilian economy** was robust in 2008, as yet little affected by the international economic and financial crisis, thanks to strong impetus of domestic demand. GDP grew 6.4% in the first nine months of the year, compared with the same period in the previous year, with domestic demand contributing 8.1 percentage points to this growth. Investment and household consumption were strong as credit conditions remained favourable, and real disposable family income, employment and social transfers all improved. Imports rose considerably (22.6%), largely for the purposes of investment expenditure, while exports saw more moderate growth of 1.6% in the period. The construction, information services and financial intermediation sectors were the most dynamic, reflecting the impact of the government's public works programme (growth acceleration programme). The electricity generation and distribution segment, as well as water and utilities, increased around 5% in the same period. Employment figures are still good, with unemployment reaching its lowest level since 2002 (7.6% of the active population) in the fourth quarter.

Brazilian Economy Performance

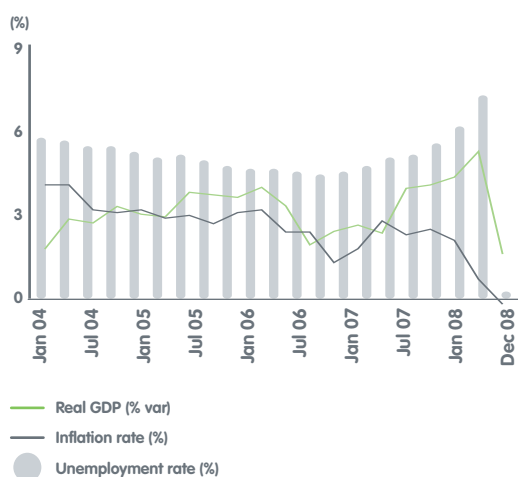


The latest economic indicators, i.e. qualitative surveys, are starting to show the effects of the changing international climate, especially in a slackening of industrial output and a slowdown in investment expenditure. The massive global drop in liquidity is affecting access to credit by domestic institutions, and is thus a drag on the economy as the conditions for granting loans are becoming more restrictive. There are no signs of difficulties at the financial accounts level, and private entities can still easily refinance their debts; but this situation will tend to worsen, as it has in other countries.

Inflation rose in 2008 to just over 6%. This is mostly explained by the impact of fuel costs and the reduction in productive slack.

In the **USA, economic activity** cooled significantly during 2008, due to the bursting of the sub-prime real estate market bubble and its contaminant effects, principally on the North American financial system, and subsequently on real activity. These impacts were especially powerful from the summer, in the wake of the failure of financial institutions of world ranking. Domestic demand collapsed and the unemployment rate rose from 5% of the active population to over 7% during the second half of the year. The unusually high level of uncertainty, poor access to financing and rising unemployment seriously hampered corporate and household spending. Even though GDP actually grew at an annual average rate of around 1% in 2008, the rate of decline sharpened during the course of the year, and the annualised rate in the last quarter showed a contraction of 3.8%, the worst performance for 30 years. The USA has officially been in recession since the end of 2007.

US Economy Performance



In light of the fragility of the economic situation, high risk of the situation getting worse and the cancellation and reversal of inflationary pressures, the Federal Reserve has adopted an innovative monetary policy that is strongly accommodating. It cut key interest rates to zero and implemented, in conjunction with the US Treasury Department, a package of measures to support the financial system and reignite the credit multiplier mechanism. The delayed effects on corporate balance sheets and the financial stability of households will continue to be reflected in a steep decline in spending by the private sector, while pressure on public resources remains high in the next few years, either through increased public investment or thanks to an adverse cyclic effect.

2.2. Energy framework

The unprecedented rise in prices of energy raw materials (oil, gas and coal) is certainly one of the main reasons why 2008 will go down in history. Prices soared throughout the first half of the year to reach all-time highs in the summer and then fell sharply in the last quarter until they were lower than at the beginning of the year.

In fact, the price of oil rose to over 145\$/bbl, when it had started the year at 90\$/bbl and then fell to close to 35\$/bbl at year end, the lowest in the last four years. Coal went up to more than 210\$/ton, which was three times the average figure in 2006, though it fell back down to 80\$/ton in December. The price of natural gas at the Zeebrugge hub in Belgium, the benchmark for Europe, rose 67% against the average for 2007 for 25.1€/MWh, while the Henry Hub Natural Gas Index in the USA peaked at 27.8€/MWh June after starting at 18.5€/MWh in January.

Brent and Coal Prices



Natural Gas Prices (Zeebrugge e HH)



The specific causes vary for each raw material, though a common phenomenon can explain these developments. Energy demand had been rising at consistently faster rates than supply in recent years, particularly in the emerging countries, resulting in strangulation of the value chain. Then the sudden drop in consumption due to the general economic crisis reversed the situation. Market prices continue to point to a future rise in commodities, however, as energy demand goes back to its previous levels, since the need to invest in new generation capacity continues on a global scale and requires large amounts of capital.

Surplus oil production capacity has been falling steadily since the late 1980s while demand increased by 24 million barrels a day (mbpd) between 1987 and 2007, though production capacity only rose 15 mbpd, essentially in non-OPEC countries. Moreover, new investments have to offset high levels of depletion of existing oilfields and meet increasingly strict environmental criteria. On the other hand, the use of oil product refining capacity has also gradually increased, indicating a need to invest more in the whole value chain. The resulting rise in prices did not, however, lead to negative growth in demand until mid-2008, supported greatly by the emerging countries. This only occurred with the economic slowdown.



EDP GROUP BUSINESS

Where coal was concerned, the rise in prices was due not only to an increase in demand, particularly from India and China, the latter having become a net importer of coal, but also to constraints on supply. Severe weather resulted in the temporary closure of mines in Australia and China, and the railways to the ports and the ports themselves reached levels of saturation that limited the expansion of exports. Finally, there was a shortage of cargo ships, which were taken up by other commodities with a higher price per unit of volume.

Gas prices in Europe were conditioned by its indexation to oil, exacerbated in the spot market by pressure of demand from Asia, especially Japan, which resorted to gas production to make up for a temporary stoppage of nuclear power plants for a substantial part of the year. In the United States, gas prices followed the same trend, with lower average figures as a result of less dependence on liquefied natural gas imports.

The effects of this highly volatile scenario were felt in the electricity sector all over the world due to the resulting increase in generation costs. In addition, with the entry into the Kyoto Protocol period, the price of CO₂ allowances in the European Emission Trading Scheme (EU-ETS) rose from 0.70€/ton in 2007 to 22.20€/ton in 2008. As a result, prices in the main electricity wholesale markets rose 73% to 65.8€/MWh in Germany and 63% to 64.4€/MWh in Spain and 70€/MWh in Portugal.

Electricity Price Change on European Wholesale Markets (€/MWh e £/MWh to U.K.)



On the other hand, the rise in price of CO₂ allowances brought up the cost of coal generation in relation to combined-cycle natural gas, resulting in a reversal of the competitiveness of these two technologies, particularly in the Iberian market. Coal production went down from 11.7 TWh in 2007 to 10.4 TWh in 2008 in Portugal (-11%) and from 72 TWh to 46 TWh in Spain (-36%), thereby favouring agents with more efficient and flexible power stations. In the other European markets, the same reversal of merit, which results in a reduction in emissions, occurred throughout

the summer, when a reduction in domestic natural gas consumption brought gas prices down.

The scenario of rising fossil fuel prices, together with increased environmental awareness, constituted the backdrop for investments in new sustainable generation capacity, with a view to a cleaner energy mix in the future.

Therefore, in Europe, support for renewable energies and their structural gain in competitiveness compared to fossil fuels enabled them to grow considerably, particularly in wind power and biomass. In Portugal, the launch of the National Programme for Dams with High Hydroelectric Potential (PNBEPH) gave new impetus to the hydroelectric component of the national system and complemented current increases in power. On the other hand, the debate on nuclear energy is back on the agenda and the United Kingdom has formally issued a call for tenders for the construction of new nuclear capacity, while Italy has officially announced its intention to build 10 new groups, starting in 2013. Where thermal energy is concerned, combined-cycle natural gas technology, with its better environmental performance, continued to dominate new investments, while negotiations are under way to obtain EU support for demonstration projects for clean coal power stations with carbon capture.

In the United States, the renewal of tax mechanisms in support of renewable energies boosted the construction of new solar and wind capacity, making the USA the world's largest wind-power market. Prospects for the development of this market also benefited at the end of the year from plans announced by the new American administration.

2.3. Regulatory framework

Developments in the European Union

In 2008, the European Commission implemented a new set of legislative measures – known as ‘the third energy package’ – unveiled in September 2007, in which two new Directives are proposed, one for the electricity sector and the other for gas, aiming to amend and supplement the existing Directives, 2003/54 and 2003/55 of 26 June.

Of the measures proposed by the Commission, the following are key:

- The separation and total independence of the generation and supply businesses and the operation of transport grids or the adoption of measures of a similar nature;
- The framework for cooperation between European regulators, established through a proposal creating the Agency for the Cooperation of European Regulators (ACER), with specific responsibilities for coordination

and monitoring of Transmission System Operators' cross-border activities;

- The setting out of a legal framework for a European Network of Transmission System Operators (ENTSO-E) to promote collaboration at European level and to encourage cross-border investments, in order to facilitate international trade and create a more level playing field for competition between operators;
- The promotion of transparency in the way the energy market operates.

The legislative measures proposed, which are still under discussion in the European institutions, already exist in essence in Portuguese energy sector legislation, specifically with regard to the legal separation of management and ownership in the generation and supply businesses and operation of the transport grids, which means its approval will have a minor impact in Portugal.

Also regarding Europe, in January 2008 the European Commission proposed an integrated package of measures for energy and climate change, defining a series of ambitious targets for greenhouse gas (GHG) emissions and renewable energies. The climate and energy legislative package was approved in the European Parliament on 17 December 2008.

The new legislation aims to reduce GHG emissions in the European Union by 20% (or by 30% if it is possible to reach an international agreement) from 1990 levels, lift the share of renewable energies to 20% of energy consumed and increase energy efficiency 20% by 2020. The package also sets a target of 10% of renewable energies in the transport sector by 2020.

All the economy's sectors must contribute to achieve the GHG reduction objective. In particular, the sectors affected by the European Union Emission Trading Scheme (EU-ETS), which includes the electricity sector, must reduce emissions by 21% versus 2005, following a linear trend of -1.74% per year. Many of the emission licenses will be sold at auction, due to opposition to their being freely allocated. In particular, the electricity industry will have 100% of its licences auctioned by 2013 (except in the case of 10 of the newest member states). The format of these auctions will be defined by the European Commission by December 2010.

The 20% target for renewable energies was split into individual binding objectives for each member state, to spread the burden. Portugal's objective was defined as 31% of energy consumption in 2020 (20% for Spain). Indicative interim objectives have also been set for 2012, 2014, 2016 and 2018, monitored by the Commission.

To ensure the Directive is carried out, each country must follow a National Action Plan.

The Environmental Liability Directive (DRA) published in April 2004 was implemented through Decree-Law n.º 147/2008 of 29 July, which sets out two founding principles for building a state governed by Environmental Law: the principle of prevention and the principle of accountability. The latter principle is split between a strict system of liability for specific occupational activities and a system of liability based on accountability for other activities. It further states that financial guarantees must be set up, binding the operator to environmental liability, which will be compulsory from 2010, contrary to the provision in Spain's Law 26/2007, which transposes the DRA there. The implications for the energy sector are considerable, should significant environmental damage occur, meaning that evaluation of environmental risks needs to be analysed as a priority.

ELECTRICITY SECTOR

Iberian Electricity Market (MIBEL)

Portugal's electricity sector activities fall under the scope of the MIBEL, the Iberian Electricity Market, as a result of various international agreements between Portugal and Spain which aim to build a regional energy market, as an intermediate step towards the European Union's internal energy market.

Building the Iberian Electricity Market started with a Memorandum of Agreement in 1998, signed in Madrid by the governments of Portugal and Spain, which was followed by further Agreements to deepen and establish that Market.

The most recent, signed in Braga in January 2008, formalises the Regulatory Compatibility Plan of March 2007, stimulating the process of integrating the two Iberian countries' electricity systems.

That document makes specific reference to the closer cooperation between the Systems' Operators (REN and REE), the acceleration of the plan for strengthening interconnections and the implementation of a management mechanism for those interconnections based on 'market splitting' and explicit auctions, which optimise use of the interconnections as well as Iberian competition. It also sets out the standardisation of conditions for supplier of last resort remuneration and a tariff convergence plan, in terms of rules for defining tariffs of last resort, which must be additive, without prejudice to allowing any tariff deficit from previous years to be recovered, and over a phased timeline, following the announcement that from 1 January 2011 they only apply to low voltage customers with contracted capacity below 50 kVA.



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The Agreement referred to above also envisages the standardisation of capacity guarantee mechanisms, designed to ensure the necessary rate of investments in electricity-generating infrastructure, taking into consideration each system's specific needs, and sets out rules relating to the organisation and responsibilities of the Iberian Market Operator (IMO) and the Council of Regulators, as well as a set of principles for defining the Dominant Iberian Operator concept. At the end of 2008 this Agreement was in the ratification phase in the Portuguese Parliament.

In the context of the MIBEL, auctions went ahead in Iberia both for virtual capacity – VPP (virtual power plant) auctions – and for supplier of last resort customers – CESUR auctions.

Transactions in the daily, intra-daily and futures markets will continue to be managed by the operators OMEL and OMIP, with the constituting of the Iberian Market Operator (IMO) planned.

Developments in the regulatory framework for Portugal's energy sector

The National Plan for the Allocation of Emission Licences was approved for the 2008-2012 period (PNALE II – cf. RCM n.º 1/2008, of 4 January) and the list defined (Order n.º 2836/2008 of 5 February, of the Ministry for the Environment, Regional Planning and Development and the Ministry for the Economy and Innovation) of power stations involved in emissions trading, for the 2008-2012 period and the respective initial allocation of emission licences, including EDP's thermal power stations.

The amendment of the Law protecting users of essential public services (Law n.º 12/2008 of 26 February) prohibited users from being charged costs levied on meters or other measurement instruments and set out new rules relating to invoicing timeframes, which were subject to ERSE regulation through the regulations for trade relations and the tariff regulations.

Decree-Law n.º 165/2008 of 21 August, provides for the option of establishing specific conditions, through a proposal originally from ERSE, governing tariff adjustments in response to exceptional circumstances (e.g. a fall in hydroelectric power generation due to drought, significant fluctuations in renewable energy generation costs, or significant fossil fuel price changes in the international markets) liable to have a significant impact on tariffs for energy consumers in a particular year. The same law also sets out the annual tariff adjustments for the electricity sector. This exceptional mechanism has already been used to set tariffs for the year 2009.

To calculate concession charges for low voltage electricity distribution, Decree-Law n.º 230/2008 of 27 November establishes a new system and methodology, adapted to the current liberalisation of the electricity sector. This law also establishes the right to restore the economic and financial equilibrium of the low voltage electricity distribution concession in case of future legislative changes which cause a significant increase in costs or a marked loss of revenue.

Rules for virtual power plant (VPP) auctions were defined in Ministerial Order n.º 57/2008 of 11 January, with the DGEG's (Directorate-General for Geology and Energy) Order n.º 2838/2008 of 5 February, setting out the national electricity system VPP Programme within the MIBEL for the first quarter of 2008.

Regarding energy efficiency, Decree-Law n.º 71/2008 of 15 April regulates the management system for intensive energy consumption (SGCIE) and Council of Ministers Resolution n.º 80/2008 of 20 May approved the National Action Plan for Energy Efficiency (PNAEE) 2008-2015, with ERSE's Order n.º 15546/2008 of 4 June, approving the Energy Efficiency Plan's (PPEC) rules.

Development of the legal framework for the National Programme for the PNBEPH was continued, with Decree-Law n.º 182/2008 of 4 September, setting out the corresponding implementation scheme.

Preparing for the new regulatory period

In 2008 preparatory work began for defining the 2009-2011 regulatory period parameters, set by ERSE along with the tariff structure to be used for 2009.

On 15 December, ERSE published the final document relating to the 'Tariffs and prices for electricity and other services in 2009 and parameters for the regulatory period 2009-2011' for Portugal.

That document both establishes an average increase of 4.9% in tariffs for electricity sales to final customers on the mainland for 2009, and sets out regulatory parameters for the regulatory period from 2009 to 2011. Key among these parameters is the definition of the cost of capital over 3 years for distributing and selling electricity in Portugal, as well as the definition of efficiency targets for regulated activities.

Developments in the regulatory framework for Spain's electricity sector

Following publication of Spain's Royal Decree-Law 3/2006, Order ITC/3315/2007 of 15 November regulated, for 2006, the reduction in electricity generation remuneration by an amount equivalent to the value of the greenhouse

gas emission rights, allocated freely in the 'Plan Nacional de Asignación de Derechos de Emisión 2005-2007'.

In April 2008, the Comisión Nacional de Energía (CNE) announced that the reduction mentioned above would reflect a discount for Hidroeléctrica del Cantábrico, S.A. of EUR 67.38m, a part of the EUR 1.1bn total for the sector as a whole, an amount which will be used to reduce the electricity system deficit for 2006.

Spain's Royal Decree-Law 11/2007, which establishes the reduction in electricity generation remuneration by an amount equivalent to the value of the greenhouse gas emissions rights allocated freely in the 'Plan Nacional de Asignación de Derechos de Emisión 2008-2012', was not developed further in 2008. Applying this regulation resulted in negotiations between the Spanish government and companies in the sector to tackle the electricity system deficit.

The new capacity guarantee model came into force in 2008, which replaced the previous incentives model for classifying the electricity generation infrastructure. This system is based on two types of incentives: (i) to investment; and (ii) to availability.

The remuneration system for electricity transport facilities entering service after 1 January 2008 was modified by Spain's Royal Decree 325/2008, of 29 February. For distribution, too, this new remuneration model is based on investments, since the amounts to be set for the different assets are not known, and are still to be regulated. Spain's Royal Decree 222/2008 of 15 February came into effect on 19 March 2008. It sets out a new remuneration system for electricity distribution, according to investments and considering each distributor's demand growth, as well as new incentives for reducing losses and improving quality.

The social tariff was created for domestic consumers of low voltage electricity, within limits defined in Order ITC/1857/2008 of 26 June, applying from 1 July 2008, which includes payment exemptions for the demand tariff.

Similarly, sales tariffs for high voltage final customers were eliminated, as well as the hourly power tariff, whose customers, following Spain's Royal Decree 871/2007 of 29 June, joined the free market from 1 July 2008. Since that date, the only sales tariffs for electricity relate to low voltage supplies, including the Social Tariff, the 'D' tariff for distributors and the 'G4' tariff for the big industrial customers.

In compliance with a CNE decision of 3 July 2008, the EDP/HC Group moved from third to fifth place on the list of key operators in the electricity sector and returned to the list for the gas sector. Regarding dominant operators,

the EDP/HC Group comes in at third place, only in the electricity sector.

The supply of last resort system is in the regulatory development phase, but definitive elimination of the only integral tariffs still in effect was passed. This regulatory trend will require those known as 'suppliers of last resort' to supply electricity to specific consumers, and to take part in the negotiation process between the Spanish government, the consumers and the energy companies, with the intention of reaching an agreement that allows as smooth a transition as possible for customers who stop benefiting from regulated tariffs and are not eligible for supply of last resort.

Regarding Environmental Liability, attention is drawn to Spain's Royal Decree 2090/2008 of 22 December, which regulates the technical criteria for setting reparation measures from Annex II of Law 26/2007 (which implements the Environmental Liability Directive 2004/35/EC), as well as those relating to the definition of criteria on defining risk scenarios, and setting reparation cost levels that allow the hedges for the financial guarantees behind operators' environmental liability to be defined.

Tariff trends in Portugal and Spain

In Portugal, average sales prices for low voltage electricity over the last five years recorded an average annual increase of about 0.1% in real terms and an average annual fall of 3.2% for the other voltages.

Mean Prices of Low-Voltage Electricity – Portugal



Mean Prices of Extra High, High and Medium Voltage Electricity – Portugal





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**Real and Nominal Variation of Mean Electricity Prices
 – Portugal**

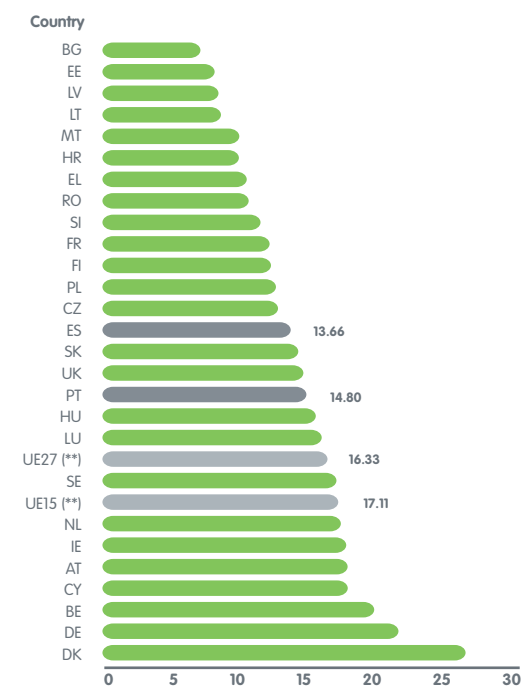


In 2008, sales tariffs to final customers (TVCF) rose 2.9% on average versus 2007 tariffs.

Access tariffs saw an average increase of 22.3% in 2008, versus 2007 levels.

In Spain, access tariffs defined by Order ITC/3860 of 28 December 2007 stayed unchanged. For 2009, Order ITC/3801/2008 of 26 December, fixed an average increase of 25.5%, driven above all by increases in low and medium voltage. Aside from the elimination of high voltage electricity sales tariffs mentioned above, inclusive tariffs were significantly altered during the course of 2008.

**Mean Electricity Prices – 1st Half 2008
 (Domestic Consumers*) (Euro Cents/kWh)**



(*) Domestic consumers in consumption band Dc (Annual consumption between 2500 and 5000 kWh).
 (**) Does not include Italy, which failed to respond to the EUROSTAT survey.

Compared to other countries, Portugal's electricity prices for domestic consumers in the 2,500 to 5,000 kWh annual consumption band were 13.5% below the EU-15 average in the 1st half of 2008, and 9.4% below the EU-27 average. For Spain, electricity prices were below the EU-15- and EU-27 averages by 20% and 16% respectively.

Developments in the regulatory framework for Brazil's electricity sector

The Brazilian electricity market developed relatively normally in 2008, marked by requests for the revision and improvement of regulations and reactions to moderately difficult (severe) situations that crop up.

Energy scarcity, identified in the first months of the year, deepened concerns over supply of the economy and resulted in generation power stations being activated beyond economic demand, to reaffirm thermal generation and save hydroelectric resources. The move corresponded to that forecast on the Risk Aversion Curve (CAR) for the deficit and influenced the formation of settlement market prices for uncontracted differences.

This situation had more severe repercussions for the supplier agents with short sales of corresponding purchases. Since the insufficiencies were limited, there was no significant upset in the market's overall equilibrium. As a result, as the year progressed, improvements were made to the model for forming prices under the influence of the CAR and guarantees system, to make them more effective.

The auctions for new generation power stations' developers followed the normal programme, apart from two large Hydroelectric Power Stations (UHE) auctioned in the Amazonia region on the river Madeira, whose exceptional nature made them pioneering auctions for structuring units, showcased in the sector model.

A further reflection of the concerns over future supply, together with the schedule for the entry of natural gas into electricity generation, auctions took place in which thermal-derived expensive energy dominated. As a result, pressures intensified on the UHE to obtain environmental licences.

Solutions were sought in the regulation of generation to further stimulate the market in electricity from hydroelectric power stations of 1 to 30 MW installed capacity (PCH), and to stop speculation on construction rights for new PCHs obstructing the expansion of developers capable of delivering energy.

In 2008, the discussion began over renewing the concessions in place from 2015, with a strong trend emerging for allowing an extension.

The similar methodologies for making periodic reviews of electricity distribution and transmission businesses became the subject of regulatory definition. The general form of the methodology used so far was retained and its application was improved by defining calculation parameters and procedures with more transparency and on a less discretionary basis.

Addressing a possible point of contention between the PCH developers and the distributors, a new regulation governing Generation Connection Facilities favoured the dispersal of costs to accelerate investments.

Also in distribution, the general supply conditions were improved, with increasing demands for commercial quality. A new manual for procedures governing coordination and optimisation of tariff incentives for Research and Development was also published.

Developments in the regulatory framework for the USA's electricity sector

Regulation of wind energy generation activities in the USA improved in 2008.

The key aspect to mention is the extension by one year of the Production Tax Credit (PTC), applying to all the new capacity installed until 1 January 2010.

In September, the US House of Representatives presented the 'Comprehensive American Energy Security and Consumer Protection Act' setting out the minimum quotas of renewable energy (Renewable Portfolio Standards – RPS) which give a minimum of 15% of demand for energy until 2020. At state level, minimum quotas of renewable energy grew continuously, since five states strengthened or approved minimum quotas, representing the increased demand for renewable energy of approximately 40 TWh or 14 GW of new wind capacity in 2020.

At federal level, certain legislative initiatives were intensified regarding climate change and greenhouse gas emissions, with the new Administration and Congress expected to make significant progress in this area.

GAS SECTOR

Developments in the regulatory framework for Portugal's gas sector

The market for Ordinary Regime electricity opened on 1 January 2007, in accordance with Decree-Law 140/2006, which sets out the general principles relating to the organisation of the Portuguese Natural Gas System (SNGN), regulating the legal framework for carrying out the activities set out in Decree-Law 30/2006 of 15 February, and which completes transposition of EC Directive

n.º 2003/55/EC. The next step in opening the market, which will be completed for all natural gas customers on 1 January 2010, involved extending eligibility to customers consuming over 1 million m³, from 1 January 2008.

The structure of the natural gas sector was based on the SNGN, which integrates the National Transport Grid, LNG Underground Storage and Terminal Infrastructures (RNTIAT) and the Portuguese Natural Gas Distribution Network (RNDGN). The SNGN receives, stores, transports and distributes natural gas through the RNTIAT and RNDGN systems. Global management of the system is ensured by the concession holder of the Portuguese Natural Gas Transport Grid (RNTGN). In organisational terms, operation of the RNTIAT and the RNDGN comprises the following concessions: (i) concession for the RNTGN; (ii) concession for underground storage; (iii) concession for reception, storage and regasification of LNG; (iv) concessions and licences for the RNDGN.

The sector's regulatory base, i.e. the regulations for tariffs, trade relations, service quality and regulations for access to grids, infrastructure and interconnections, was published at the end of 2006 and the first Gas Year ran from 1 July 2007 to 30 June 2008, during which time it was possible to attain the high pressure infrastructure.

During 2008, ERSE published various subsidiary regulations needed to operationalise access to the infrastructure, and in July 2008 the second Gas Year started, for which ERSE published access tariffs for the high pressure system, in Order n.º 17630/2008 of 30 June 2008, as well as access tariffs for distribution grids and regulated tariffs for natural gas, called 'Sales Tariffs for End Customers'.

At the same time, EDP Gás – Distribuição signed a new concession contract with the Portuguese state on 11 April, coming into effect on 1 January 2008, having started operations as network operator from that date and also, through EDP Gás – Serviço Universal, created specially for the purpose, as supplier of last resort for its concession area.

These two companies' activity is regulated, and from 1 July 2008, their remuneration was set by ERSE, which defines the permitted income based on the rules set out in the current regulations.

Developments in the regulatory framework for Spain's gas sector

From the regulatory point of view, 2008 saw continued progress in the regulations published in the previous year. Law 12/2007 was published in 2007, which was a modification of the Hydrocarbons Law 34/1998. It set out to adapt the provision in European Parliament Directive 2003/55/EC regarding common standards for the internal



EDP GROUP BUSINESS

natural gas market. The regulations published in 2008 concerned the separation of activities, with special emphasis on the formulae for financing regulated activities and on the development of gas supply through supply companies, including suppliers of last resort.

The key news regarding regulation in 2008 was:

- Publication of Royal Decree 326/2008, which establishes remuneration for the gas transportation business to facilities entering into service between 1 January 2008 and 31 December 2016;
- Resolution of 3 July 2008 from the Energy Policy and Mining Department, in which the maximum last resort tariff prices for natural gas are made known. The Hydrocarbons Sector's Law 34/1998 states that the tariff of last resort will be the maximum price that suppliers designated as suppliers of last resort can charge. In this regard, Law 12/2007, adapting the European Directive, states that from 1 July 2008, only consumers connected to gas pipelines whose pressure is not 4 bar or below and whose annual consumption is less than 3 GWh can use the tariff of last resort;
- Decree 135/2008, from the Department of Industry, Trade and Tourism of the Basque government, which regulates costs of services provided to users by piped gas distributors. This Decree aims to regulate the compensation that piped gas distributors can receive from consumers for services needed to meet supply requirements. Its effect is backdated to 1 March 2007;
- As has become usual, at the end of the year, Order ITC/3802/2008 was published which establishes the fees for third party access to gas power stations, the tariff of last resort and specific aspects relating to regulated activities of the gas sector;
- Finally, there is Royal Decree 1766/2007, which, although it was published in December 2007, particularly affects 2008, as this is the first year of its application. It regulates the obligation to maintain minimum safety stocks, which are generally 12 days of customer orders in the previous calendar year, and will be 20 days, exceptionally, for the month of October.





EDP GROUP BUSINESS

3. STRATEGIC AGENDA

Strategy objectives fulfilment for 2006-2008

During the 2006-2008 period EDP was able to deliver the results it committed to in 2006, against the strategic goals of Controlled Risk, Greater Efficiency and Guided Growth. In particular, it grew noticeably in the energy sector, which allowed it to move towards the target set in 2006. The strategic agenda presented in 2006 was fully achieved, with the following highlights:

- For Controlled Risk:
 - * Signing of an agreement for the early abandonment of the PPAs on 1 July 2007 through the CMEC (Costs of maintenance of contractual equilibrium), whose value was fixed at EUR 833m;
 - * CO₂ risk exposure reduction through strong investment in combined cycle power stations, hydroelectric power stations and wind farms;
 - * Proactive management of the regulatory agenda, specifically regarding the extension of the concession period for the public waterways domain in Portugal, allocating free CO₂ licences, the capacity guarantee, among others;
 - * Gas sourcing improvements through new contracts and renegotiating existing contracts (Sonatrach, ENI, Atlantic) reducing the 'gap' from 40% to 10%;
 - * Successful implementation of a hedging strategy in the Iberian market.
- For Greater Efficiency:
 - * Greater ambition over cost reduction, revising the cost reduction objective from EUR 70m-90m in 2008 (set in 2006) to EUR 150m in 2010 (set in 2007), aiming to achieve this in 2 years;
 - * Implementation of the non-core asset divestment plan, with inf ows of over EUR 950m (above the EUR 800m target) through sale of stakes in ONI, REN, Edinfor, Telecable, Sonae.com, Turbogás, Portugen, among others;
 - * Improving discipline in investment project approvals, through the creation of Investment Committees at corporate level and in the business areas and by setting minimum profitability thresholds for approving each project.

- For Guided Growth:
 - * Creation of the fourth largest renewable energies operator worldwide, EDP Renováveis, through organic project development and by selectively acquiring platforms in different countries;
 - * Development of the hydroelectric programme in Portugal, which is the biggest pipeline of hydroelectric assets under construction in Western Europe and construction of new generation capacity with low CO₂ emissions;
 - * Balancing Brazil's asset portfolio between generation and distribution, using the asset swap with Enersul to strengthen the position in Investco (Lajeado).

Strategic agenda 2009-2012

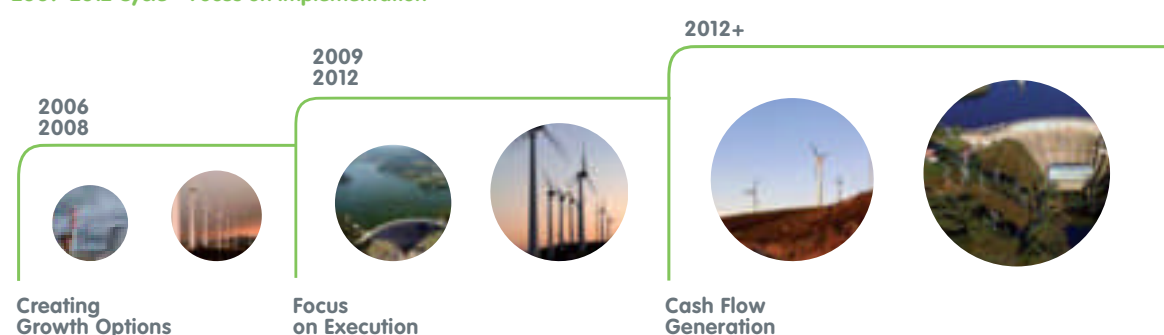
The importance of maintaining strategic goals and of renewing the strategic agenda was further underscored by EDP's success in hitting its objectives set in 2006 and its focus over the last three years on creating growth opportunities for the future, as well as by the wholesale change in the economic and financial context of EDP Group's activities.

Value Management and Creation



To that end, EDP presented its strategic agenda for 2009-2012 in Lisbon on 6 November 2008. 2009 marks the start of a new cycle for EDP Group, which will focus on implementing growth opportunities developed in the 2006-2008 cycle.

2009-2012 Cycle – Focus on Implementation



The **strategic agenda** is made up of 10 points, arranged into three EDP Group strategic pillars.

Controlled risk:

1. Management of the regulatory agenda to keep the low risk profile that typifies EDP Group's activity;
2. Proactive management of exposure to the energy markets through risk hedging strategies;
3. Reduction of CO₂ emissions through investments in generation capacity with low CO₂ emission levels;
4. Solid capital structure, based on continued improvement of debt ratios;

Greater efficiency:

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

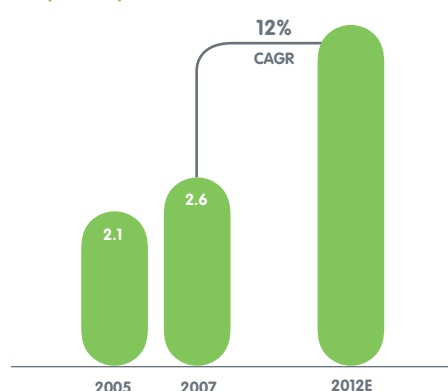
Guided growth:

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

To fulfil the strategic agenda, the following financial commitments were made by the EDP Group:

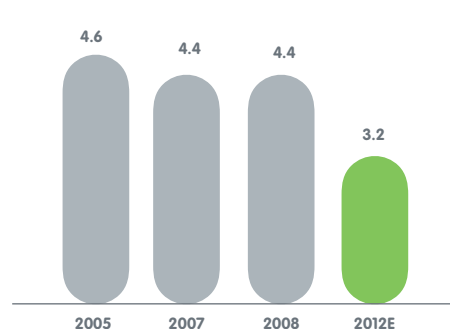
- A new cost reduction programme to save €160m by 2012;
- Gross Operating Profits' cumulative annual growth rate between 2007 and 2012 of 12%;

EBITDA (EUR bn)



- Net Debt/Gross Operating Profit ratio of around 3.2x in 2012;

Net Debt/EBITDA



- Net Profit's cumulative annual growth rate between 2007 and 2012 of 10% (like-for-like).



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4. SUMMARY OF ACTIVITIES

4.1. Electricity business (excluding Brazil)

4.1.1. Generation

EDP Group is present in electricity generation through:

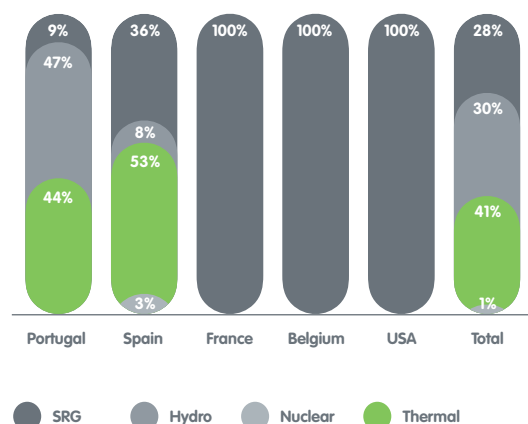
- EDP Produção in Portugal under Ordinary Regime Generation (ORG) and Special Regime Generation (SRG);
- HC Energía in Spain under ORG and SRG;
- EDP Renováveis, operating wind farms in Europe and the USA.

At present, EDP Group offers an electricity generation infrastructure with installed capacity of 16,892 MW.

Maximum Power as at 31 December	EDP Group (excluding Brazil)				
	2008	2007	2006	2005	2004
MW					
Portugal	9,644	9,439	9,078	8,921	8,402
Ordinary regime	8,812	8,824	8,584	8,584	8,080
Special regime	832	615	494	337	322
Spain	5,093	3,830	3,462	3,103	2,834
Ordinary regime	3,271	2,435	2,492	2,488	2,488
Special regime	1,821	1,395	970	614	346
France – Wind Farms	185	87	29	0	0
Belgium – Wind Farms	47	0	0	0	0
USA – Wind Farms	1,923	1,254	0	0	0
Total EDP Group (except Brazil)	16,892	14,610	12,569	12,024	11,236

As a result of EDP Group's strategic priority of adjusting the portfolio towards cleaner technologies, installed capacity in wind grew significantly in 2008. By the end of 2008, 58% of the total portfolio was made up of clean technologies (hydroelectric and SRG).

EDP Group Generation Portfolio (excluding Brazil)



Controlled risk continues to be the generation business's critical aspect, which fits into one of EDP Group's strategic pillars. 6,987 MW (41%) of generation capacity is not

exposed to market risks due to the CMECs, as well as 4,809 MW (28%) of capacity under Special Regime Generation (including wind farms). The remaining 30% of capacity is exposed to market risks, but a hedging policy is in place against risks in volume and price from sales to final customers.

4.1.1.1. Generation in Portugal

Ordinary Regime Generation (ORG)

By the end of 2008, the ORG installed capacity was 10,386 MW, 8,812 MW (85% of the total) belonging to EDP Produção, of which 4,578 MW came from hydroelectric plants and 4,234 MW from thermoelectric power stations.

Tejo Energia and Turbogás power stations also operate in Portugal, alongside EDP Produção's power stations.

The following charts show EDP Produção's installed capacity and net generation curves in Portugal over the last five years.

Maximum Power at 31 December	EDP Produção				
	2008	2007	2006	2005	2004
MW					
Hydroelectric Power Stations	4,578	4,578	4,338	4,339	4,147
Hydroelectric power stations (excl. SEP)	4,094	4,094	4,094	4,095	3,903
Hydroelectric power stations (other)	484	484	244	244	244
Thermal Power Stations	4,234	4,246	4,246	4,246	3,933
Thermal power stations (excl. SEP)	2,893	3,070	3,070	3,070	3,149
Thermal power stations (other)	1,341	1,176	1,176	1,176	784
Total Ordinary Regime	8,812	8,824	8,584	8,584	8,080

Net Generation	EDP Produção				
	2008	2007	2006	2005	2004
GWh					
Hydroelectric Power Stations	6,435	9,361	10,070	4,443	9,116
Hydroelectric power stations (excl. SEP)	5,916	8,976	9,574	4,279	8,718
Hydroelectric power stations (other)	519	385	496	164	398
Thermal Power Stations	15,207	15,357	17,043	19,633	15,175
Thermal power stations (excl. SEP)	7,727	9,319	11,314	14,545	11,756
Thermal power stations (other)	7,480	6,038	5,728	5,088	3,419
Total Ordinary Regime	21,642	24,718	27,112	24,076	24,291

Regarding strengthening capacity in EDP's electricity generation portfolio, the Lares combined cycle power station is under construction (2 x 431 MW, entering into service in 2009) and the Picote (241 MW), Bemposta (191 MW) and Alqueva (240 MW) Capacity Boosters, which are all scheduled to enter into service at the end of 2011.

Regarding hydroelectricity, particular mention must be made of the Licence to Build/Operate at Baixo Sabor issued by the Directorate-General for Energy and Geology (DGEG), as well as the corresponding award of the General Construction Contract.

Other highlights include EDP Produção's allocation by public tender of the Foz Tua, Fridão and Alvito hydroelectric power station 'concessions' (705 MW), for a 75-year term

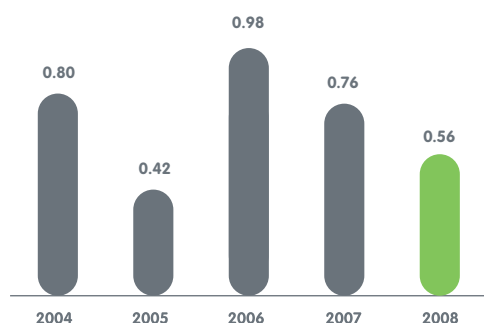
in the case of the former and for 65 years in the case of the other two, with contracts signed last December.

EDP's current hydroelectric portfolio is made up of 93 generating groups, distributed over 35 power stations and grouped in terms of operations into 3 generating power stations and controlled centrally from a Remote Command Centre, located in Rêgua.

The thermoelectric portfolio is made up of 6 power stations, of which two of the most important are the coal power station at Sines and the natural gas combined cycle power station in Ribatejo.

Regarding hydroelectricity, the inf lows from hydroelectric activities are below the regimes' average for the fifth consecutive year. Apart from those of the second quarter, the inf lows were generally very weak, and the year closed with a hydroelectric productiveness coefficient of 0.56.

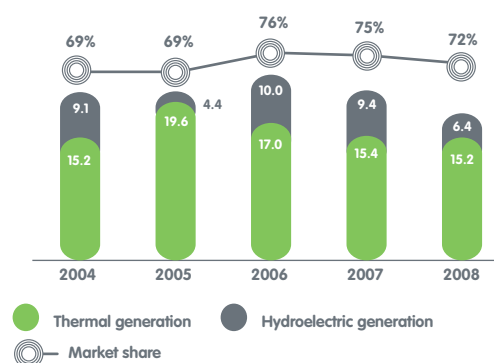
Hydroelectricity Capability in Portugal



EDP Produção's ordinary regime net generation reached 21,642 GWh, 12.4% less than that of the previous year (24,718 GWh), due to the effects of low hydraulicity during the year, the increase in wind generation, in imports and also the merit order inversion for coal generation versus combined cycle:

- Hydroelectric generation was at 6,435 GWh, around 31% below that of 2007;
- Thermal generation was at 15,207 GWh, about 1% less than 2007;
- Steam generation at the Barreiro power station, reached 462.8 MWh.

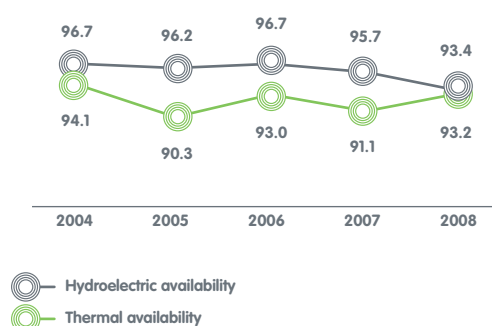
Net Generation and Market Share in ORG (TWh)



EDP's ordinary regime generation market share kept high despite everything, at nearly 72%.

EDP Produção's power stations maintained high performance levels in 2008, with the availability metric posting 94.4% for the hydroelectric portfolio and 92.3% for the thermoelectric portfolio. The roughly 2 percentage point fall in the hydroelectric portfolio versus 2007 was essentially due to the large improvement works scheduled for the Cabril, Bouçã, Alto Lindoso and Alqueva power stations.

Ordinary Regime Generation – Availability

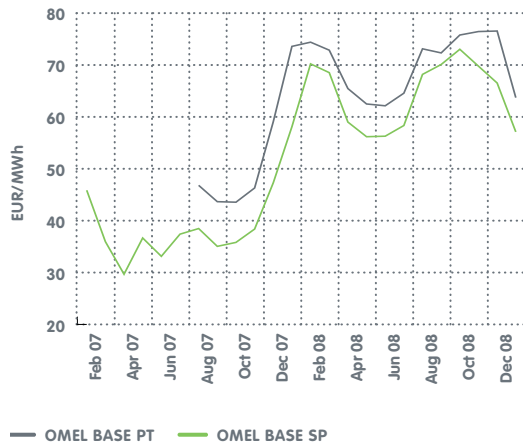


Regarding performance in the Iberian electricity market, this activity is managed centrally by the Energy Management Business Unit (UNGE), which looks after the Iberian electricity power stations' economic dispatch on the one hand, and on the other the respective short- and medium-term risk positions. Aside from the unregulated segment, this operation also involves management of power stations covered under the Costs of Maintenance of Contractual Equilibrium (CMEC), both in terms of managing sales of energy generated in the market and supplying fuels to these power stations.

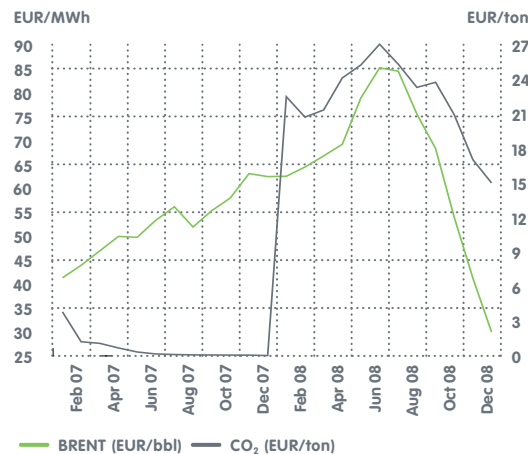


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Average Price on OMEL



BRENT and CO₂ Prices (USA)



This activity took place against a backdrop of a substantial price rise in electricity in the market versus the previous year, which was in part caused by low hydraulicity, but above all, by the substantial increase in fuel prices and emissions costs. This increase would have been more marked were it not for the higher reserve margin, which was driven by significant growth in energy from special regime generators and by the fall in consumption.

Note also that the upwards trend of market prices was accompanied by a strong increase in volatility, specifically in the differential between market prices and fuel costs. This backdrop of high volatility brought the chance of very positive results, achievable through careful management of the structurally long-term risk position for optionality, and also due to the possibility of anticipating the movement of the spread between the price of electricity sales and the corresponding cost of fuel.

Special Regime Generation (SRG)

By the end of 2008, EDP Produção had SRG installed capacity of 157 MW available in hydroelectric power stations, 11 MW in biomass power stations and 111 MW in cogeneration power stations. These last two resulted in a total of 1,138 GWh of steam production.

Maximum Power at 31 December	EDP Produção				
	2008	2007	2006	2005	2004
MW					
Mini-hydroelectric power stations	157	76	66	66	66
Cogeneration	111	111	111	111	111
Biomass	11	5	5	9	9
Total Special Regime	279	192	182	186	186

Net Generation	EDP Produção				
	2008	2007	2006	2005	2004
GWh					
Mini-hydroelectric power stations	170	134	193	90	141
Cogeneration	650	744	726	671	656
Biomass	49	28	29	51	49
Total Special Regime	869	906	948	813	846

There was roughly an 89.1 MW increase versus 2007 in hydroelectric capacity through the introduction of the PEBBLE HYDRO power stations and a 6.6 MW increase in biomass through the Vila Velha de Rôdão power station.

The current SRG hydroelectric portfolio is made up of 66 generating groups, across 39 power stations. Among EDP Produção's key projects in progress are the Pedrógão Capacity Booster (19 MW) and the Alto Lindoso ecological flow recovery power station (2.95 MW), both in the licensing phase.

Regarding thermoelectric power, the signing of the EPC contract for building a Cogeneration power station at Barreiro (24.3 MW) has yet to be announced, which will ensure the continuation of the steam supply to FISIFE, following the closure at the end of 2009 of the current Barreiro power station.

The Soporgen and Energin natural gas power stations, majority owned by EDP Produção, continue to function in this sector, and provide electricity and heat to the Soporcel and Solvay Portugal manufacturing facilities respectively. During 2008, these power stations fulfilled their contractual obligations to customers, but recorded a decrease in supplies of electricity and steam of 13% and 0.3% respectively. EDP Produção still has a 35% shareholding in the Carriço cogeneration power station, which has installed capacity of 30 MW.

The woodland biomass thermoelectric power stations of Mortágua and Rôdão, owned by EDP Produção Bioelétrica, recorded electricity sales to the grid of 99 GWh in 2008, which is about 75% up on 2007, driven by the introduction of Rôdão. Availability was at 90.2%, slightly down on that of 2007. The biomass consumed reached

roughly 187 kt, with 186 kt from woodland waste biomass and the remainder made up of pine and eucalyptus bark.

EDP Produção Bioelétrica has various biomass power station projects in progress, with the Leirosa/Figueira da Foz (30.7 MW) and Constância (12.9 MW) power stations deserving special mention, currently in construction and coming online in May and August 2009 respectively.

The most relevant 2008 highlights for generation are:

- The signing on 8 March by the State (INAG), REN and EDP Produção of concession contracts relating to ex-SEP (Public Electricity Service) power stations, after EDP Produção paid EUR 759m (the corresponding economic and financial balancing value – Order 16982/07) and was awarded the right to operate those power stations, for 26 years longer, on average, than before;
- Launch of public tenders for ‘Concession allocation’ of 10 power stations, within the scope of the National Programme for Dams of High Hydroelectric Capacity (PNBEPH), with the Foz-Tua, Fridão and Alvito power stations going to EDP Produção; Additionally, the AIA public consultation was started for Foz-Tua, at the end of December;
- Notification from the Competition Authority of their non-opposition to EDP Produção’s operation of the hydroelectric power stations at Alqueva Pedrógão for a period of 35 years, nor the acquisition of an 80% shareholding in Pebble Hydro, Lda and Hidroelétrica de Janeiro de Baixo, Lda;
- Balancing these achievements, EDP committed to a temporary yielding of management to an external entity, which is being chosen currently through a limited tender, of the energy from the Aguieira-Raiva complex (360 MW), for a five-year period;
- Creation of GREENVOUGA – Sociedade Gestora do Aproveitamento Hidroelétrico de Ribeiradio-Ermida, S.A., 55% owned by EDP Produção and 45% by Martifer Renewables, S.A.;
- Installation of desulphurisation equipment in groups 3 and 4 at Sines, as part of the power station’s environmental reclassification, signalling the end of this equipment installation across the power stations’ four groups;
- Favourable opinion obtained from REN, ERSE and DGEG, as part of the PPA/CMEC, for the denitrification facility at the Sines power station and adjudication of the project on 8 July, which will run until 2011;
- Completion of PEBBLE HYDRO power station’s integration into EDP Produção (89.1 MW);
- Acquisition by EDP Produção Bioelétrica of Ródão Power – Energia e Biomassa do Ródão, S.A., owner of the biomass power station at Vila Velha de Ródão.

Energy balance

Consumption on the mainland reached about 51 TWh.

Regarding ordinary regime generation’s share in meeting grid consumption, natural gas contributed the most with 24.9%, followed by coal with 20.6% and by hydroelectric with 12.7%.

The contribution from special regime generation (SRG) rose from 20.3% in 2007 to 22.8% in 2008, essentially due to the increase of wind power generation, which represented about 11.3% of grid consumption in 2008.

The trade balance with Spain continued to favour imports and reached the highest ever value, supplying 18.6% of consumption.



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Energy Balance		2008	2007	2006	2005	Portugal 2004
Hydrological Index		0,56	0,76	0,98	0,42	0,80
		GWh				
EDP Group power stations						
Hydroelectric output	PRO	6,435	9,361	10,070	4,443	9,116
Thermal output	PRO	15,207	15,356	17,043	19,633	15,175
Mini-hydroelectric power output	PRE	170	134	193	90	141
Wind power output (ENERNOVA)	PRE	1,026	733	482	348	237
Biomass output	PRE	49	28	29	51	49
Cogeneration output	PRE	650	744	726	671	656
EDP Group Net Generation		23,537	26,357	28,542	25,237	25,374
Direct sales to industrial customers			(21)	(255)	(251)	(461)
Output to Grid (EDP Group)		23,537	26,336	28,288	24,986	24,913
Other generators with PPA						
Other generators	PRO	8,590	8,231	8,570	11,069	10,675
Other generators	PRE	9,660	8,531	7,592	5,643	3,858
Importer/(Exporter) balance		9,431	7,488	5,441	6,820	6,481
Pumped hydroelectric storage		-639	-519	-622	-568	-408
Consumption Related to Output		50,579	50,074	49,269	47,950	45,518
Synchronous compensation		(0)	(9)	(17)	(29)	(35)
Own consumption in generation		(5)	(5)	(5)	5	(8)
Own consumption in transmission grid						(10)
Losses						(657)
Energy Delivered to Distribution		50,574	50,060	49,247	47,926	44,808

4.1.1.2. Generation in Spain

Ordinary Regime Generation (ORG)

EDP Group's ordinary regime installed capacity in Spain increased 706 MW from combined cycle power stations.

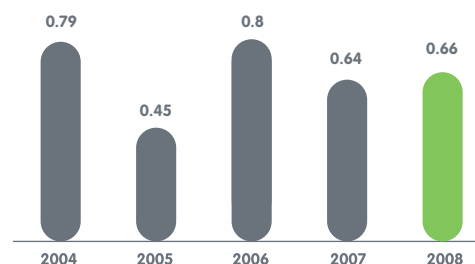
In 2008, net generation from HC Energía reached 12,416 GWh under ordinary regime, representing a year-on-year decrease of 11%. The HC Energía power stations generated the equivalent of 6% of net ordinary regime generation in Spain.

Maximum Power at 31 December		HC Energía				
MW	2008	2007	2006	2005	2004	
Hydroelectric	426	426	426	426	433	
Coal	1,460	1,460	1,523	1,523	1,604	
Nuclear	156	156	156	156	165	
Combined cycle	1,229	393	387	387	393	
Total Ordinary Regime	3,271	2,435	2,492	2,492	2,595	

Net Generation		HC Energía				
GWh	2008	2007	2006	2005	2004	
Hydroelectric	812	786	846	847	854	
Thermal – Coal	6,575	10,124	9,854	11,164	10,356	
Nuclear	1,198	1,232	1,192	1,252	1,237	
Combined cycle	3,831	1,795	1,692	2,109	1,961	
Total Ordinary Regime	12,416	13,936	13,584	15,372	14,407	

Combined cycle generation doubled versus 2007, due to the new groups of Castejón 3 and Soto 4 entering into service. For the first time, generation from combined cycle power stations topped 30% of HC Energía's energy generation. HC Energía's generating cycles maintained high performance levels in 2008, with the availability index recording a value close to 97%.

Hydroelectric Energy Capability Factor in Spain

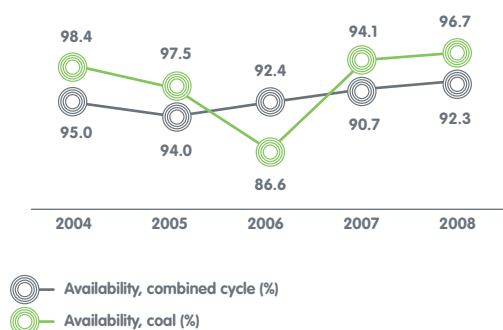


Hydroelectric generation, despite 2008's low hydraulicity index, showed an increase of 3.4%, reaching 812 GWh.

Coal generation reached 6,575 GWh, a 35% generation decrease. This is explained by the high fuel prices, already indicated above, which affected this sector's productivity. Soto 3's revision outage in the first quarter was used to make environmental improvements (desulphurisation), as well as an important review and modification of the alternator rotor.

Nuclear generation also recorded a 2.7% decrease, allowing a total of 1,198 GWh to be reached, as a consequence of the scheduled outage of the Trillo power station. Since launch at the start of May, the power station has been operating normally and at full capacity. The power station functioned satisfactorily again, with an overall availability of over 90%.

Ordinary Regime Generation – Availability



Availability of the coal groups at Aboño was excellent, with Group 2 behaving extremely well and exceeding 10,000 hours of continuous operation. It is the first time that an HC Energía group has achieved such success, and is not an everyday occurrence for a power station. This fact is even more important bearing in mind the situation the Spanish generation portfolio is in, given that the gas cycles entered into service and there was continued growth in renewable energies, especially in the electricity system, making full operation difficult and requiring an increase in operational flexibility among coal power stations.

The biomass injection project in the Aboño thermal power station, an initiative outlined in the 'Plan Nacional para el Fomento de las Energías Renovables', continues to progress satisfactorily. The project's objective is to replace about 10% of coal with biomass.

Special Regime Generation (SRG)

Through various companies, EDP Group has holdings in twenty thermal power stations in Spain, which together represent 127 MW of installed capacity.

Maximum Power at 31 December				HC Energía	
MW	2008	2007	2006	2005	2004
Cogeneration	38	38	42	41	39
Biomass	7	7	4	7	7
Waste	82	82	82	73	72
Total Special Regime	127	127	128	121	118

Net generation				HC Energía	
GWh	2008	2007	2006	2005	2004
Cogeneration	192	90	176	212	129
Biomass	6	8	13	20	15
Waste	500	453	351	387	198
Total Special Regime	698	551	541	618	342

The net generation from cogeneration power stations reached about 192 GWh of electricity, almost 2 times more than 2007, which assumes continuous functioning throughout the year. Steam generation achieved 607 GWh. The thermal power stations operated satisfactorily, but the

operating time was less than forecast due to the increase in the natural gas price.

From the total of 82 MW of waste treatment installed capacity, 500 GWh of electricity was produced. The commitments regarding waste treatment were also fulfilled. Among the waste-fed power stations, SIDERGAS is noteworthy as it uses the excess gases from the Arcelor-Mittal factory in Avilés, generating electricity to meet the steel manufacturing process's steam requirements and exports the surplus electricity to the grid.

Energy Balance

Total consumption in Spain reached 263,096 GWh in 2008, representing an increase of 2% versus 2007. This is the lowest growth since 1993.

This year, international exchanges saw an increase. The balance of exchanges with Portugal favoured exports, at 9,586 GWh, and with France favoured imports, at 2,862 GWh.

2008 was a year of dry weather, resulting in hydroelectric generation reaching just 21,428 GWh. This represents just 8% of total energy demand.

Nuclear generation reached 58,973 GWh, an increase of 7% versus the previous year, returning to the levels of the years before 2007. Nuclear generation represented 22% of electricity demand.

Coal decreased 35.5% versus 2007, at 46,275 GWh, due to high fuel prices and emission rights.

Electricity generation through gas combined cycle reached 91,286 GWh, 34% up on the previous year, due to new capacity entering into service and the greater use of contracted capacity.

Special regime generation was at 69,255 GWh, a 19% increase year-on-year. 31,111 GWh came from wind power, an increase of 14.5% versus the previous year, representing 11% of total energy produced.



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Energy Balance		2008	2007	2006	2005	Spain 2004
Hydrological index		0.66	0.64	0.8	0.45	0.79
		GWh				
EDP Group power stations						
Hydroelectric output	PRO	812	786	846	847	854
Thermal output	PRO	6,575	10,124	9,854	11,164	10,356
Nuclear output	PRO	1,198	1,232	1,192	1,252	1,237
CCGT output	PRO	3,831	1,795	1,692	2,109	1,961
Mini-hydroelectric power output	PRE	2	2	2	5	12
Wind farm output	PRE	2,632	2,056	1,419	523	272
Biomass output	PRE	6	90	176	212	129
Cogeneration output	PRE	192	8	13	20	15
Waste output	PRE	500	453	351	387	198
EDP Group Net Generation		15,749	16,546	15,546	16,518	15,034
Output to grid (EDP Group)						
Output to grid (EDP Group)		15,761	16,546	15,546	16,518	15,034
Other generators	PRO	207,924	209,887	207,289	197,626	192,005
Other generators	PRE	65,923	55,731	48,356	49,407	45,242
Importer / (Exporter) balance		-11,040	-5,750	-3,280	-1,343	-3,027
Pumped hydroelectric storage		-3,731	-4,349	-5,261	-6,358	-4,605
Consumption Related to Output		274,824	272,064	262,650	255,850	244,649
Own consumption in production						
Own consumption in production		-8,339	-8,753	-8,907	-9,082	-8,649
Own consumption in transmission grid						
Losses		-3,389	-3,281	-3,017	-3,000	-3,093
Energy Delivered to Distribution		263,096	260,031	250,726	243,768	232,907

4.1.1.3. EDP Renováveis

EDP Renováveis (EDPR), founded at the end of 2007 and with stakes in NEO Energia (EDPR EU) and Horizon Wind Energy (EDPR NA), made another **significant step in its growth** during 2008 by adding 1,413 MW of gross installed capacity, ending the year with a **portfolio of over 5.0 GW gross**. This increase in gross installed capacity fulfils the 1.4 GW target defined at the time of the IPO and reflects the organisation's growth profile. Aside from this capacity increase, EDPR extended its operations in Romania and Brazil, adding these countries to its footprint in the markets in Portugal, Spain, France, Belgium, Poland, and the USA.

On 4 June, EDP Renováveis, S.A. was listed on the NYSE Euronext Lisboa under the symbol 'EDPR', following the IPO. EDP Renováveis's IPO generated a total cash-in of EUR 1,567bn.

At a price of EUR 8.00 per share, the IPO exceeded the total of 45,085,590 shares by 87.9 times. The Institutional IPO had demand running 6.1 times the total of 180,342,362 shares¹. The total number of shares sold on the Exchange represented 22.5% of EDPR, with EDP retaining the majority of the company's share capital, through its holding of the 77.5% remaining.

This transaction is Western Europe's largest IPO for 2008. Proceeds from the IPO have been used to finance EDPR's growth plans, specifically through execution of a wind

project portfolio aiming to increase installed capacity to over 10.5 GW in 2012.

Given the current situation in the financial markets, the IPO's success clearly shows the significant attention investors gave EDPR, recognising the excellence of its assets, its solid track record in execution and its nature as a pure player, with the highest growth of the largest renewable energies companies worldwide.

Despite this recent milestone, the story of its subsidiary companies goes back to 1993. Since then, the business has grown consistently, through development of greenfield projects and acquisition of pipeline projects in their early stages, as well as up-and-running projects that are aligned with the EDPR growth strategy.

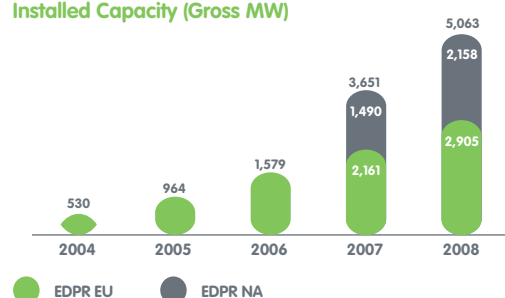
During 2008, EDPR purchased wind assets in France from the EOLE 76 group, most of which were pipeline projects, entered the Romanian market through the acquisition of 85% of Renovatio Power and Cernavoda Power, which own a total of 736MW of wind projects in favourable locations, at various stages of maturity and obtained 126 MW in a wind tender in Galicia. In the Americas, EDPR began operations in Brazil and acquired 1,050 MW of wind projects at early stages in the USA.

EDPR also reached an agreement with a consortium of institutional investors (Tax Equity) made up of JP Morgan Capital and New York Life Insurance worth a total of USD 265m. In parallel, and of particular importance,

¹ Includes Greenshoe.

EDPR succeeded in constructing over 2.0 GW² during 2008 and at the end of the year has 0.8 GW of capacity under construction, to be commissioned in 2009. During 2008, EDPR installed 1,413 MW gross, of which 744 MW was through the European platform and 669 MW through the American subsidiary. This proves the organisation's skill in meeting its annual targets, resulting in EDPR having total installed capacity by the end of 2008 of over 5.0 GW gross, which is a notable increase of 9.5 times the 530 MW gross installed in 2004.

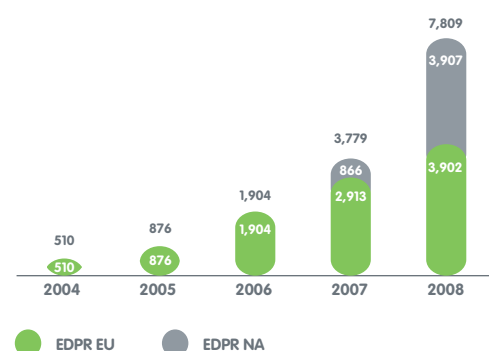
Installed Capacity (Gross MW)



Note: Considers the EBITDA capacity in mini-hydroelectric power stations.

Regarding electricity generation, EDPR reached 7,809 GWh in 2008, which is an increase of 107% on 2007.

Generation (GWh contributing to EBITDA)



This generation level is due to strong 'load factors' which are the result of the high quality of EDPR's assets. In Europe the average annual 'load factor' reached 26% and in the US 34%, reflecting the excellent operational efficiency of EDPR's wind farms. In Europe, EDPR's assets consistently reached top tier levels of 97% availability (in line with 2007) and on the US platform availability was at 94%, adversely affected by lower performance in the first two quarters. However, the last 3 months of the year resulted in availability of 96% after detailed improvement works, a target which EDPR considers sustainable in the future.

EDP Renováveis Europe (EDPR EU)

Europe is a strategic market of considerable importance for EDPR. Strong support, both from the European Union and from each Member State, has resulted in high growth in electricity generation from renewable sources. The EU Directive regarding renewable energy promotion, in place since 2002, has been the driver of current European policy, setting aggressive objectives for the proportion of electricity produced through clean energies, to be reached by 2010. EDPR EU's top position was achieved thanks largely to its ability to undertake greenfield and quasi-greenfield projects. Although the history of Neo Energía as a company involves the acquisitions of Desa, Agrupação Eólica, Cesa and Genesa between 2004 and 2006, the growth element resulting from the acquisition of assets under operation is minor compared to the ability to implement pipeline and greenfield projects.

This ability to implement pipeline projects and build wind farms placed EDPR at the top of the list of companies that built the most in the Iberian Peninsula in 2007 and 2008. During 2008, EDPR had over 1,200 MW under construction, of which 744 MW were installed.

EDPR EU reached 2,894 MW of gross installed capacity at the end of 2008, representing a significant growth of 744 MW (+35%) versus the end of 2007.

The European platform includes operations in Spain, Portugal, France, Belgium, Poland and Romania and currently represents 57% of EDPR's gross installed capacity.

MW	Maximum Gross Power at 31 December				
	2008	2007	2006	2005	2004
Portugal	553	424	326	215	136
Spain	2,120	1,650	1,224	749	394
France	185	87	29	0	0
Belgium	47	0	0	0	0
Total MW	2,905	2,161	1,579	964	530

Note: Includes gross wind capacity and capacity from mini-hydroelectric power stations.

GWh	Generation				
	2008	2007	2006	2005	2004
Portugal	1,028	735	483	349	238
Spain	2,636	2,058	1,421	528	272
France	238	119	0	0	0
Belgium	0	0	0	0	0
Total GWh	3,902	2,913	1,904	876	510

Note: Include wind EBITDA generation from mini-hydroelectric power stations.

Regarding energy generation, the European platform targeted a total of 3,902 GWh, 34% higher than 2007, and given the high growth of the North American platform, energy generation in Europe now represents 50% of total energy generation in EDPR versus the considerable 67% of 2007.

² Considering the total gross installed capacity and total capacity under construction at the end of 2008.



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In Portugal, EDPR EU implemented all the projects scheduled for 2008, exceeding 550 MW of gross installed capacity. It is equally important to note that the targets were reached as set out in the ENEOP business plan, the company that won the wind generation public tender in Portugal for a total of 1,200 MW.

A high pace of growth continued in Spain, both in the number of operating wind farms and in the portfolio of farms commencing construction during the year. EDPR EU has over 2,100 MW of gross installed capacity in Spain and over 470 MW under construction and expected to enter into service in 2009.

During 2008, EDPR EU placed 470 MW gross of additional wind power generation into service in Spain, which shows not only its ability to fulfil its business plan, but also the success of integrating companies acquired over the last few years.

Regarding other countries in Europe, on 7 April, EDPR acquired French assets in wind power generation from EOLE 76, among which were 35 MW in operation, 8 MW under construction, 258 MW in pipeline and 595 MW under analysis.

In Belgium, operation began of 47 MW of wind farms belonging to the Greenwind portfolio.

In Poland, an important market for EDPR EU's future development, the first phase of the Margonin wind farm was at an advanced stage of construction at the end of 2008 (20 MW of a total of 120 MW), with the complete wind farm expected to enter into service during 2009. There are also 10 wind farm projects at different stages of development, which represent a total of 830 MW at the end of 2008.

On 17 October 2008, EDPR EU formalised the acquisition of 85% of two new subsidiaries based in Romania, Renovatio Power and Cernavoda Power, which are expected to offer strong expansion potential. These companies own wind energy generation projects in Romania totalling 736 MW, with the acquisition price reaching EUR 64.4m.

EDP Renováveis United States of America (EDPR NA)

The US operation is run by the North American platform EDPR NA (Horizon Wind Energy).

EDPR NA has built its portfolio through greenfield and quasi-greenfield projects, as part of an essentially organic expansion strategy.

Highlights of 2008 include:

- Installation of 669 MW of gross capacity in 2008, with 199 MW of additional capacity under construction;
- Growth of 19.8% in the project pipeline, reaching a total of 13,250 MW of pipeline and 5,069 MW in prospect by the end of 2008;
- Significant improvements in the availability of wind farms, increasing average annual earnings by about 2% between 2007 and 2008. By the end of 2008, the availability index was in line with the target of 96%;
- Delivery of the final tranche for the Vento II project, a partnership set up with institutional investors in December 2007 through a 'Tax Equity' transaction. EDPR NA finalised a new agreement worth USD 265m with a consortium of institutional investors (Vento III), which is especially important given the degree of turbulence in the capital markets during the second half of 2008.

EDPR NA currently owns 16 wind farms under operation, with a total gross capacity of 2,158 MW, which represents an increase of 669 MW gross versus 2007.

Gross Maximum Capacity as at 31 December					EDPR NA
Gross MW	2008	2007	2006	2005	2004
EDPR NA	2,158	1,490	-	-	-

Generation					EDPR NA
GWh	2008	2007	2006	2005	2004
EDPR NA	3,907	866	-	-	-

The current projects in operation are spread over 8 States: Oregon, Minnesota, Iowa, Kansas, Oklahoma, Texas, Illinois and New York. This increase in installed capacity has resulted essentially in an increase of 45% versus 2007. The distribution of the capacity increase across the country reflects the commitment to a geographically diverse project portfolio, to make the most of the different wind curves and price mix in the USA.

In December 2008, EDPR NA had projects worth 13.3 GW in the pipeline, located across 18 States, divided into 5 regions.

In 2008, EDPR NA produced a total of 3,907GWh, which is an output increase of 4.5 times year-on-year.

Regarding operational efficiency, EDPR NA has begun implementing an in-depth improvement model of analytical tools and operational processes to strengthen the internal skillset and to allow active management of service providers, ensuring that both lower performance and turbine outage are readily addressed.

EDP Renováveis Brasil

To enter a market with such high wind potential as the Brazilian market, EDP Renováveis created a joint venture with EDP – Energias do Brasil/Enernova in June 2008, called EDP Renováveis Brasil.

Wind power generation will begin in 2009, after the agreement with CENAEEL is finalised, which has an installed capacity of 13.8 MW and the potential to expand to over 70 MW. This project is one of the first wind farms funded privately and one of the first PROINFA projects in Brazil.

EDP Renováveis Brasil's main activities involve researching and developing partnerships for wind farm construction. This research is based in the northeast, southeast and south of the country, where there is a higher 'load-factor' for generation. In the state of Espírito Santo, researched projects exceed 200 MW, aside from the 70 MW of CENAEEL in the state of Santa Catarina.

4.1.2. Distribution

EDP takes part in distribution through EDP Distribuição in Portugal and HC Energía in Spain. This operation, based essentially on efficiency improvements and quality of service in the distribution grids, distributed over 56 TWh of energy in 2008.

4.1.2.1. Distribution in Portugal

2008 was the year for consolidating and reorganising EDP Distribuição's organisational structure, developed and implemented the year before.

This new organisational model was strongly influenced and driven by the need to respond to modifications in circumstances affecting the company's activities, specifically those arising from legislative amendments, which brought about the creation, among others, of EDP Serviço Universal at the start of 2007, of continued strong regulatory pressure, and of the company's ambition to be a benchmark in operational efficiency in the distribution business.

The Distribution Programme 2010, also launched the year before, progressed strongly, driven by this reorganisation and by the search for improvements in efficiency and effectiveness. This Programme is made up of 10 main projects which cover all the company's operations, and have a strong transformation component, both in behaviours and in technologies, and which always address environmental sustainability and safety of people and assets.

In the operational activity area, alongside the implementation of the new processes developed by

the Distribution Programme 2010 teams, the PEC (rolling contract scheme) was implemented in full. The procedures to execute this were completed in 2007, and the contract also began at the end of 2007.

A partnership between EDP Distribuição and EFACEC was also established, for the areas of engineering, maintenance and service provision, called EME2 – Engenharia, Manutenção e Serviços.

Under the new legislation announced, the first 516 micro-generators were connected to the distribution grid during the course of the year, with an installed capacity of about 1.8 MW.

2008 was also a time for preparing for the new regulatory period and the corresponding review of the Business Plan. The new regulatory parameters and the new tariffs for 2009 were announced by ERSE at the end of the year.

Energy balance

In 2008, the overall electricity volume put into the grid rose by 1.2%.

Taking into account extraordinary effects, specifically the effect of climate conditions and the increase in working days in 2008, underlying consumption increased 0.7%, which is in line with the 1.0% trend in that issued to REN networks. The effect of co-generators following Ministerial Order 399/2002 had a small effect on the growth of energy leaving the grid of approximately 0.1% this year.

The following chart shows the Balance of Electricity in 2008 compared to that of previous years, demonstrating that significant consumption volumes returned from the free market to the regulated market in High Voltage and Medium Voltage, unlike that seen in Low Voltage.



EDP GROUP BUSINESS

Energy Input in the Distribution Grid

GWh	2008	2007	2006	2005	2004
For the regulated market	48,796	43,779	41,228	37,178	37,757
for the free market	1,306	5,731	7,406	10,091	7,051
Total	50,102	49,510	48,634	47,268	44,808

Note: does not include VHV consumption

Outgoing Energy from the Grid

GWh	2008	2007	2006	2005	2004
Energy delivered to the distribution grid	50,102	49,510	48,634	47,268	44,808
Distribution losses	-3,633	-2,591	-3,169	-3,437	-3,451
Outgoing energy from the grid	46,468	46,919	45,465	43,832	41,357

Energy Sales on the Regulated Market

	2008	2007	2006	2005	2004
Very high voltage	1,667	1,527	1,394	1,278	1,224
High voltage	6,358	6,265	5,361	5,153	4,345
Medium voltage	14,052	10,290	8,603	5,105	6,522
Special low voltage	3,340	2,491	2,312	2,351	3,159
Low voltage	18,364	19,523	19,235	19,024	18,126
Street lighting	1,509	1,449	1,399	1,299	1,218

Energy Output to the Free Market

	2008	2007	2006	2005	2004
Very high voltage	0	3	41	37	0
High voltage	2	11	98	144	49
Medium voltage	263	4,098	5,820	8,489	6,680
Special low voltage	219	996	1,190	950	33
Low voltage	695	264	13	0	0

During the year, preparations for launching a new IT system supporting the 'Energy Data Management' process progressed strongly – developed specifically for Energy Balance. This system is designed to provide a tool allowing high quality management of metering and energy, offering information to various market agents and to SEN, and contributing to a better structuring and integration of the various systems. Throughout the year, the process of revising and updating the contingency plans was under way. Implementation of these plans when situations arise contributes significantly to the reduction of service interruption periods.

The EDP Distribuição grid's voltage wave quality and continuity (VQC) continued to be evaluated in 2008 through the VQC Monitoring Plan, as set out in the Ruling on Quality of Service (RQS), which will be in force from 2006 to 2009. It was run according to that specified, with 271 facilities under evaluation (116 High Voltage/Medium Voltage substations and 155 transformer posts), of which 5 are permanent throughout the year, in total representing 791,376 hours of VQC monitoring in our facilities and grids.

With important effects on the technical quality of service, Genesys implementation was completed for all High Voltage and Medium Voltage control centres. With regard to the latter, the corresponding operational normalisation was also completed, according to the definitive model.

Additional information on the quality of service provided can be found in the 'Customers' chapter in the Contribution to Sustainability.

Efficiency

The search for greater effectiveness and optimisation of investments and operations and maintenance costs was kept up, carrying out the cost reduction drive in 2008 according to the initiatives launched under the OPEX Programme 2009, whose savings targets set in 2008 were achieved.

With the same objective and taking advantage of lessons learned and initiatives currently under way, a new programme was launched with a new time horizon of 2012, which has new additional savings initiatives. It will commence implementation in 2009.

The process of applying increasingly demanding criteria for analysing investments was kept as part of a large optimisation drive in grid construction, operation and maintenance.

Under the LEANplus Project, which makes up part of the Distribution Programme 2010, the launches continued for pilots of the WFM/GME (Workforce Management), Process Management, Project Management and Operations Management sub-projects, in various operational areas according to the schedule.

In the risk management area, in order to bring a global overview of risk management into the company and to integrate its practices into the culture of its employees, work continued as outlined in the Risk Management Sub-Project, within the Gerir+ Project, which is also a part of the Distribution Programme 2010. The current situation was diagnosed, risks deemed most relevant were chosen and analysed, steps to address them were identified and the quantification of each was begun.

The increase in operational efficiency enabled more customers to be served and more energy distributed with fewer employees. The ratio of customers per employee, often used as a measure of productivity in distribution companies, increased from 1,053 in 2004 to 1,524 in 2008. On the other hand, the indicator for energy distributed per employee grew 56% between 2004 and 2008.

**Operational Efficiency of EDP Distribuição
 (Regulated Market + Free Market)**



MAIN EDP DISTRIBUIÇÃO PROJECTS

An important Distribution Programme 2010 milestone was achieved in 2008 with the Distribution 2010 Meeting. At this meeting, the results of joint workshops looking into each of the main projects making up the Programme were presented and it involved all the company staff who worked on it. In parallel, the appointing of the teams and planning of the activities for each of the Projects making up the Programme came to an end, and as a result, during the course of the year the phased implementation of the pilots took place in the different operational areas of the company, thereby applying and testing the different processes developed by the teams at operational and behavioural level.

The **InovGrid Project** is one of the 10 initiatives included in the Distribution Programme 2010 and aims to respond to the strong pressure placed on the electricity sector from environmental sustainability challenges, challenges presented by an approach focused increasingly on the consumer, by safety and quality of energy supply and the European energy market. Additional information on this project can be found in the chapter 'Research & Development and Innovation in the Contribution to Sustainability'.

The **Active Grid Project** became fully available in the generation space over the course of the year across all of countries where EDP Distribuição is present. This Project, based on the Power On application and using the Technical Information System (TIS), replaces the old SGI system, which was discontinued, although keeping access to historical information, and allowing incident management to be integrated into just one application for the three voltages, High, Medium and Low. It aims to give EDP Distribuição a new management tool for events in the grid through a new, more flexible system, and adapted for new needs.

4.1.2.2. Distribution in Spain

In Spain, 263,096 GWh in total was distributed in 2008, 1% more than in 2007.

Electricity Distribution	HC Energía				
	2008	2007	2006	2005	2004
GWh					
High voltage	5,762	5,882	5,874	5,788	5,692
Medium voltage	1,284	1,204	1,215	1,116	1,043
Low voltage	2,633	2,536	2,461	2,343	2,288
Total	9,679	9,622	9,550	9,247	9,023

Distribution by HC Energía in Spain amounted to 9,679 GWh, an increase of 0.6% year-on-year. Consumption by low voltage customers increased 3.8%. The large industrial customers maintained intensive use of their facilities and the performance of their segment explains the moderate increase in energy consumption.

HC Energía is continuing its growth plan for the electricity distribution grid outside the Principality of Asturias through the purchase of new distributors:

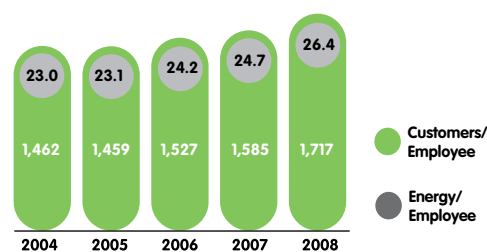
- In Valencia, it acquired 90% of FEVASA, which has an important expansion plan in the Sagunto area;
- It acquired the substation in Sagunto (220/20 kV);
- In Catalonia, the electricity distributor Electra de Llobregat began operations, made up of HC Energía and a local partner, Electra Caldense, to develop operations in the Barcelona metropolitan area.

HC Energía's growth in this area has been consistent since it decided to start construction of grids outside its original distribution zone.

Efficiency of operations

Organisational projects and work aiming to optimise operational efficiency in electricity distribution continued in 2008. Reorganisation of the number of employees, investments carried out and new work sorting criteria enabled to achieve a performance ratio of 26.4 GWh to be shared out per employee, around 15% more than in 2004. Likewise, the number of customers per employee reached 1,717 in 2008, 17% higher than the 2004 figure.

Operational Efficiency of Distribution in Spain



Note: Indicators calculated on the assignment of employees per enterprise contract.

The following events in distribution should also be noted:

- The agreement with Rede Eléctrica de Espanha (REE) for the sale of the transport facilities in the Silvota and San Claudio (Asturias) areas was finalised.
- Stand-alone projects: Enlargement of the San Esteban substation capacity by 50% to improve the service



EDP GROUP BUSINESS

in Oviedo and the building of the Zalia industrial hub substation.

- Alignment of new electronic meter tariffs to the norm. During the course of 2008, the CCS campaign took place (Capacity Control Switch), with over 37,100 installed, and the installation campaign for domestic meters was begun in homes qualifying for remote management;
- In the second half of 2008, over 18,700 modifications were made to old 2.0N tariff meters, completed in July 2008.

4.1.3. Supply

EDP Group's supply activity takes place in Portugal and Spain within the regulated market, in which electricity is supplied under a tariff structure defined by regulations, and in the free market, in which it participates in competition with other Iberian players.

During 2008, an important Iberian initiative was launched, Project SMILE. This project is responsible for designing and implementing the Iberian model of B2B supply processes, in the free electricity and gas markets and in services. It is in perfect alignment with EDP's strategic objectives. Thus this project is designed to:

- Increase operational efficiency, through making the Group's information processes and systems uniform and optimised, as an Iberian player;
- Increase the capacity for winning new higher-value customers and keeping them loyal, through better sales information and offering an excellent service;
- Improvement of operational risk control, through greater reliability and skill in internal processes control.

4.1.3.1. Supply in Portugal

Regulated market

During 2008, the overall number of customers in the Regulated Market (RM) fell slightly, as a result of the net outflow of over 46,000 Low Voltage (LV) customers to the free market. On the other hand, about 5,000 customers returned to the regulated market from the free market in Medium Voltage (MV) and Special Low Voltage (SLV).

Sales of electricity in the regulated market increased about 9% year-on-year, particularly in MV and SLV. On the other hand, Low Voltage sales fell, linked to the migration of customers to the liberalised market mentioned above.

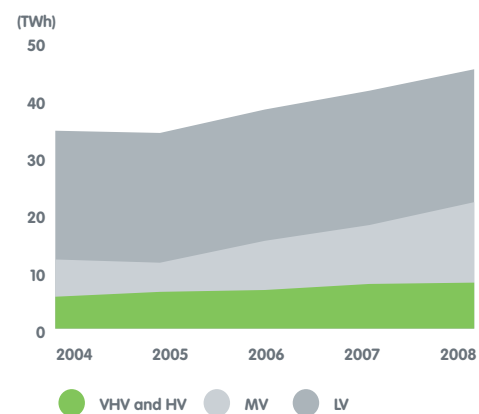
Number of Customers

	2008	2007	2006	2005	2004
Total	5,890,427	5,902,795	5,961,697	5,894,139	5,818,504
Very high voltage	53	55	20	16	20
High voltage	234	213	182	157	154
Medium voltage	22,913	20,748	19,955	16,600	18,184
Special low voltage	32,170	25,687	25,118	22,036	27,306
Low voltage	5,785,797	5,807,784	5,869,451	5,809,699	5,728,865
Street lighting	49,260	48,308	46,971	45,631	43,975

Electricity (GWh)

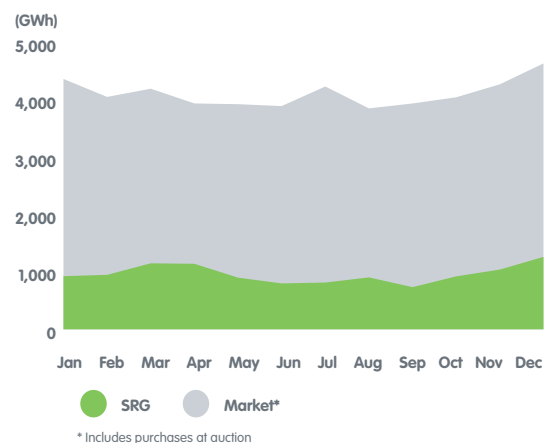
	2008	2007	2006	2005	2004
Total	45,289	41,546	38,253	34,164	34,552
Very high voltage	1,667	1,527	1,377	1,265	1,222
High voltage	6,358	6,265	5,358	5,148	4,340
Medium voltage	14,052	10,290	8,589	5,091	6,506
Special low voltage	3,340	2,491	2,308	2,347	3,155
Low voltage	18,364	19,523	19,222	19,013	18,112
Street lighting	1,509	1,449	1,399	1,299	1,218

Electricity Sales on the Regulated Market by Voltage Level



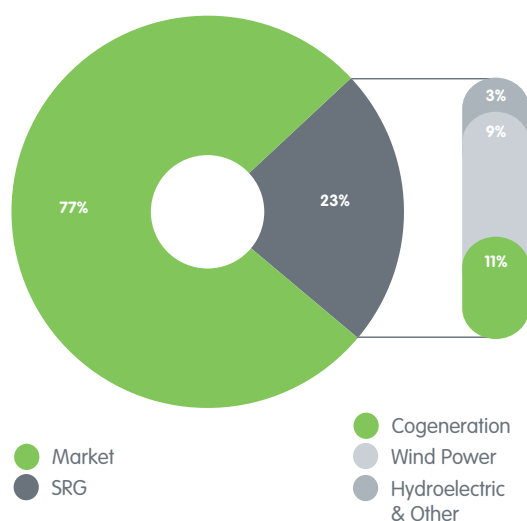
During 2008, the electricity required to guarantee supply to regulated market customers was acquired in the market and from special regime generators (SRG).

Purchase of Energy - 2008



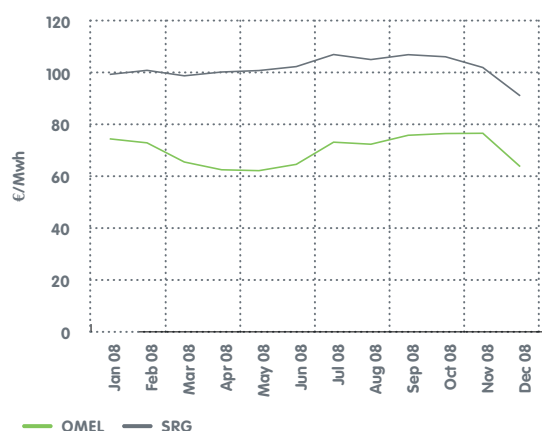
The electricity bought for consumption in the regulated market was shared between market (77%) and SRG (23%, of which about 17% is renewable).

Distribution of Purchased Energy (GWh)



Regarding average energy purchase prices during 2008, market prices fell in the first half, rallied in the following months, and fell again near the end of the year, leaving the average acquisition price in December close to EUR 64/MWh in the OMEL (Iberian Energy Market Operator), significantly lower than that of the same month of the previous year, at EUR 74/MWh.

Mean Energy Purchase Prices – 2nd half 2008



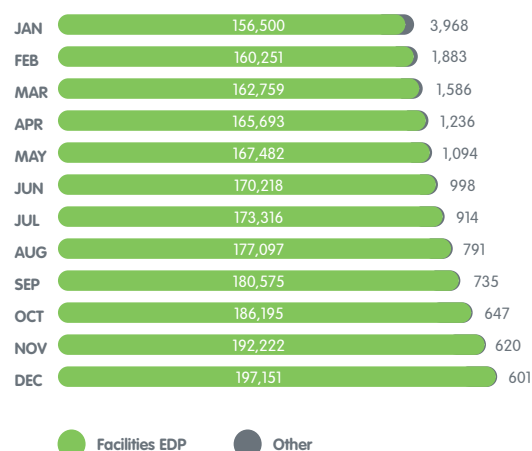
Free Market

EDP Commercial retained its free market leadership for electricity, despite the unfavourable tariff backdrop which put large obstacles in the way of stimulating the market in the sector.

That leadership position, of 80.3% market share in energy sold during 2008, and of 99.7% of facilities supplied by the end of December, was driven by three of the company's business units:

- One dedicated to companies and institutions (B2B), under the brand EDP Corporate;
- Another targeting the residential and small business sector (B2C), under the brand edp5D; and
- An energy services unit with a diversified and flexible offering aimed towards both B2B and B2C clients.

Facilities on the Free Market



Free Market

	2008	2007	2006	2005	2004
Sales on the Free Market (GWh)	1,180	5,372	7,161	9,620	6,763
EDP Commercial	947	3,010	4,037	6,314	4,381
Other	233	2,363	3,124	3,306	2,381
Facilities on the Free Market	151,613	151,613	26,199	13,226	4,838
EDP Commercial	197,151	148,319	22,573	9,212	3,616
Other	601	3,294	3,626	4,014	1,222

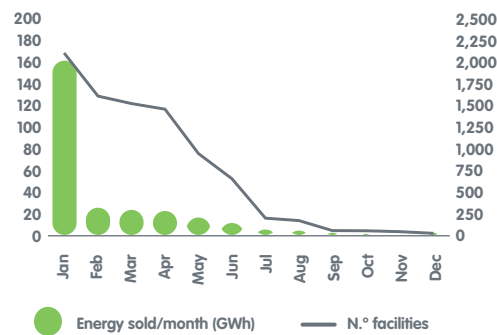
In the **B2B** segment, prices in the free market could not compete with regulated tariffs, a fact that had already been evident since the extraordinary review of September 2007, and which was reinforced by the tariffs for 2008. The cost of consumed electricity assumed in tariffs for this year was EUR 50/MWh, which is much lower than the energy price in the wholesale market (OMEL), which serves as a benchmark for the free market and whose values approximated EUR 70/MWh.

Therefore, like its competitors, EDP Commercial exited the B2B market, guaranteeing it would oversee customers' transition to the regulated market, which involved a key clarification drive and interaction with customers.



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EDP Comercial B2B



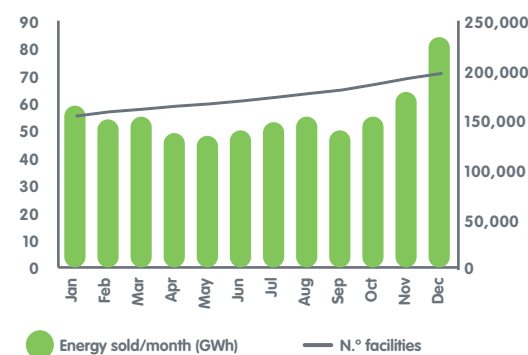
On the other hand, the maintenance and management of the relationships with customers was held in high importance.

Another contributing factor to the strengthening of the partnership between EDP Comercial and its B2B customer base was the broadening of the value added services offering.

Regarding the B2C segment, EDP Comercial continued to be the only company in the free market for electricity with a structured offering in 2008, through edp5D, which accounted for a portfolio of approximately 200,000 residential and small business customers at the end of the year.

Despite the slowing recruitment of B2C customers, reflecting the unfavourable tariff framework for the free market, EDP Comercial achieved the objectives proposed for this segment, with sales of about 676 GWh, equating to annualised consumption of 796 GWh.

EDP Comercial B2C



For the **Energy Services Business Unit**, 2008 was full of activity, notable for its continual improvement of the services offering, for its development of new products and solutions, for its implementation of an ambitious set of measures, within the Plan for Promoting Consumption Efficiency (PPEC), and for its development of a new candidacy for the PPEC 2009/2010.

Within the PPEC 2008, a set of EDP Comercial measures was approved equating to a sum of EUR 2.7m, 55% of the total achieved by the EDP Group and about 30% of the total approved by ERSE.

The projects designed by EDP Comercial aimed, on the one hand, to inform and raise awareness among residential customers about the active role they can play in energy efficiency and about the benefits arising from that, and on the other hand, to work with company customers in increasing efficiency by using the existing technology base. Among the key measures implemented are the installation of Electronic Speed Variators in the industrial sector and the distribution of compact fluorescent bulbs, particularly affecting the residential sector.

Results of Implementing PEP 2008

B2B Measures		
Optimisation of energy efficiency use	21	Audits carried out
Electronic speed variators (ESV)	150	Equipment installed
Compact fluorescent light bulbs	30,000	Light bulbs distributed
B2C Measures		
Compact fluorescent light bulbs	330,000	Light bulbs distributed
Power Strips	100,000	Power Strips distributed
Promoting A+ and AA+ rated cooling equipment	11,100	Discount vouchers distributed

Alongside the PPEC 2008 implementation, EDP Comercial prepared and presented its candidacy for PPEC 2009-2010, in which a growing number of candidates are present, with measures expected to be announced for approval by ERSE during the first quarter of 2009, for this two-year period. For additional information, on Services Rendered please refer to "New Services" in Customer Chapter.

4.1.3.2. Supply in Spain

Regulated market

Within the regulated market supply operation, HC Energía had in excess of 628,000 electricity customers in its distribution zones (Asturias, Madrid, Valencia and Alicante), about 2% up on the previous year with consumption of 9,679 GWh.

Since 1 July 2008, when order ITC 1857/2008 came into effect, general High Voltage, Irrigation and Night tariffs, came to an end. This change placed 50% of energy in the liberalized market.

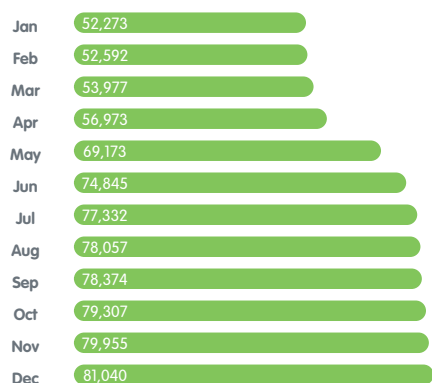
	Number of Customers				
	2008	2007	2006	2005	2004
High voltage	21	21	21	21	20
Medium voltage	980	912	867	819	757
Low voltage	627,340	615,644	602,293	584,082	573,783
Total	628,341	616,577	603,181	584,922	574,560

Regarding distribution outside Asturias, 12,156 customers were reached by the combined distribution zones of Alicante, Madrid and Valencia.

Free market

HC Energía rolled out a strong supply operation in the liberalised market, which brought 11,917.4 GWh of electricity, 11% above that of 2007. This equates to 95% of the energy generated by the Group and achieved a liberalised electricity market share in Spain of 11%.

HC Energía Facilities on the Free Market



Importantly, in the industrial sector, energy sales reached 9,398 GWh, which is an 8% increase on 2007.

At the end of the year, the number of customers supplied was 75,690, nearly 60% up on 2007. The commercial drive focused on gaining efficient coverage of the group's power generation and on optimising the customer portfolio.

In just one year, the new brand – HC Energía – achieved awareness of more than 85% in its area of influence.

Free Market				
GWh	2008	2007	2006	2005
Sales on the Free Market	108,341	71,876	62,571	106,583
HC	11,917	10,731	6,671	5,926
Other	96,425	61,145	55,900	100,657

HC Energía B2B



The B2B segment recorded sales of 11,574 GWh, up 10% year-on-year. On the other hand, the structure of its customer portfolio was optimised as the segment margin for Large Accounts and Businesses increased. Following the steps taken, this type of customer's overall satisfaction level has risen above 95%.

HC Energía B2C



The B2C segment recorded total sales of 343 GWh, 44% up on 2007. The strategy in this segment has been focused on portfolio analysis to recruit profitable customers and increase loyalty. Satisfaction levels among this type of customer reached 90%.

4.2. Gas business in Iberia

EDP has a strong presence in the Iberian natural gas market, as a majority shareholder in Naturgas Energia (in Spain) and Portgás (in Portugal) (under the EDP Gás Distribuição brand, and referred to as such henceforth) and as a minority shareholder in Setgás (Portugal). Likewise it has a company licensed to operate in the Portuguese liberalised market, EDP Gás.Com.

The Gas Business Unit, officially EDP Gás, SGPS, consolidated its position as second natural gas distributor in the Iberian peninsula (11% market share), reaching about 890,000 points of supply and increasing its customers by 4%. The following chart shows the key figures for the gas business in the Iberian Peninsula:

Main Indicators	EDP Gás				
	2008	2007	2006	2005	2004
Number of Customers (thousands)	829	791	754	700	705
Regulated distribution	201	376	506	606	704
Supply	628	415	248	95	1
Km of Grid (kms)	9,048	8,456	7,661	7,218	6,832
Transport grid	309	307	250	246	241
Distribution grid	8,739	8,149	7,398	6,971	6,590
Volume of Natural Gas (millions m³)	4.4	3.5	3.1	3.0	2.9
Distributed	2.3	1.9	1.9	2.0	2.1
Supplied	2.1	1.6	1.2	1.0	0.8
Volume of Natural Gas (TWh)	51.4	40.9	35.7	35.5	34.0
Distributed	26.6	22.7	21.9	23.7	24.2
Supplied	24.7	18.2	13.8	11.8	9.9
Number of Employees	422	411	407	444	457



EDP GROUP BUSINESS

4.2.1. Procurement of gas

Natural gas procurement and the management of the group's various companies' gas purchase contract portfolio are coordinated into a centralised portfolio management overview performed by EDP Gás.

The main procurement events taking place in 2008 were:

- Signing of contracts bringing into force a 'partnership agreement' between Sonatrach and EDP in October 2007. In April 2008, EDP's gas supply contract was signed, with a volume of 0.3Bcm during 2008. This volume is currently unloaded in the Barcelona regasification terminal. This volume will increase in the 2nd semester of 2009 to 0.7Bcm/year, when the international gaspipe Medgaz will enter into service, currently under construction in Algeria and Spain. Also, the gas supply contract was signed in April 2008 for the Soto 4 combined cycle power station, for an annual volume of 0.3Bcm. The Soto 4 power station has been operating since November 2008, with the first gas consumed by the plant in July 2008 in the testing phase, from LNG (liquefied natural gas) unloaded in the Huelva regasification terminal. Work also started on formalising the supply to the Lares 1 combined cycle power station, as set out by Sonatrach agreement, and which should take place from April 2009. The Sines terminal will in principle be the unloading point for LNG used for supplying this power station;
- Completion, under market conditions, of the review process of the Atlantic LNG contractual conditions, which had implications in the Naturgas Energia gas supply contract for the supply activity in Spain;
- Negotiation of an agreement with Galp, allowing supply to the Ribatejo combined cycle power station under market conditions and giving the station new flexibility to function in a more optimised way, enabling it to supply the Lares power station's second group;
- A contractual basis was also established for a new 'swap' mechanism for gas acquired from Atlantic LNG;
- Renewal of the gas supply contracts for HC Energia waste and cogeneration power stations, for a total volume of 0.2Bcm/year, under advantageous conditions which guarantee profitability.

4.2.2. Activity in Portugal

EDP Gás – Distribuição signed a new Concession Contract with the Portuguese state on 11 April, coming into effect on 1 January 2008, having started operations as grid operator from that date and also, through EDP Gás – Serviço

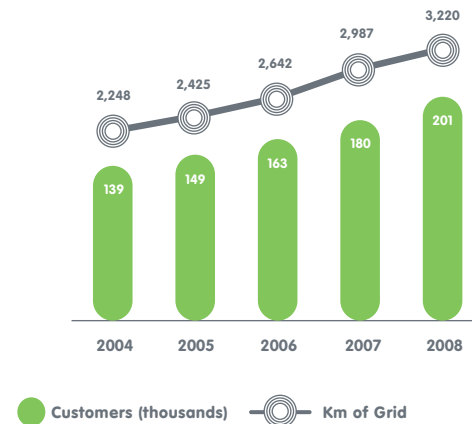
Universal, created specially for this purpose, as supplier of last resort for its concession area.

These two companies' activity is regulated, and from 1 July 2008, their remuneration was set by ERSE, which defines the revenues permitted based on rules set out in the regulations in force.

2008, the year of the organisations' consolidation through regulatory alterations, was notable for the strengthening of its strategy for growth and value creation through recruitment of new customers, both by condensing and expanding the grid, in an investment plan topping EUR 25m, based on unit cost optimisation.

By this, EDP Gás Distribuição continued development of the concession, widening the coverage level, whether from a perspective of zones supplied by its distribution infrastructure (notably Viana do Castelo in the primary network, and Póvoa do Varzim in the secondary network), or from a perspective of commercial development in the various market segments, intensifying the commercial activity on the existing domestic market, reaching an increase of over 20,000 points of supply (+23% versus 2007).

Gas Portugal – Customers and Grid



Main Indicators	Gás Portugal				
	2008	2007	2006	2005	2004
Supply points (thousands)	201	180	163	149	139
km of grid (kms)	3,220	2,987	2,642	2,425	2,248
Volume of gas carried (millions m ³)	0.51	0.22	0.20	0.19	0.18
Volume of gas carried (TWh)	6.0	2.6	2.3	2.2	2.1
Customers (thousands)	201	180	163	149	139
Volume of gas sold (millions m ³)	0.23	0.22	0.20	0.19	0.18
Volume of gas sold (TWh)	2.7	2.6	2.3	2.2	2.1
Number of employees	110	112	115	110	112

It should also be noted that with the first gas year beginning in July 2008, the energy management process began based on the 'Allocations, Schedules and Appointments Management System' developed along with Naturgas during the end of 2007 and the first quarter of 2008 (this management system allows companies in the business unit to make use of a unique

energy management tool, answering the regulatory demands of the Portuguese and Spanish systems) and the establishment of an installation plan for remote metering systems for customers with consumption above 100,000 m³ a year.

Regarding supply activities, EDP Gás Distribuição was split into EDP Gás Serviço Universal for natural gas regulated supply and EDP Gás Propano for propane gas supply. These two companies are thus responsible for the gas customers supply interface in Portugal.

4.2.3. Activity in Spain

From an operational viewpoint, 2008 was very positive for Naturgas, taking into account the performance of the regulated and free businesses, and the complex correlation that arose between these (from the migration of customers between markets). In addition to these results was the strategic performance of the company in the area of acquisitions, which aimed to leverage growth opportunities in controlled risk markets with penetration in non-traditional areas, and in the area of synergies with other EDP Group companies.

Main Indicators	Gas Spain				
	2008	2007	2006	2005	2004
Number of Customers (thousands)	628,294	611,896	590,930	550,762	565,694
Regulated distribution	0	196,605	342,770	456,269	564,210
Supply	628,294	415,291	248,160	94,493	1,484
Km of Grid (kms)	5,828	5,469	5,006	4,792	4,584
Transport grid	309	307	250	246	241
Distribution grid	5,519	5,161	4,756	4,546	4,344
Volume of Natural Gas (millions m³)	3.9	3.3	2.9	2.9	2.7
Distributed	1.8	1.7	1.7	1.8	1.9
Supplied	2.1	1.6	1.2	1.0	0.8
Volume of Natural Gas (TWh)	45.4	38.4	33.5	33.3	31.9
Distributed	20.7	20.2	19.7	21.5	22.1
Supplied	24.7	18.2	13.8	11.8	9.9
Number of Employees	311	297	292	334	345

Regulated market

The culmination of the sector's liberalisation process, regarding customer supply, resulted in the disappearance from 1 July of distributors supplying at the regulated market tariff. This amendment requires that all customers migrate to the liberalised market and the distributors convert into companies providing grid access, construction and maintenance services.

With these assumptions, Naturgas distribution and transport companies continued their expansion activities in their areas of influence.

Key points in the transport area include:

- Completion and entering into service of the gaspipe to the Soto de Ribera combined cycle power station.

- Completion of Phase I of the Bergara-Irun gaspipe, between Bergara and Zaldibia. Second phase between Zaldibia and Villabona in the process of being completed;
- Completion of modifications to transport gaspipes for the Bizkaia (Interbiak) and Gipuzkoa (Bidegui) road concessions;
- Acquisition of 30% of Septentrional de Gas (100% Naturgas);
- Diversification of the business throughout the value chain.

Gas Spain – Transport Grids (kms)



Key distribution highlights include:

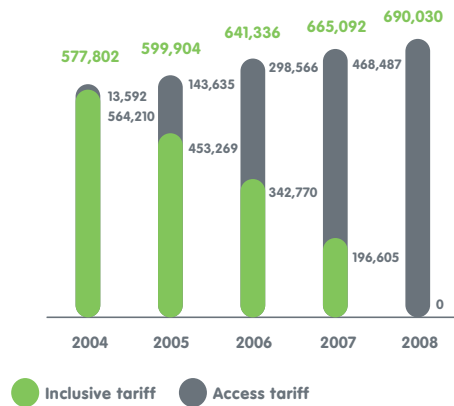
- Supply networks entering into service for the Basque Country municipalities of Dima, Artea, Ataun, Berastegui and at Agreda (Soria). Commencement of works in the municipalities of Soto de Ribera, Llanes-Celorio, Pola de Lena and Las Caldas-Oviedo (Asturias), Villarejo de Salvanés (Madrid), and second phase of Berastegui and Ataun (Basque Country).
- Launch of the Villarejo de Salvanés project (Madrid) with a new development model based on the densification/extension relationship;
- Sale of the Alto de Errondo e Ledesma building.
- The acquisition of all shares in Gás Mérida, gas distributor for Mérida, capital of Extremadura and merger into Naturgas Distribution.

Activities in construction and saturation of the current grid allowed the number of points of supply to be increased, as shown in the following chart:



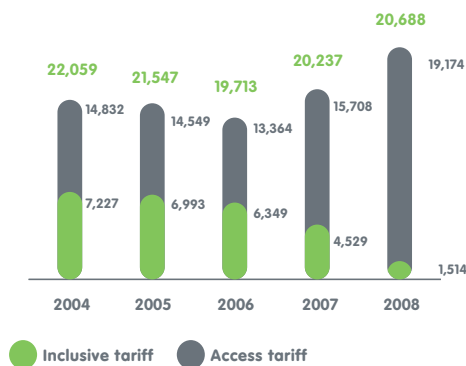
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Gas Spain – Supply Points



In 2008, energy distributed by the grids slightly increased versus the previous year:

Gas Spain – Energy Distributed (GWh)



Free market

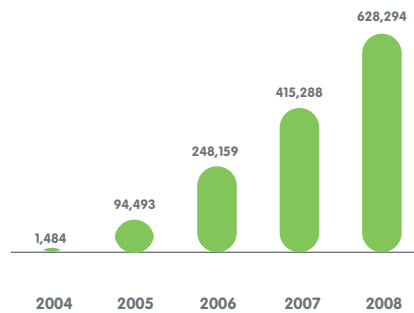
The new regulatory measures favour growth among supply companies. In this context, the number of customers supplied by Naturgas Energia Comercializadora increased 51% and energy supplied grew by 27%. It is important to note that 80% of the increase in energy sold came from new customers, with 20% coming from the process of customers migrating from the regulated market.

This last regulatory amendment required that steps be taken in supply, of which the following are the most relevant:

- Maximisation of underground storage take-up to minimise 'spot' gas purchases;
- Optimisation of tolls through use of regasification contracts and transport;
- Optimisation of procurement by an active policy of exchange between suppliers;

- Launch of the Funciona Caldeira and Plano Instale SVAs;
- Redefinition of the B2B sales target segment.

Gas Spain – Gas Customers



4.3. Electricity Business in Brazil

4.3.1. Summary of EDP Energias do Brasil and its performance in the capital market

EDP Energias do Brasil, the EDP Group subsidiary for the Brazilian market, operates as a 'sub-holding', operating in electricity generation, distribution and supply, and is present in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Santa Catarina. Since July 2005, Energias do Brasil has been listed on the São Paulo Stock Exchange (Bovespa), which brings together companies with the best corporate governance practices.

A key highlight in generation was the asset exchange operation, which involved on the one hand the entire shareholding, a controlling stake, in Enersul, owned by EDP Energias do Brasil, and on the other, the shareholdings in Lajeado Energia S.A. (previously known as Rede Lajeado Energia S.A.) and Investco S.A., owned by Rede Energia S.A., as well as the respective shareholdings in Lajeado Energia S.A. and Tocantins Energia S.A., owned by Rede Power do Brasil S.A.

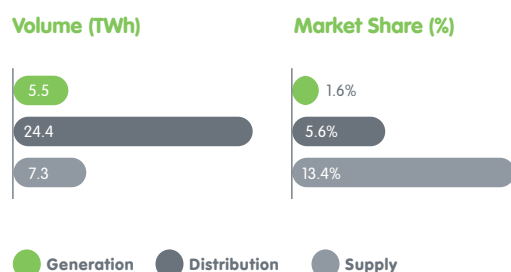
When the deal was completed, EDP Energias do Brasil had 73.0% of the voting capital of Investco – the company which operates the Luiz Eduardo Magalhães (Lajeado) hydroelectric power station, located on the River Tocantins. That shareholding allows the Company to consolidate the power station of 902.5 MW of installed capacity and guaranteed energy of 527 MW average into its generation asset portfolio.

With the asset exchange operation and the acquisition of Central Nacional de Energia Eólica S.A. (Cenaeel) (still subject to approval by the Agência Nacional de Energia Elétrica – Aneel), EDP Energias do Brasil increased its installed capacity from 1,044 MW to 1,697 MW, which offered a generated energy volume of 5.5 TWh.

In terms of distribution, EDP Energias do Brasil owns full control of Bandeirante Energia S.A. (in Alto Tietê, Vale do Paraíba and Litoral Norte in the State of São Paulo) and Espírito Santo Centrais Elétricas – Escelsa (in the state of Espírito Santo), serving about 2.6m customers and distributing 22.2 TWh in 2008 (Escelsa and Bandeirante).

In the electricity supply segment, it operates through Enertrade, which supplied 7.3 TWh to customers on the liberalised market in 2008, giving a market share of 13.4%.

Energias do Brasil



Note: Includes Enersul

ENBR3 x Performance of Indices (Base 100: 2008)



The performance of the EDP Energias do Brasil shares (ENBR3) closed out the year with a fall in value of 18.2% versus 2007, with EDP Energias do Brasil valued at BRL 3.6bn at the end of 2008. The fall in share price was due to the worsening global economic crisis, producing a fall of 41.2% in the Bovespa index after five years of consecutive gains.

In 2008, EDP Energias do Brasil was one of the finalists for the Corporate Governance prize from the Brazilian Institute for Corporate Governance (IBGC) in the Quoted Companies category. In 2006, the company won this prize.

4.3.2. Background to the Brazilian electricity market

In recent years, the Brazilian electricity sector has undergone important structural and institutional changes, shifting from a configuration centred on the state monopoly as a service provider and sole investor, to a market model in which multiple agents participate and investments are shared with private capital.

The power generation installed capacity in 2008 totalled 103.610 GW, dominated by hydroelectric power (75.5%).

Around 994 agents currently invest in the energy generation market, though the ten biggest agents account for around 67.4% of the total installed capacity. The majority of investment still comes from the Brazilian government with only two private agents amongst the top ten and the largest of these accounting for only 6.8%. Energias do Brasil, with 1,697 MW installed capacity, has 1.6% of the country's total installed generation capacity

According to the report published by the Energy Research Company (EPE), electricity consumption by captive and free customers served by the Brazilian electricity system for 2008 totalled 393.9 TWh, 4% up on the previous year. The volume of energy distributed by the group's distributors should represent about 5.6% of Brazil's total consumption.

Electricity supplier agents are companies that do not own electricity systems and are authorised to act exclusively in the market to buy and sell electricity to authorised concession holders or consumers who may freely choose their supplier (free consumers). The Group's seller agent, Enertrade, participated in 13.4% of traded volume in Brazil in 2008.

4.3.3. Activity in Energias do Brasil

Focus on operational efficiency

In 2008, one of the high points was surpassing the objectives set out in the Operational Efficiency Programme, which identified improvement measures for the main processes in the organisation. The target was BRL 72.5m and the final result was of about BRL 100m, which was possible due to the teams' strong performance, which made reducing costs their goal.

Generation

Generation activities by EDP – Energias do Brasil S.A. include management of hydroelectric power stations (UHE) and small hydroelectric power stations (PCH), located in the states of Espírito Santo, Mato Grosso do Sul and Tocantins, with total installed capacity of 1,697 MW in December 2008.



EDP GROUP BUSINESS



Versus the previous year, it grew by 652 MW, as a result of the addition of shareholdings in the Lajeado facilities in the third quarter of 2008.

The chart below sets out the installed capacity and the net generated energy between 2004 and 2008:

Maximum Power as at 31 Dec	Energias do Brazil				
	2008	2007	2006	2005	2004
MW					
Lajeado ⁽¹⁾	903	250	250	250	250
Peixe Angical	452	452	452	0	0
Energest ⁽²⁾	212	212	211	161	161
Pantanal	52	52	31	41	41
Cesa	62	62	59	59	59
Costa Rica	16	16	17	17	17
Enersul	0	0	0	5	5
Total	1,697	1,044	1,018	531	531
Net Generation					
GWh					
Lajeado ⁽³⁾	1,795	982	1,236	1,203	1,195
Peixe Angical	2,250	2,203	1,196	0	0
Energest	816	980	984	991	948
Pantanal	303	213	226	199	191
Cesa	219	252	252	275	214
Costa Rica	90	74	86	76	85
Enersul	0	0	0	12	11
Total	5,473	4,704	3,980	2,756	2,643

⁽¹⁾ EDP shareholding in the enterprise grew 27.65% to 73.27% in Sep/08.

⁽²⁾ Subsidiary of Energias do Brazil which controls generation assets originating from the vertical divestiture of Escelsa and Enersul up to May 2005.

⁽³⁾ In 2008 this includes EDP Lajeado, Lajeado Energia and Investco.

Under the strategy of generation growth and diversification of the EDP – Energias do Brasil portfolio, the key activities of 2008 were:

- The start of construction of the 720 MW imported coal thermoelectric power station, in partnership

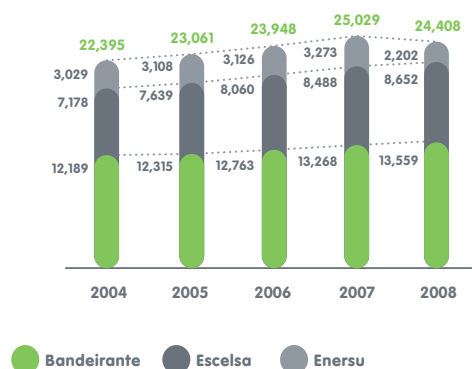
with MPX Energia (50%), in the state of Ceará, beside Porto de Pecém. The project was structured based on an 'Engineering & Procurement Contract', with the commercial operation set to take place in 2012, and with the investment resulting in an increase of about 23% in Energias do Brasil's current installed capacity;

- The investment of BRL 101m in 2008 into the Santa-Fé PCH, located in the state of Espírito Santo, with installed capacity of 29 MW and expected to enter into service in the first half of 2009;
- Repowering and modernisation of three hydroelectric power stations (UHE Mascarenhas, UHE Suiça and PCH Rio Bonito), which will increase total installed capacity by 25.1 MW, with completion date expected for the last power station in the third quarter of 2010;
- Development of feasibility projects and studies for new hydroelectric generation with installed capacity of 584.5 MW in PCHs and 2,551.9 in UHEs, in the long term;
- In bioenergy generation, biomass prospecting and implementation projects based in Cana de Açúcar and Capim Elefante have been developed. In the portfolio are projects based in Cana de Açúcar (Terra Verde) and in Capim Elefante (São João), both in the State of Mato Grosso do Sul;
- Regarding wind generation activity, a joint venture was created with EDP Renováveis of which they own 45%, resulting in the creation of EDP Renováveis Brasil. Within this, the CENAEL acquisition process started which has installed capacity of 13.8 MW, aside from prospecting activity and establishing wind farm construction partnerships.

Distribution

Energias do Brasil recorded a fall of 2.5% in distributed energy when compared with 2007, due to the asset swap with Grupo Rede S/A (Enersul x larger stake in the Lajeado facility). About 2.6 millions of customers were served, a year-on-year decrease of 19.5%, and equivalent to a supply to nearly 8 million of inhabitants.

Electricity Sales – Brazil (GWh)



Bandeirante

The total electricity distributed by the Bandeirante system in 2008 amounted to 13,554 GWh, an increase of 2.2% on the previous year. Electricity distributed to final customers totalled 8,471 GWh, growth of 5.2% on 2007. Regarding the number of customers, the company closed 2008 with 1,439,000 customers, 2.7% more than 2007. During 2008, electricity distributed by the Bandeirante system to the free market and concessions totalled 5,083 GWh, a decrease of 2.6% versus 2007.

Electricity Distributed – Bandeirante (GWh)



At Bandeirante, the Anti-Commercial Losses Programme held 76,000 field inspections, replaced 29,000 meters, which were either obsolete, damaged or electromechanical, with indirect measurement electronic

meters, and solved 13,000 illicit customers. This activity reduced the level of commercial losses from 5.66% in 2007 to 5.49% in 2008.

Escelsa

Escelsa distributed 8,652 GWh in 2007, 1.9% growth on 2007, and its customer base reached 1.144m, up 4.5% from the previous year. In the captive market, Escelsa sold a total of 5,172 GWh in 2008, growth of 4.5% versus 2007. In the free market Escelsa distributed 3,480 GWh, a decrease of 1.6% versus the previous year.

Electricity Distributed – Escelsa (GWh)



Regarding Commercial Losses, the anti-fraud programme made 237,000 field inspections, replaced 64,000 meters and 129,000 illicit connections were withdrawn. As a result, commercial losses fell from 5.97% in 2007 to 5.23% in 2008.

Supply

Enertrade, the EDP Group company which operates in the Brazilian free energy market, supplied 7,282 GWh in 2008, an increase of 13% compared to 2007.

During 2008, the free market in Brazil declined about 4% versus 2007, driven by growth of self-generation activity and the reduction in the supply of generation contracts. Also the perceived deficits in the energy balance for the next few years lifted free market prices to higher levels than those of most distributors' tariffs. This fact had an impact on the process of consumers migrating to the free market. Despite this, Enertrade increased its sales to the free market, having participated in 13.4% of the supply market.

At the start of 2008, the free market was strongly affected by the extremely high price for liquidating short term contracts that came to BRL 520.00/MWh on average for January for contracted energy. This situation favoured Enertrade, which took a long position in the market given the latest risk evaluations of 2007.



CONTRIBUTION TO SUSTAINABILITY



INDEX

CONTRIBUTION TO SUSTAINABILITY	68
CORPORATE APPROACH	68
Commitments	69
R&D AND INNOVATION	70
EDP COMMUNICATION	72
Institutional communication	72
The EDP brand	72
Campaigns and initiatives	73
EDP in the media	74
RECOGNITION	76
EMPLOYEES	78
Policies and strategies	79
Description	79
Labor relations	80
Evaluation and performance	80
Vocational training	81
International mobility	81
Rejuvenation	81
Internship policy	82
Transfer of in-house knowledge	82
Satisfaction	83
Health systems and other social benefits	84
Balancing work and family	84
Occupational health and safety	84
Volunteer work	85
CUSTOMERS	86
Description	86
Dialogue and satisfaction	86
Quality of service	88
Special customers	89
New services	89
SUPPLIERS	94
Description	94
Dialogue	94
Good practices	94
COMMUNITY	96
Local communities	96
Administrative and regulatory authorities	97
Sponsorship of social development	97
ENVIRONMENTAL PERFORMANCE	100
Environmental policy	101
Climate change	101
Biodiversity	103
Environmental management	103
New projects	105
Electric and magnetic fields	105



CONTRIBUTION TO SUSTAINABILITY

1. CORPORATE APPROACH

EDP's businesses are managed in accordance with the EDP Group's Principles of Sustainable Development, which were published in 2004. These eight principles guide the company in its quest for balance between the economic, environmental and social aspects of its activities. They can be viewed on www.edp.pt > Sustainability.

The fact that EDP's organisation of sustainability has been adopted at corporate level ensures group-wide implementation of its strategies, tighter control over information, greater transparency in its actions and, finally, more effective transfer and sharing of in-house practices (see figure).

Based on EDP's 2009-2012 strategic agenda, five main lines of action have been set out for managing sustainability:

- Increasing the inclusion of sustainability and environmental management in the Group's management and control systems;
- Identifying best practices and promoting internal and external partnerships;

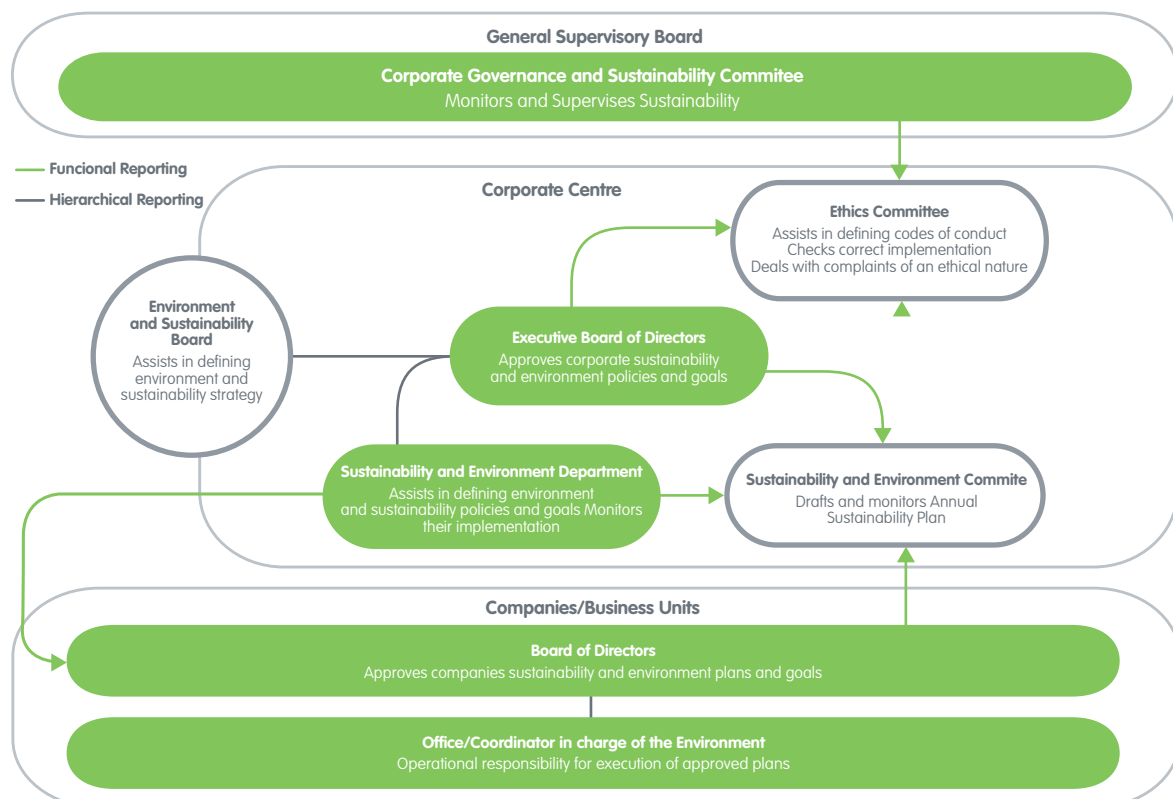
- Reinforcing skills in managing responsibility and environmental risk;
- Developing a corporate culture of excellence in sustainability performance;
- Extending instruments for appraising expectations and evaluating the Group's performance to the different stakeholders.

These lines can be broken down into group-wide programmes and projects in the following areas:

- Management systems and methods;
- Corporate ethics and codes of conduct;
- Responsibility and environmental risk;
- Biodiversity;
- Communication of sustainability.

As one of EDP's overall goals, 2009 should be marked by an improvement in sustainability performance, as measured by the Dow Jones Sustainability Index (DJSI).

Organisation of Sustainability



Note: For detailed information on the functions of each body, refer to the chapter on Corporate Governance.

1.1. Commitments

An important milestone in the implementation of our sustainability strategy in the different EDP Group business

units in 2008 was its inclusion in the DJSI. The Company's responsibility and determination to maintain the highest levels of performance in this area have been reinforced by the following commitments:

Sustainability Commitments

	Status	Goals/Future Targets
Corporate Commitments		
Joining the Dow Jones Sustainability Index	100%	To be one of the 6 best in the electrical utilities sector
Improving SAM ranking	New	To achieve Gold level
Obtaining corporate environmental certification with reference to standard 14001:2004	100%	To continue to extend environmental certification to EDP facilities - distribution, renewables and hydroelectric generation in Portugal
Implementing the EDP Biodiversity Fund	100%	New call for tenders in 2009
Inventorizing environmental risks up to 2009	Ongoing	Conclusion scheduled for 2009
New energy services	100%	
Implementing new Code of Ethics Regulations	100%	To continue in-house communication to employees in Portugal and external communication to suppliers
Implementing corporate Balance Score Card for sustainability	New	
Reinforcement of Dialogue with Stakeholders		
Improving sustainability communication in the planning phase of new facilities	Ongoing	To reinforce channels for appraising expectations of new hydroelectric projects in Portugal
Automatic processing of suppliers' invoices	Ongoing	80% in 2009
Promoting sustainability reporting by EDP suppliers	New	10 suppliers in 2009
Implementing an LBG management system for assessing social return on EDP projects	New	To implement a pilot scheme for assessment
Human Capital Management		
Initiatives for the prevention of alcohol and drug abuse, musculoskeletal injuries and stress	30%	To complete the awareness campaign and apply regulations approved in 2008
New employee satisfaction survey	100%	
Conciliar project (measures for balancing family and work)	100%	
Beginning Nearmiss Project	100%	To introduce a computer tool and raise awareness of employees in Portugal in synergy with the Environment Department
Environmental Management		
Establishing mechanisms for analysing life cycles of EDP facilities	New	Practical application at the Baixo Sabor Plant throughout the construction process
Obtaining ISO 14001:2004 environmental certification for hydroelectric plants in Spain	100%	In 2009, the quality and environment of the SIDERGAS co-generation power station will be certified
Implementing a corporate sustainability information system	100%	In operation since the beginning of 2009
Desulphurising and denitrifying coal power stations in the Iberian Peninsula	90%	Completion of the installation of low NO _x burners at the Aboño Power Station and catalytic denitrification at the Sines Power Station scheduled for 2011
Beginning Nearmiss Project	50%	To implement IT tool and raise employee awareness in Portugal in synergy with the Human Resource Department
Reinforcing communication on electric and magnetic fields	100%	
Neutralising carbon footprint of Executive Board of Directors	100%	
Evaluating the climate risk for the EDP Group	30%	Project rescheduled for 2009-2010
Implementing consumption efficiency plans in Portugal	90%	
Implementing environmental performance plans in Portugal for 2009-2011	New	Done by EDP Distribuição



CONTRIBUTION TO SUSTAINABILITY

2. R&D AND INNOVATION

Innovation in the EDP Group is divided into six strategic components: the energy market, marketing, "webisation" of the business (web 2.0), information platforms, sustainable development and operational efficiency. In different businesses and regions, innovation is undertaken in specific technological areas in line with these components:

- **Conventional generation, environment and sustainability** – operational efficiency, clean generation (coal) and carbon dioxide (CO₂) capture and storage;
- **Generation, distribution and renewable energies** – emerging technologies (offshore waves and wind, solar, micro-algae), micro-generation;
- **Distribution of electricity and gas** – intelligent grids, operational efficiency, electric vehicles;
- **Value-added markets and services** – marketing;
- **Information technologies** – "webisation" of business, information platforms.



In 2008, EDP began an ideas competition for all employees in subject areas as varied as generation, distribution, sales and marketing, communication, sustainability and the environment, human resources, administrative services, logistics and finance.

Ideas are assessed by an Evaluation Committee made up of representatives of the different Group companies. Every three months, the three best ideas win prizes. A prize will be awarded to the best idea submitted every year.

In 2008, the Group companies were involved in countless research and development and technological innovation (R&D+i) projects in the different geographical areas in partnership with similar companies, industry in the sector, research centres or universities. These projects will be described in detail in a special publication, which is being prepared and will come out in 2009.

Without prejudice to the importance of the different projects to the businesses and the Group's overall innovation goal, the InovGrid project deserves special attention, as it embraces all the innovation components.

HC Energía also participated in the Spanish technological CO₂ platforms, Futured (electricity grids of the future) and Eficiència Energética.

EDP has formed the following partnerships:

- **MIT-Portugal Programme** – involvement of EDP as a company participating in the strategic management of the programme, contribution in defining the goals of advanced training programmes and involvement of its human resources in vocational master's degrees; participation in the development of PhD programmes by contributing research subjects of direct interest to our development strategy and supporting the work of PhD students; receipt of support in the hiring of new talents from among the PhDs from the MIT-Portugal Programme;
- **Membership of APBA** – Associação Portuguesa Business Angels (APBA) was founded in 2006 to foster new ventures that recognise and take innovative opportunities that the global world has to offer, thereby helping to stimulate a new type of entrepreneurship in Portugal. The APBA is a meeting point for entrepreneurs and backers of new business opportunities and provides access to project deal flow. As an honourable member, EDP has access to the deal flow of all projects submitted to the APBA for appreciation and also participates in events organised by the association;
- **Innovation Utilities Alliance** – EDP was involved in the creation of this alliance between the main European electricity companies (RWE, Endesa, EDF, Enel, EDP) for the purpose of sharing different views on R&D+i initiatives. Working groups were set up in the following areas:
 - * Energy storage, headed by EDF;
 - * Electric vehicles, headed by RWE;
 - * Intelligent grids, headed by Endesa;
 - * 61,850 communication protocol for substations, headed by EDP.

In 2008, EDP set up a venture capital fund, EDP VENTURES, which will implement its open innovation strategy for the Group. After the formal creation of the fund, its first two investments have already been made in Energy Related Cleantech. The generation of deal flow also began with a view to the fund's first direct investments, scheduled for 2009.

The EDP Group's R&D+i costs totalled EUR 24 million in 2008.



INOGRID Project

The innovative project springs from the need to face the strong pressure on the electricity sector from challenges such as environmental sustainability, an increasingly consumer-oriented approach, security and quality of the energy supply, and the energy market. InovGrid will help move towards an intelligent electricity distribution system focusing on remote energy management that will revolutionise grids and their interaction with consumers and generators.

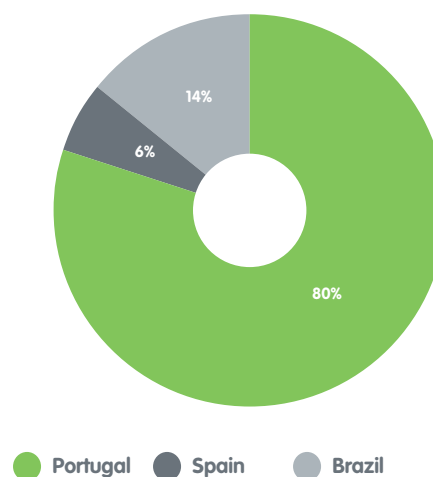
This transformation project will involve a technological renovation and organisational adaptation of operation of the distribution grid and relationships with other stakeholders. It will be based on an infrastructure that will meet the needs of energy efficiency, remote management, distributed generation and micro-generation and will take active, intelligent control of the grid. It is associated with the installation of tele-metering equipment and progressive implementation of micro-generation.

The distribution will thus be prepared to fulfil the goals set at national and European level in terms of promotion of rational energy use, the growing introduction of renewable energies and the challenges of electric mobility while still sticking to commitments made with regard to quality of service.

In 2008, the prototype technological infrastructure that will support the initial implementation in 2009 was specified, designed, developed and implemented. Different members of the consortium, including EDP Distribuição, EDP Inovação, INESC Norte, Janz, EFACEC and Lógica were involved in developing the solution.

Initiatives were also undertaken to publicise and promote the solution at national and international forums and to apply for approval under the QREN incentive scheme.

Research and Development in 2008





CONTRIBUTION TO SUSTAINABILITY

3. EDP COMMUNICATION

3.1. Institutional communication

The mission of the EDP Group's communication unit is to plan, develop and control the Group's communication strategy, at an in-house level (see chapter Employees, page 84), and external level, in order to maximize the value of its brands and create stakeholder empathy.

In 2008 some of the main goals set for communication were maximising the impact of the company's work in the media, increasing the value of the EDP brand for its stakeholders and standardising the EDP brand at all Group companies.

3.2. The EDP brand

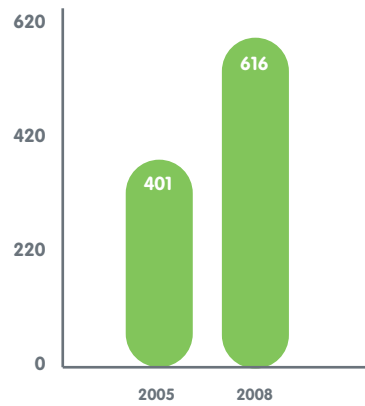
The EDP brand in Portugal enjoys 100% recognition and is also the brand with the highest spontaneous recognition and a clear lead over all the others.

When compared to other companies, EDP has maintained its leadership in terms of recognition – 100% in the sector and 61% against other major companies. We also find that recognition of the different EDP Group companies has increased.

A study of the architecture of the EDP brand in the Group's different regions was completed in mid 2008. The purpose of the study, which began in 2007, was to make EDP a global brand. Existing logos have been adjusted in the different regions and others have been created for a number of companies, with respect for each area's cultural realities.

The value of the EDP brand has grown a total of 54% since 2005 and now stands at EUR 616 million. The percentage of customers who include the EDP brand's key concepts in their communication increased considerably between September 2007 and April 2008.

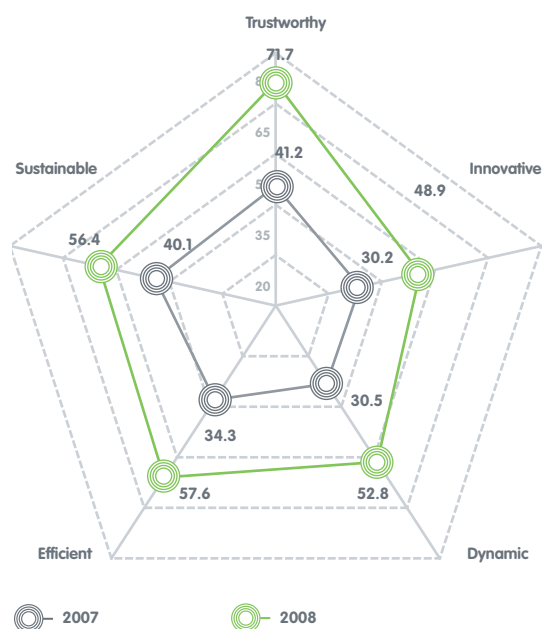
**Value of the EDP Brand
 (EUR millions)**



Interbrand Study, evaluation of the EDP Brand.



EDP Values According to Customers



3.3. Campaigns and initiatives

3.3.1. Institutional campaigns

EDP Renováveis campaign

The purpose of this campaign was to position the Company as a global company, in accordance with the values of nature, sustainability, solidity and innovation and to raise Portuguese people’s awareness of the importance of renewable energies – the business of the future.

The campaign’s message later evolved to actively promote the public offer for sale of the new EDP Group company’s shares.

Institutional “Visionaries” campaign

The aim of this campaign, which was launched in September, was to consolidate the EDP brand’s positioning, reinforce the values of sustainability and promote energy efficiency and renewable energies.

From a conceptual point of view, it was a tribute to people who already play an active role in efficient energy consumption and take a risk by using natural resources from the land innovatively and intelligently.





CONTRIBUTION TO SUSTAINABILITY

3.4. EDP in the media

In modern societies, where people have instant access to information, the media are the most effective way of keeping organisations' different publics up to date. At EDP, we use constant contact with the media to guarantee that this information flow portrays the company's values and activities accurately and positively.

As in 2007, in 2008 there was an assessment made of the media in Portugal with regard to the EDP Group. Based on the analysis of 6,078 news items, a positive average favourability rate of 0.24 was recorded. Fifty-five percent of news items were favourable, of which the following stood out: Improvement in public lighting and the implementation of new services, such as telemetering, a focus on renewable energy, investment in new plants, the energy efficiency campaigns and the EDP – 7 Maravilhas project, which was started in 2007. The figure was, nonetheless, lower than the 63% recorded in 2007. This can be explained by a series of factors, including an increase in contesting the building of the new Baixo Sabor and Foz Tua dams and some controversy around the new tariffs proposed by the regulatory authority.

It should be pointed out that EDP Group communication in 2008 was at a more global level than that in 2007.

Overall, 23,862 news items referencing the EDP – Energias de Portugal Group were channelled in national and international media. This represents an average of 65 references to the Group per day.





CONTRIBUTION TO SUSTAINABILITY

4. RECOGNITION

The company's commitments and performance have been distinguished and recognised by the national and international community in different areas.





LEVEL A+ OF THE GLOBAL REPORTING INITIATIVE

EDP's 2007 Sustainability Report received the highest assessment allowed by the Global Reporting Initiative (GRI) international business reporting guidelines.

EDP ENERGIAS DO BRASIL AMONG 10 LEADERS IN SUSTAINABILITY REPORTS

EDP Energias do Brasil is on the list of the 10 leading companies for sustainability reports in Brazil.

NATURGÁS ENERGIA

received an award for the greatest reduction in accident rate in 2007 from the Comisión Autónoma de Seguridad e Higiene en el Trabajo de Industrias Químicas y Afines (COASHIQ).

HORIZON BUILDING OBTAINS LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN (LEED) CERTIFICATION

This system, developed by the US Green Building Council, assesses a series of practices associated with sustainable building. This was the first building in Houston, Texas to obtain certification of the kind.

ACCOUNTABILITY RATING PORTUGAL 2008

EDP is the first Portuguese company in accountability. Accountability Rating Portugal 2008 is a study conducted by Sair da Casca, Accountability and CSRNnetwork for Exame magazine.

CORPORATE SUSTAINABILITY INDEX IN THE EDP ENERGIAS DO BRASIL GROUP

For the third year running, the EDP Energias do Brasil Group won the Bovespa Corporate Sustainability Index portfolio.

COMMUNICATOR OF THE YEAR

Paulo Campos Costa, Brand and Communication Director at EDP, was elected "Communicator of the Year" by APCE – Associação Portuguesa de Comunicação de Empresas.

PREVENIR MAIS – VIVER MELHOR NO TRABALHO (PREVENTING MORE – LIVING BETTER IN THE WORKPLACE) AWARD

This award is promoted by the Working Conditions Authority. EDP received an honourable mention.

ITC ENERGÍA RECEIVED CAC PRIZE

This prize rewards effective customer care provided by the Centro de Atención al Cliente, the main purpose of which is to answer queries and provide customers with the information they need.

BEST CONTACT CENTRE

This award is given by Associação Portuguesa de Contact Centers. EDP won the award for the best contact centre in Portugal in the Utilities category.

BEST ADVERT OF THE YEAR

This award comes from Clube de Criativos de Portugal. EDP also received two honourable mentions for its advertising film "The World Is in Our Hands".

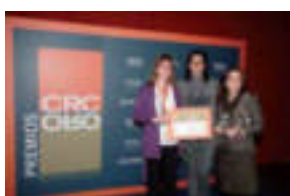
EFFECTIVENESS AWARDS 2008

EDP won the silver trophy with the EDP Renováveis OPS advertising campaign "Life Cycle" in the advertising category other services and public administration.



EDP CONSIDERED BEST IN CLASS BY STOREBRAND

For the second time running, EDP features in the company's portfolio of socially responsible investments in recognition of its leadership in environmental and social areas.



EDP CONSIDERED BRAND OF EXCELLENCE BY SUPERBRANDS PORTUGAL

For the fourth time running, EDP was elected a brand of excellence by Superbrands Portugal, an organisation belonging to Superbrands, an international body operating in 88 countries.



CONTRIBUTION TO SUSTAINABILITY

5. EMPLOYEES

Human Resources	2008					2007				
	Group	Portugal	Spain	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Employment										
No. employees	12,166	7,652	1,922	2,322	270	13,013	7,945	1,864	3,013	191
Permanent	12,003	7,504	1,911	2,322	266	12,727	7,956	1,851	2,920	n.a.
Fixed-term contracts	155	144	11	0	0	943	643	13	90	n.a.
Part time	15	4	7	0	4	3	3	0	0	n.a.
Male employees (%)	80%	82%	79%	77%	57%	80%	81%	82%	79%	n.a.
Directors	85%	85%	91%	80%	71%	85%	86%	90%	38%	n.a.
Senior managers	74%	74%	76%	86%	69%	73%	72%	74%	100%	n.a.
Middle managers	83%	90%	82%	79%	72%	89%	92%	89%	78%	n.a.
Supervisors	82%	83%	80%	88%	89%	91%	47%	104%	88%	n.a.
Qualified and highly qualified professionals	82%	84%	78%	67%	52%	81%	83%	82%	66%	n.a.
Semi-qualified professionals	78%	87%	63%	79%	12%	80%	86%	58%	80%	n.a.
Turnover ⁽¹⁾	0.06	0.04	0.07	0.08	0.40	0.05	0.04	0.06	0.09	n.a.
No. of employees leaving	843	496	117	161	69	807	442	69	296	n.a.
Employees' average age (years)	45	48	43	40	39	45	47	43	40	n.a.
M/F ratio of new admissions	2.04	2.85	1.44	2.23	2.22	2.31	2.31	n.a.	n.a.	n.a.
Absentee rate (%)	3.44%	3.46%	3.35%	3.45%	n.a.	3.74%	3.68%	3.63%	3.92%	n.a.
EDP minimum wage / national minimum wage	n.a.	1.50	2.07	1.59	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Pay ratio by gender (M/F)	1.17	0.96	1.54	1.56	1.37	n.a.	0.96	n.a.	n.a.	n.a.
Training										
Total hours of training	487,111	204,428	68,836	209,295	4,552	464,806	215,503	63,185	186,118	n.a.
Environment	5,512	3,890	1,030	0	592	5,448	4,337	658	453	n.a.
Sustainable development	277	229	0	32	16	5,916	4,461	266	1,189	n.a.
Ethics	2,660	2,660	0	0	0	0	0	0	0	n.a.
Quality	8,418	8,045	373	0	0	10,319	7,142	1,254	1,923	n.a.
Languages	19,731	5,527	14,096	28	80	17,126	7,698	9,429	0	n.a.
Safety and accident prevention	51,406	26,643	11,658	12,695	410	47,212	18,716	9,429	19,068	n.a.
Information systems	53,748	42,678	6,917	3,657	496	49,981	33,058	5,392	11,531	n.a.
Other	345,361	114,758	34,763	192,883	2,958	410,932	222,219	36,758	151,955	n.a.
Average training per employee	40.04	26.7	35.8	90.1	16.9	35.7	27.1	33.9	61.8	n.a.
Employees trained (%)	82%	83%	97%	77%	n.a.	91%	101%	68%	n.a.	n.a.
Total training rate	40.04	26.72	35.81	90.14	16.86	35.72	27.12	33.90	61.77	n.a.
Directors	41.02	38.42	48.74	220.22	18.46	53.05	50.41	57.80	206.77	n.a.
Senior managers	44.72	41.42	55.65	105.03	7.06	51.63	39.41	37.22	568.85	n.a.
Middle managers	39.21	36.82	29.86	105.62	16.56	43.34	31.45	44.92	88.77	n.a.
Supervisors	43.90	21.76	29.42	140.28	25.50	42.00	34.98	38.15	53.64	n.a.
Qualified and highly qualified professionals	32.29	21.50	33.26	142.49	16.85	26.46	22.20	26.50	65.76	n.a.
Semi-qualified professionals	57.99	12.13	38.77	66.83	13.87	34.02	18.75	21.56	37.47	n.a.
Labour Relations										
Collective employment agreements (%)	88%	90%	89%	90%	0%	0.85	92%	55%	90%	0%
Trade union membership (%)	61%	73%	31%	50%	0%	0.66	75%	27%	71%	0%
Union structures (no.)	33	26	5	2	0	48.00	28	8	12	0
Hours lost due to strikes (no.)	550	550	0	0	0	2,831	2,831	0	0	0
Student workers (no.)	22	21	1	0	0	n.a.	45	n.a.	n.a.	n.a.
Professional internships (no.)	190	76	0	114	0	n.a.	106	77	180	n.a.
Academic internships (no.)	303	102	183	0	18	n.a.	124	0	120	n.a.
Safety and Accident Prevention ⁽²⁾										
OSHAS 18 001 (% installed capacity)	46	89	0	0	0	56	95	0	0	n.a.
On-duty accidents (no.)	76	40	18	18	0	84	41	26	17	n.a.
Fatal on-duty accidents (no.)	0	0	0	0	0	0	0	0	0	n.a.
Fatal accidents of subcontracted workers/service providers (no.)	6	2	1	3	0	5	3	0	2	n.a.
EDP severity rate (Sr)	176	173	146	219	0	225	267	227	128	n.a.
Overall frequency rate (Fr) ⁽³⁾	6.18	4.89	8.99 ⁽⁴⁾	7.64	6.26	n.a.	4.29	n.a.	n.a.	n.a.
EDP frequency rate (Fr)	3.43	3.11	5.50	3.30	0.00	3.70	3.01	8.46	2.83	n.a.
Total days lost due to accidents (no.)	3,894	2,224	477	1,193	0	5,092	3,627	698	767	n.a.
Occupational disease rate	0.19	0.16	n.a.	0.37	n.a.	n.a.	0.45	n.a.	n.a.	n.a.
No. of electrical accidents involving the public	17	3	0	14	0	n.a.	n.a.	n.a.	n.a.	n.a.

⁽¹⁾ Low turnover figures do not justify breaking employees down by gender or age group.

⁽²⁾ Including data for Enersul in Brazil.

⁽³⁾ Includes service providers.

⁽⁴⁾ Only includes Naturgás.

5.1. Policies and strategies

The international expansion of the EDP Group has resulted in a new human resource organisation model that can standardise criteria and guarantee a common strategy in the different EDP companies. The idea is, on one hand, to ensure that values are the same group-wide and processes are decentralised and, on the other, to create a common organisational culture.

The new organisational model for human asset management at EDP is called the “Talento” project and its goals are as follows:

- To maximise intra- and inter-regional synergies – centralisation of strategic thought and decentralisation of tactical and operational management;
- To foster a culture of transparency, alignment and proactive communication in human resource management and seek to promote the EDP Group as an increasingly fair company;
- To encourage meritocracy;
- To ensure alignment with best international practice;
- To speed up processes by using a single, flexible, integrated information system.

“Talento” is divided into five different areas – talent strategy, evaluation of potential and performance, compensation, development of skills, and career management.

In 2008, the organisational framework of jobs at all EDP Group companies was defined in order to ensure alignment between the different positions.

5.2. Description

In recent years, the EDP Group has extended its activities to different regions, although the number of its employees continues to fall slightly every year as a result of efforts to improve the efficiency of resource management.

The situation regarding gender differences remains the same. Male employees account for 80% of the total, which can be explained by the fact that the energy sector is traditionally male.

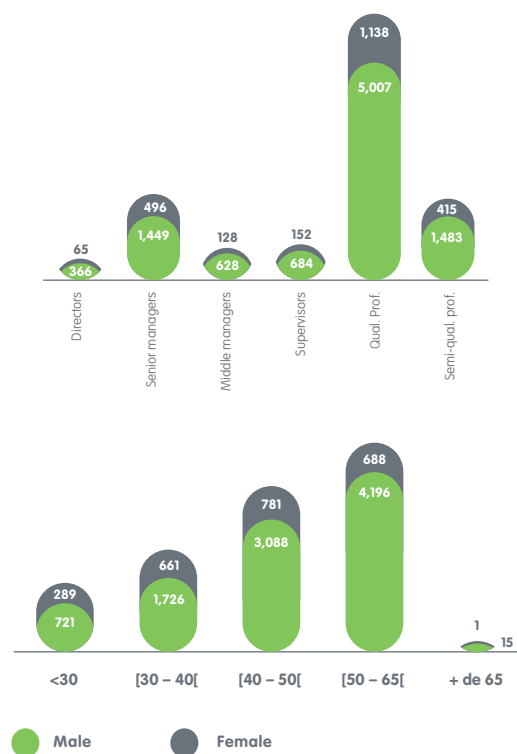
Following our ongoing rejuvenation policy (see point 5.7), 588 people were admitted to our permanent staff in 2008. This figure is around 17% higher than in 2007. Their average age was 32.

There was an increase in the number of employees of nationalities other than that of the country in which they worked. It was 62 in 2008, 38 more than in 2007. This increase is directly related to the expansion of the EDP Group to several countries.

In 2008, there were 578 employees with special needs, the same number as the previous year.

Where salaries are concerned, the EDP companies abide by egalitarian, anti-discriminatory practices and there are no significant differences in salary between the genders for the same type of work. An analysis of the man/woman ratio shows that it is favourable to males (1.17). However, in Portugal (which had 63% of the Group’s employees), the ratio is favourable to females (0.96).

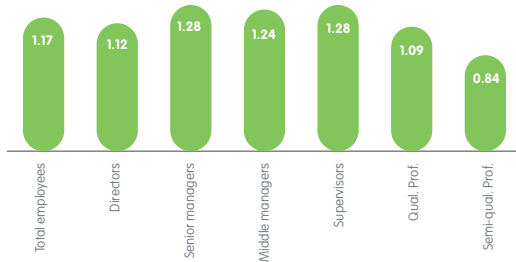
Employees by Professional Category and Age Group





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EDP Group Salary Ratio (M/F) by Pay Category



Although there are no company procedures explicitly encouraging local recruitment, a high percentage of employees originate from the regions in which the company operates, thereby reinforcing its important role in their development.

Employee adjustment plan

In Portugal, the number of assets continued to be influenced in 2008 by adaptation programmes for outgoing personnel, such as the employee adjustment plan, with a total of 496 people leaving.

The 2006/2008 plan is part of the simplification of the organisation and focuses essentially on speeding up processes and constantly updating support technologies. Employees whose work was being done with fewer resources and for whom functional or geographical relocation was not feasible were eligible.

In 2008, EDP continued to ensure, through a specialised company, that people leaving had access to support measures in specific socio-professional reorientation programmes. These programmes help:

- Practices to facilitate job seeking;
- Setting up their own businesses;
- Active retirement schemes aimed at aspects of the ex-employees' new stage in life, such as health, leisure, training, volunteer work, etc.

The employee adjustment plan in Portugal will be completed in 2009 and 198 employees are expected to leave.

In Spain, we continued to follow our policy of rejuvenating the workforce at HC Energia, in accordance with the first additional provision to the company's agreement, by encouraging people to leave or take early retirement.

At Naturgás Energia five employees left under the programme encouraging voluntary leaving.

5.3. Labour relations

EDP maintained regular contacts with employees' representatives, trade unions and workers' committees for the purpose of negotiations on the adaptation and update of collective agreements and of information on the creation, alteration or elimination of procedures. Twenty-five plenary meetings were held (attended by most of the trade unions), 74 individual meetings with trade unions and 20 with workers' committees at different levels (coordinating committee and company committees).

The 7 percentage points reduction in employees belonging to unions may be related to the overall drop in the number of employees (see table at start of chapter).

The relationship with and proximity to employees are essential factors in dialogue and the discussion of conflicts. There were no labour disputes for reasons originating within the EDP Group.

Operational changes in the company impacting on employees are announced at least 30 days in advance, depending on their complexity. These procedures are duly laid out in the collective agreements and labour legislation.

5.4. Evaluation and performance

The Group companies continue to evaluate the performance of all employees. Under the Talento project, the first pilot of a new evaluation model was implemented. It is called performance potential evaluation and is based on three aspects – individual potential, corporate performance and individual performance.

It is a 270° assessment. This means that it is conducted by supervisors, self-evaluation and peer review. It involved defining goals for the Group, the company and individuals (KPI – key performance indicators) and strategic skills.

Individual development plans were drawn up on the basis of the results and are now being implemented.

The first pilot covered top management at the companies in Portugal, Spain and the United States. Brazil joined the process in the last quarter of 2008. The results made it possible to introduce improvements in the process and system for the second pilot.

The second pilot, in the first quarter of 2009, will cover all regions to a total of 3,240 employees.

The new model will be progressively applied to the whole population of Group companies in all regions.

5.5. Vocational training

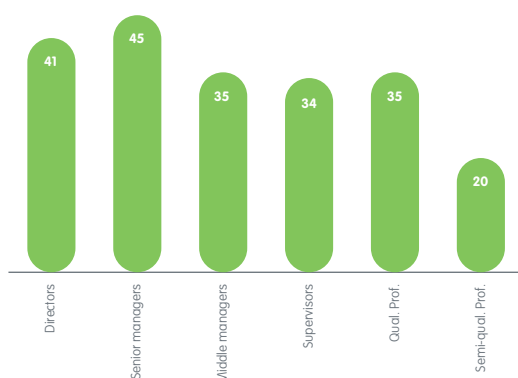
Improving human resources' qualifications and permanent support for personal and vocational progress are a strategic priority of the EDP Group.

New procedures for recruitment, training and development, progression and internal mobility are being prepared. They will be supported next year by the Cezanne information system, which helps integrate human resource processes.

Under EDP's training policy, a support scheme is being set up for advanced training (post-grad courses, MBAs, specialisation programmes). It defines the rules governing the EDP Group's whole advanced training policy.

A project to set up EDP Corporate University was also developed in order to foster a culture of learning and alignment between training and business strategy.

Average Training by Job Category (hrs)



Young Employees with High Potential Programme

This annual programme is an example of the implementation of the EDP Group's sustainable development strategy. For a year, these young people have the opportunity to complete an individual development plan and test their potential while participating in group-wide initiatives, the main themes of which are communication, strategy and leadership. Before each skill development cycle, there are "knowledge forums", which are framework sessions with in-house speakers specialising in the subject. At the end of the development cycle, the young people are assessed on the basis of their strategic skills and their fulfilment of the goals set in the IDP.

5.6. International mobility

The EDP Group's expansion and growing international expansion have resulted in an increase in international mobility of varying duration to work at EDP subsidiaries.

In this context and in view of current needs, the new International Work Regulations were approved in October 2008. They set out a set of general rules aligned with career management policies.

EDP intends its international posting process to favour its employees' personal and professional development by offering them access to new career opportunities and professional experiences in an international setting.

These regulations will soon be distributed to all employees under the EDP Group's human asset policy.

5.7. Rejuvenation

As part of the EDP Group's recruitment policy, a programme is being set up to attract young people with high potential in order to reposition EDP's image in the market as a "first choice employer".

Tools are being developed (external microsite, recruitment brochure and application form) along with a plan of activities aimed at permanent interaction with students and the main Portuguese and foreign universities so that the students with the highest development potential can be selected.

For several years now, EDP has been forming partnerships with the best Portuguese universities and participating actively in initiatives such as job shops, talks and internship programmes.

EDP sponsors the following programmes in Portugal:

- **C2L** – Challenge to Learn and IST Management Challenge at Instituto Superior Técnico, where EDP helps to enrich engineering students' syllabus;
- **Católica Top +** – by funding a study grant for one of the best students at Universidade Católica;
- **University Challenge** – a competition that stimulates undergraduates to apply their academic knowledge to developing a strategy or marketing subject or project.

In Spain, Naturgás established an agreement with Universidad de Deusto for the development of an education cooperation programme. In 2008, the project brought six of its students closer to the business world by promoting internships at Naturgás.



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This is how the EDP Group has been making an effort to come closer to the university community and reinforce its image as one of the best companies to work for.

5.8. Internship policy

Pursuing its policy of citizenship, social responsibility and human resource practices, in 2008 EDP continued to offer internships in different areas and with different purposes. For example:

- Academic internships as part of the course syllabus formalised between the Company and schools;
- Professional internships;
- Internships as part of specific agreements such as IAESTE Portugal, an exchange programme in which foreign university students come to Portugal and Portuguese students go to other countries and PEJENE, a programme of internships with companies for university students.

All together, the EDP Group companies granted 303 academic and 190 professional internships.

The main purpose of both the professional and IAESTE and PEJENE internships is to enable young people to come closer to a real work environment and facilitate their inclusion in the workforce by helping them to acquire socio-professional skills. The participants give a generally positive assessment and this interaction between young graduates and the Company's units where they do their internships has resulted in interesting synergies.

5.9. Transfer of in-house knowledge

Today, the successful development of human capital and organisations depends more and more on a learning culture and the sharing and management of knowledge. The whole organisation must be involved for this to be possible.

These initiatives involve outside guests and particularly EDP Group employees, who enhance the existing knowledge in the organisation. The following initiatives are examples:

- **"SMS – find out more about..."** – training sessions given by specialised in-house speakers on key areas for the company;
- **"A moment of energy – breakfast with António Mexia"** – in which employees from all regions have participated and where topical and management issues are discussed;

- **"Tertúlias – Evening talks"** – sessions with a Portuguese personality as a guest speaker, where employees can ask questions and discuss topical issues.

WikiEDP



Knowledge is an increasingly important asset for companies and a fundamental factor in the development of their employees. Thanks to WikiEDP, access to the knowledge accumulated by everyone working for the Group is now easier and more intuitive.

This tool was introduced in «2007 and allows each person to build a collective EDP knowledge base by sharing each one's experience in the different regions in which EDP operates.

5.9.1. Internal communication resources and initiatives

In recent years, internal communication has been adapted to the Company's new multicultural reality. The reinforcement of internal means of communication and the addition of new initiatives has consolidated the company's culture, fosters the dynamics of knowledge and transmission of values, permits synergies and promotes new ideas.

The intranet continues to be the best means of communication for employees, along with ON magazine, which is sent to all working and retired employees and some important stakeholders in Portugal.

In order to nurture a feeling of belonging to the company, EDP has involved its employees in different internal communication campaigns. One of them was Click Idea, an in-house ideas competition which used EDP faces in its publicity (see chapter R&D and Innovation). Several employees from the different countries in which the group operates also featured in the images in Encontros EDP. Several employees took part in the video for the opening of the event and shared what working for EDP meant to them.

2008 was the year in which the corporate TV project, edpON, was consolidated in all the Group's regions.

EDPON



EDP's corporate TV was launched in 2007. It is broadcast to all employees and gives a voice to the teams in the different international projects under way.

There are 70 plasma TVs at Group facilities in the different countries. A novelty in 2008 was the start of online broadcasts allowing employees to watch EDPON without leaving their work stations.

A channel providing direct access to the CEBD was also available on the Group intranet. Employees used it to submit queries and suggestions that they felt they could not ask or make with their direct supervisors.

5.9.2. Annual employee meeting

The 2008 Annual Employee Meeting was held in six sessions, three in Portugal and three in Spain.

The Board of Directors of EDP brought together all company employees in Portugal and Spain to present the Group's strategy up to 2012. The employee meeting in Brazil will be held in the first half of 2009.

5.9.3. Induction and integration

The induction and integration of new employees are based on corporate values and group-wide processes common to the different regions while respecting the cultural differences of each region in which EDP operates.

The following goals were set for the induction process:

- Ensuring that induction is a corporate process that respects the cultural and language differences of each region;
- Using and demonstrating the Group's good practices;
- Making the integration of new employees into the company, team and new duties more effective;

- Regarding the process as another instrument of acculturation into the organisation;
- Facilitating the dissemination of human resource policies, procedures and services;
- Speeding up learning about the Group, business, company and department;
- Putting over an image of organisation and a strong concern for human potential, which is considered strategic to the overall development of the EDP Group.

The Group companies' human resource structures play a vital role in the process, as guarantors of its appropriate applicability. The new employee's supervisor and team are also of capital importance in his/her successful integration.

The new employee's supervisor and team play a fundamental role in achieving these goals. There are also communication tools for better induction and integration of employees. They include:

- The Induction Officer's Guide, which describes induction practices to be followed;
- The induction group, which consists of employees with the right profile for acting as induction officers selected by human resource departments in each Group company;
- The Welcome Kit, which includes induction meetings, which are designed to consolidate the induction and integration process and bring together the latest employees admitted to the Group every four or six months;
- An induction meeting which consolidates knowledge and the EDP culture.

5.10. Satisfaction

In 2008, EDP resumed its employee satisfaction surveys, this time for the whole EDP Group.

A questionnaire was distributed to all Group employees and the response rate was 73%.

The overall satisfaction rate shows an average of 75 points with a confidence level of 95%. This score can be considered "good" in accordance with international scales. Due to the region's weight in the Group (63%), the indicators for Portugal are the ones most in line with the consolidated average.

The results are the highest in the USA, where the overall satisfaction rate is 82 points. Spain is the country with the



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lowest overall satisfaction rate at 69 points, though this is three points higher than in 2006.

The EDP Group's overall satisfaction rate went up 2 points from 2006 to 2008.

5.11. Health systems and other social benefits

EDP's employees are covered by health schemes in addition to the National Health Service (ACT/EDP Health Scheme and EDP Flex Health Insurance) and by protection in old age by supplementary retirement plans (Plano de Benefício Definido ACT/EDP Defined Benefit Plan and EDP Flex Defined Contribution Plan). They also have personal accident insurance and study subsidies for them and their children.

These benefits with all their particularities cover all permanent EDP employees.

5.12. Balancing work and family

EDP is committed to helping employees reconcile work, family and the community, because we believe that a balance between their work, personal and family life contributes to a fairer, more balanced society.

In 2008, the Conciliar (Balance) programme was launched in Portugal, Spain and Brazil. It sets out a number of measures in the areas of health, wellness, family and education, personal and work life and citizenship:

- Promoting physical exercise by establishing partnerships with gyms and academies so that employees enjoy special conditions;
- Making agreements for cultural activities with hotels and travel agencies;
- Family support, including celebrating births and adoptions, up to 15 calendar days' leave for pregnant employees immediately prior to the expected birth date without loss of pay, visits to the workplace for employees' children and the annual Junior Citizenship Prize for civic and academic performance;
- Telecommuting by providing employees with access to their work e-mail via webmail.

A diagnosis has already been conducted for the first year of the "Conciliar" programme in Portugal and Spain and will serve as a basis for an action plan for the next three years.

5.13. Occupational health and safety

The importance that EDP attributes to occupational health and safety goes beyond compliance with legal requirements and is set out in its safety policy, which is oriented towards the strategic goal of "zero accidents and no personal injuries".

For better management of this goal, EDP has adopted an occupational health and safety management system based on standard OHSAS 18.001 and following the International Labour Organization guidelines in ILO-OSH 2001 and Convention 155 on occupational health and safety.

EDP's Safety Policy shows our commitment to occupational safety management with a view to constant improvement in the conviction that work in a safe, healthy environment is a decisive factor in employee satisfaction and successful results.

Responsibility for preventing and controlling work risks lies with the business unit heads and is included in the chain of command.

Where occupational health is concerned, EDP's in-house occupational medicine services are responsible for monitoring employees' health in medical exams, promoting hygiene education and checking workplace conditions and first aid equipment.

The Safety and Accident Prevention Committee, on which Group companies associated with high-risk activities are represented by top managers, assists EDP's Executive Board of Directors in setting strategic goals and managing safety.

There is a structure dedicated to the corporate coordination and management of occupational health and safety and activities implemented locally by each business unit's safety and accident prevention services.

In 2008 a vast number of initiatives were undertaken in the field to eliminate occupational accidents and diseases, which includes training and practice, permanent assessment and treatment of risks and a programme of inspections and internal and external audits.

“LIGADO À VIDA” (CONNECTED TO LIFE) CAMPAIGN

Identified by investigations into electrical accidents and near misses as one of the key processes in the effort to improve accident prevention, consignments for offline work were the subject of an EDP Distribuição training campaign called Ligado à Vida. It covered 2,941 participants, 1,855 of whom were EDP employees and 1,086 service providers' workers.

In 2008, 76 accidents resulting in one or more days' absence occurred in the EDP Group.

Where the main safety indicators were concerned, the consolidated frequency rate for the companies in the different regions was 3.43 accidents per million hours worked, which was 6% down in 2007. The consolidated severity rate was 176 days lost per million hours worked, much the same as in 2007.

As in 2007, there were no fatal occupational accidents involving EDP employees in 2008, though unfortunately there were six fatal accidents involving service providers' workers.

Where public awareness campaigns were concerned, there was the Pipas num Espaço Seguro (Kites in a Safe Place) Project in Brazil aimed at drawing the attention of children and young people to the safe use of electricity and the risk of electric shock from flying kites near lines.

5.13.1. Corporate safety management system

Based on corporate criteria, each company or business unit directly adopts the corporate management system or uses it as a reference for developing its own safety management system separately or as part of environment and/or quality systems depending on their activity.

In 2008 a number of existing certifications were reviewed and the process will be extended to Spain in 2009.

5.13.2. Employee participation

In accordance with the Occupational Health and Safety Regulations approved by collective labour agreement with the trade unions represented at EDP, safety committees and subcommittees have been set up at the companies and their larger business units.

These committees and subcommittees are egalitarian and include employee representatives for occupational health and safety as required by law. More than 90% of EDP employees are represented.

Meetings of the safety committees and subcommittees examine health and safety programmes and action plans and the results of investigations of occupational accidents and corrective measures envisaged.

5.13.3. Preparation for emergency response

As part of our emergency response management, 46 drills were held in responding to accidents at different industrial and office facilities in order to test the effectiveness of in-house emergency plans. The drills involved outside organisations such as civil defence, the fire brigade and police.

5.14. Volunteer work

EDP gives its employees half a day per month for volunteer work at NGOs that have agreement with EDP. In Portugal, we currently have agreements with AREP, the Portuguese Red Cross and Associação Aprender a Empreender (Learning Enterprises).

In the 2007-2008 academic year, EDP was represented by 28 volunteers in Aprender a Empreender programmes. In 2008-2009, 83 employees are currently participating in activities at Portuguese schools, which is three times the number in the previous year.



CONTRIBUTION TO SUSTAINABILITY

6. CUSTOMERS

6.1. Description

At the end of 2008, EDP had around 10 million customers in Portugal (62%), Spain (12%) and Brazil (26%). Most of them (91%) are billed at regulated prices, while only 9% have opted for the free-market system. The number of EDP Group electricity customers fell by 775,000 and of gas customers rose by 37,000 against 2007. (Additional information is available in the Chapter Summary of Activity).

EDP Customers by Market Type (Electricity and Gas)

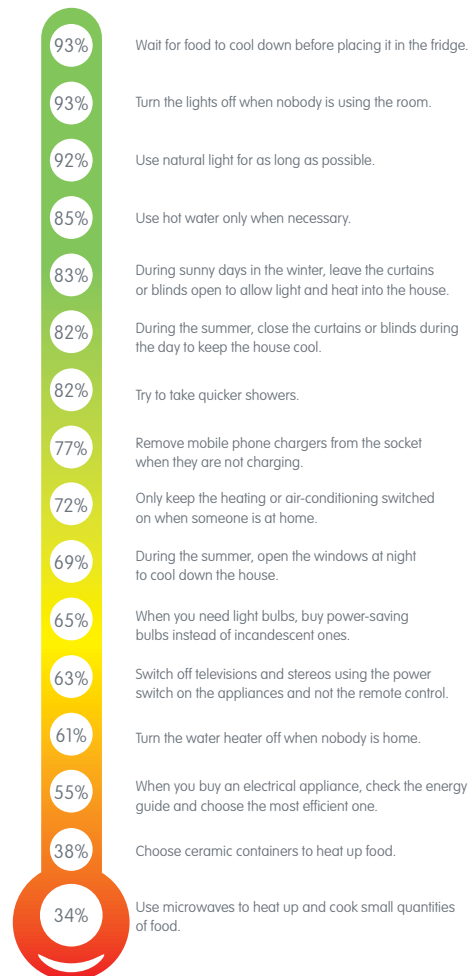
	Portugal	Spain	Brazil	Total
Regulated Market	6,092,016	511,165	2,582,836	9,186,017
Free Market	197,151	745,470	64	942,685
Total	6,289,167	1,256,635	2,582,900	10,128,702

6.2. Dialogue and satisfaction

EDP's ability to listen to and anticipate customers' needs is what distinguishes us in our ongoing quest for the best, most innovative market solutions.

**MONITORING ENERGY EFFICIENCY
 AND CUSTOMER SERVICE**

As in 2007, we monitored customers' consumer behaviour. There was an increase in the use of natural light (86% to 92%), preference for efficient light bulbs (56% to 65%) and the habit of switching off televisions and stereos on the set and not with the remote (53% to 63%).



6.2.1. Satisfaction surveys

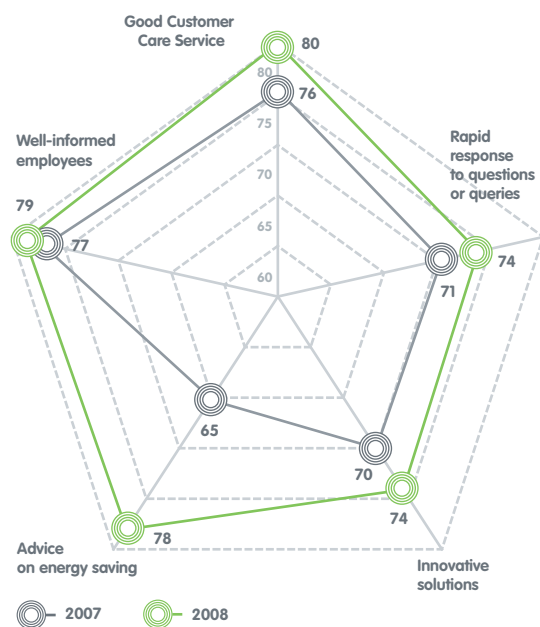
Residential Customer Satisfaction in Portugal



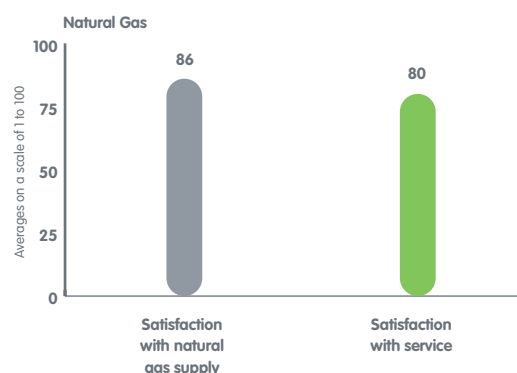
The results of the satisfaction surveys conducted in 2008 were positive. Satisfaction with the product remained stable and with the service, it increased.

The indicators with an impact on overall satisfaction also improved, particularly advice on electricity consumption.

Overall Residential Customer Satisfaction in Portugal

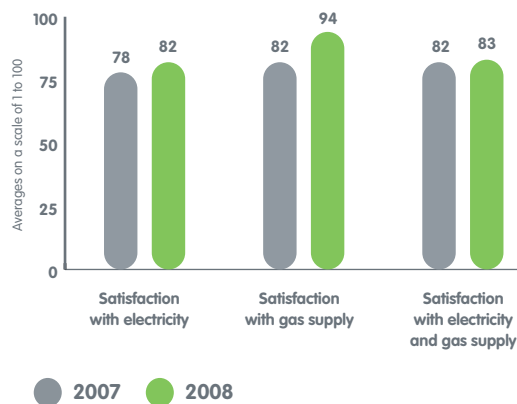


Residential Customer Satisfaction in Portugal



In the gas sector, customer satisfaction was 86% for the natural gas supply and 80% for the service provided.

Residential Customer Satisfaction in Spain



In Spain, satisfaction with energy also rose for residential customers, customers using either electricity or gas and customers using both.

Where the performance of the EDP brand was concerned, the surveys conducted in 2008 show increased recognition, particularly in customer relations, through attributes such as ease, friendliness and availability of appropriate information and aspects directly associated with EDP. (see the Chapter EDP Communication).

As service is one of the EDP brand values, the SMILE AWARD was introduced to foster and acknowledge best customer service practice. The 2008 award went to the best performances in face-to-face customer care in the electricity business and included EDP employees and agents.



CONTRIBUTION TO SUSTAINABILITY

In 2009, we will be implementing the EDP Customer Desired Experience Management Project for all residential electricity and gas customers. The idea is to monitor all direct or indirect contacts in the customer-company relationship.

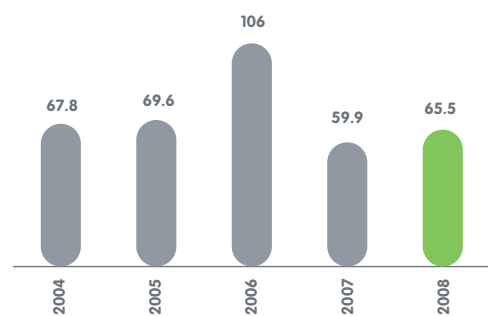
6.3. Quality of service

6.3.1. Quality of technical service

Improving the quality of the electricity supply is an essential feature of the electricity service and one of the basic goals of EDP's distribution. In 2008, TIEPI (installed capacity equivalent interruption time) was 1.8 hours in the Iberian market and 11 hours in Brazil. These figures show electricity availability of 99.87%.

In 2008, HC Energía maintained an excellent quality of service with a TIEPI of 65 minutes. There were no significant incidents affecting quality or continuity of supply on the market during the year and, as usual, it was among the best in the country.

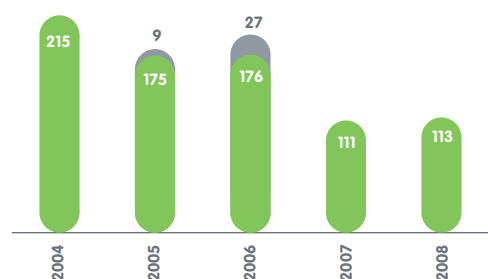
Installed Capacity Equivalent Interruption Time for Medium Voltage (minutes), Spain



This indicator is 10% higher than the maximum figure set by the regulations on the transmission, distribution, sale, supply and authorisation procedures of electricity facilities in Spain.

In Portugal, technical quality of service, measured by the TIEPI, was 113 minutes, much the same as in 2007 (111 minutes), in spite of less favourable weather conditions.

Installed Capacity Equivalent Interruption Time for Medium Voltage (minutes), Portugal



● Extraordinary effects

There were no significant occurrences caused by factors extraneous to the distribution grid operator, although the increase in thefts and resulting damage to the grid is a phenomenon that is taking on worrying proportions. Internal TIEPI, which measures interruptions caused by Company action, rose by 11%, which represented an increase from 84 minutes in 2007 to 93 minutes in 2008.

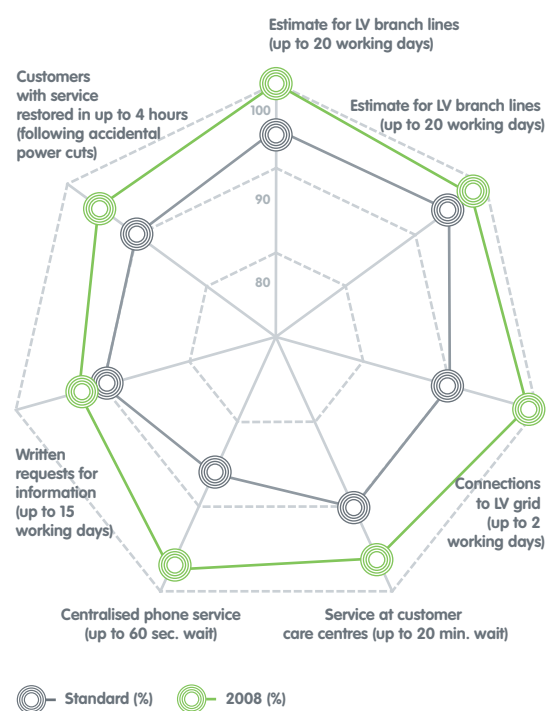
The other general quality of service indicators, such as the system average interruption frequency index (SAIFI), system average interruption duration index (SADI) and the number of customer interruptions, were on a par with the TIEPI, with the exception of SAIFI MV and SADI MV, which rose about 5% and 2% respectively.

6.3.2. Quality of commercial service

EDP has continued its efforts to listen to its customers and communicate with transparency and simplicity.

In Portugal the quality of the service provided to customers by the distribution grid operator remained high and shown by clear compliance with the general commercial service quality indicators in the Service Quality Regulations (SQR).

General Service Quality Indicators – 2008 (%) Portugal



The specific indicators in the SQR were met for quality of service in the regulated supply:

- Percentage of customers who waited less than 20 minutes for attention at customer care centres

- Percentage of customers waiting less than 60 seconds during call centre service
- Percentage of requests for information answered in up to 15 working days

6.4. Special customers

Within the scope of its overall service, EDP had 373,328 customers paying the social tariff in 2008, 98% of whom were in Brazil (366,761). The social tariff is a recent service in Spain set up in July 2008. In December, 329 customers had already subscribed to it (additional information in the Chapter Regulatory Framework).

In addition to offering a social tariff, EDP also has a number of initiatives for supporting access to essential services by more vulnerable customers:

- Efficient Community Programme (Brazil) – This is a project aimed at increasing energy efficiency in homes in the 61 neighbourhoods of Grande Vitória and has helped reduce the number of illegal connections. In 2008 104,598 incandescent light bulbs were replaced by compact fluorescent bulbs and 103 refrigerators were exchanged;
- Energy Programme (Brazil) – Electricity suppliers are obliged to invest 0.5% of their operating profits in energy efficiency projects, which must be approved by the regulator and aimed at low-income customers. In 2008 the programme supported around 40,000 families and distributed over 142,000 light bulbs;
- Distribution of efficient light bulbs (Portugal) – In 2008, 200,000 light bulbs were distributed on housing estates and in old neighbourhoods and the distribution of 1,700,000 light bulbs was organised at Modelo, Continente, Pingo Doce, Feira Nova, CTT and EDP stores to customers with low consumption and contracted power as part of the National Energy Efficiency Action Plan.

At the end of 2008, EDP had 592 customers with special needs registered in the Iberian Peninsula, 87% of which in Portugal.

6.5. New services

Innovative products were developed in 2008, including energy efficiency promotion services.

6.5.1. Energy efficiency

Energy efficiency has been a fundamental part of EDP's strategy to reduce CO₂ emissions, which involves optimising consumption by customers and the general

public, improving energy efficiency at its premises, increasing the share of renewable generation and promoting the distribution of energy produced without CO₂ (see the Chapter Climate Change for additional information). Several initiatives were undertaken in 2008 to encourage customers to use electricity responsibly and improve their environmental behaviour, as illustrated on page 92-93.

6.5.2. Specific services for companies and institutions

Portugal

An energy consultancy service was launched in the unregulated market, as a result of an understanding of the need to maintain and manage the customer confidence acquired by EDP Comercial. This service helps customers, irrespective of their power supplier, to optimise consumption, provides advice on tariffs and gives information. The customer portfolio covered by this service currently represents consumption of around 3 TWh/year.

At the same time, more attention was devoted to managing customer debt not only in the front office – customer relations but also in terms of improving the Group's internal procedures. Thanks to this campaign, around 2 million euros in unpaid debts were recovered.

A high point of the year was the completion and opening of the country's largest solar thermal power station. It has 1,600 m² of solar panels installed on the roof of Caixa Geral de Depósitos head office.

This solution makes it possible to save up to 70% of the energy needed to heat water in a building and prevent the emission of 1,700 tonnes of CO₂ a year. This innovative installation in Portugal places EDP and the CGD at the cutting edge of solar thermal solutions.

On a par with this large-scale project, new solutions for other major corporate customers were introduced in 2008, such as electrical remodelling at major industrial facilities such as Polivouga, Solidal and Pingo Doce, to a total of 5 million euros.

In the unregulated market, EDP intensified marketing campaigns in line with the paths chosen for **edp5D** – development of an innovative range, great proximity to the customer and attractive communication of the brand's positioning, such as:

- Launch in May of an advertising campaign "I live in another dimension", which encourages people to visit the website "euvironoutradimensao.pt" and discover the advantages of **edp5D**;



CONTRIBUTION TO SUSTAINABILITY

ENERGY SERVICES

HC points programme – The new product catalogue for 2008-2009 was launched and it can be viewed on www.hcenergia.com/puntoshc.



MYENERGY – Where micro-generation was concerned, 61 solar thermal solutions, 140 photovoltaic solar solutions and 30 micro-wind power solutions were sold.



Electronic invoice – This scheme was introduced in late 2007 and by the end of 2008 there were around 140,000 subscriptions in Portugal and 40,400 in Spain.



Green electricity – EDP continued to sell green electricity associated with the EDP5D Green Tariff. In 2008, there were 2,474 customers in Portugal and a total of 6,400 MWh. In Spain there were 101,000 customers corresponding to an annual consumption of 2,987 GWh.



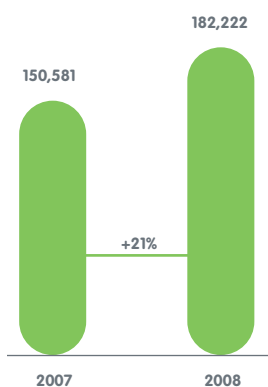
ECO Programme – 7 million euros were disbursed on initiatives to promote sustainability and energy efficiency for domestic (63%) and industrial customers (37%).

- **Distribution of efficient light bulbs** – energy-saving light bulbs were distributed through partnerships and door-to-door campaigns and at EDP stores and agents to a total of 1,480,000 light bulbs in 2007 and 2008, and 280,000 this year.
- **Co-payment for class A refrigeration equipment** – 11,100 €50 discount vouchers were distributed for the purchase of generic class A or over domestic appliances at Worten stores.

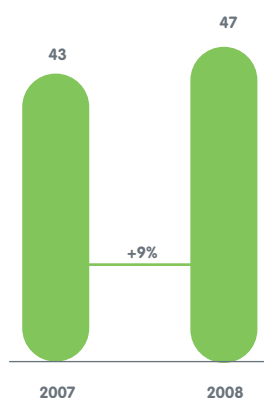
- **Gift of multiple-gang socket outlets with switch** – 100,000 multiple-gang socket outlets were handed out to buyers of brown line domestic appliances at Worten, stores in order to reduce stand-by energy consumption.
- **ECO site** – This website offers a virtual eco-efficiency service that publicises all ongoing action to promote energy efficiency. It also receives applications for specific programmes, offers an ECO Simulator and includes an ideas competition, Efficient Ideas, which had 194 participants and 71,000 visitors.



Forecast of the final impact of the ECO Programme



Energy Costs Avoided



The environment belongs to us all – This is a programme to raise the awareness of 5th and 6th grade pupils of the problems of climate change and the issue of energy efficiency and encourage the adoption of measures in the school community and the children’s homes. The programme covered around 700 schools, more than 300,000 pupils and 40,000 teachers. The partners in the programme include the Ministry of Education, the Directorate-General of Energy and Geology, the European Commission and UNESCO.

Energy Bus – This theme bus travelled around the country in 2007 and 2008 and offered its visitors an interactive experience, useful advice and technical information. It went to schools, municipalities, events, beaches and other public places in 57 cities and received 38,000 in two years, including teachers, pupils, families and the general public.



Bright Ideas – This ideas competition for university students gave prizes to projects for energy efficiency hardware or software.

Initiatives aimed at companies included:

- Correction of the power factor at 737 facilities;
- Installation of 670 electronic speed variators and of electronic ballasts and efficient light bulbs in 32,000 locations;
- Audits of energy efficiency in driving force in seven sectors of activity;
- Distribution of 30,000 energy-saving light bulbs in the trade and service sectors;
- Six seminars on energy efficiency at companies for around 800 participants.



CONTRIBUTION TO SUSTAINABILITY

- Mailing of access codes for activation of all edp5D customers on edpOnline;
- Promotion of the electronic invoice and introduction of invoices on recycled paper;
- Monthly promotional text messages to edp5D customers offering products and discounts;
- New partnerships in the "5entidos" loyalty programme.

In 2008, the first energy efficiency workshop was held for small and medium enterprises and we began marketing the lighting diagnosis service.

New solutions were developed for this specific customer segment, with pilot programmes and a tailor-made portfolio for saving and safety services.

Spain

In the regulated market, domestic customer loyalty campaigns were held with the Funciona service, which consists of the review and maintenance of electrical and gas installations and appliances and has already reached 83,500 contracts, and with the HC Points Programme, which has more than 400,000 contracts, representing 50% of all contracts in the residential and small business segment. The new 2008-2009 catalogue contains "responsible suggestions" on energy-saving products and continues to offer responsible points.

In the unregulated market, the loyalty campaign in the dual domestic customers segment continued with the Fórmula Ahorro plan, Fórmula Gás campaign and Gas Básico. This offer included a gas supply, the Funciona maintenance service and the HC Points Programme. In 2008, 42,700 new contracts were signed, one half of which corresponded to Fórmula Ahorro and the other to Fórmula Gas.

The Fórmula Ahorro plan was also introduced for the business segment in 2008 and was a great success (over 12,400 contracts). The Funciona Negocios service began at the end of the year and was very popular.







CONTRIBUTION TO SUSTAINABILITY

7. SUPPLIERS

7.1. Description

The relationship between EDP and its suppliers is based on principles of partnership and the promotion of constant improvement in performance. Selection is based on a clear, transparent, objective policy aimed at developing win-win partnerships. EDP has developed active information practices with its suppliers with regard to the values in its Code of Ethics, in order to highlight the importance of integrity in business strategy.

EDP acquired goods and services to a total of EUR 736 million in 2008.

ESF by region (EUR millions)

	2008	2007
Portugal	537	725
Spain	301	165
Brazil	145	154
USA	46	9
Other	-292	-396
	736	657

7.2. Dialogue

EDP seeks to stimulate suppliers' business capacity and improve their processes by:

- Promoting technical competence and the competitiveness of the market;
- Keeping up relations of integration and cooperation;
- Fostering a permanent, open dialogue enabling us to ascertain the expectations of this important group of stakeholders.

EDP's goal is to "meet challenges and establish, control and develop relationships with suppliers" by means of SRM, supplier relationship management systems.

SRM solutions favour communication with partners, enable us to share methods and bring the parties closer together.

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

We therefore implemented an initiative designed to set up partnerships that encourage excellence. It is a programme for monitoring companies in the EDP Group's supplier registration form (SRF) system. They were told a little about this universe and their position in relation to it, according to the indicators used in the system.

EDP also provides suppliers with different communication channels, including a dedicated area on its website www.edp.pt > partners > suppliers.

7.3. Good practices

EDP has a corporate supplier registration system through which a company can register on any of the Group companies' websites (available in different languages and layouts). EDP has no positive discrimination policy favouring local contracts.

The system has a shared database that acts as a tool for searching for and selecting suppliers and features all registered companies. It is therefore accessible to all EDP Group companies.

Suppliers registering on the website must provide information on quality systems, the environment, safety, and corporate social responsibility policies among others. They can also use the website to learn about the EDP Code of Ethics and state their acceptance of its values and principles.

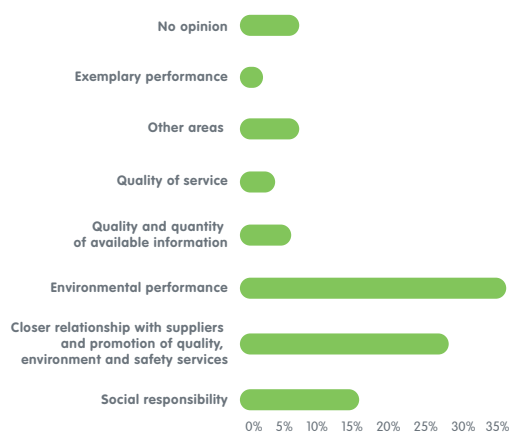
When new contracts are entered into, EDP suppliers' good environmental and social practices are important. As a result, 53% of our suppliers in Portugal that have supplied goods and services worth over EUR 75,000 are registered in the EDP Group's SRF system. Fifty-six percent of these suppliers have quality management systems certified by third parties. Twenty-four percent of the companies have environmental certification and 20% occupational health and safety certification.

In 2008, EDP organised four meetings with suppliers on the subject of sustainable business. Matters such as business ethics, environmental responsibility and management, occupational health and safety management, global procurement and the corporate supplier registration system were discussed at the meetings.

They were attended by around 200 participants representing 115 companies. A questionnaire was prepared and distributed to all participating suppliers to assess their satisfaction with the contents of the company's Annual Report and Accounts to ensure that we live up to suppliers' expectations of EDP in terms of sustainability.

We received 109 answers indicating areas in which EDP could improve its performance.

Room for Improvement Suggested by EDP Suppliers



There are two main challenges to EDP according to the results of the questionnaires and we will be assessing our capacity to implement them in 2009:

- Increasing the promotion and checking of compliance with environmental management and health and safety procedures;
- Informing suppliers of the evaluation of their performance in these areas.

In Portugal there are mechanisms for monitoring and preventing the use of illegal workers by EDP suppliers. Even so, as part of the circulation of the new EDP Code of Ethics, the awareness-raising measures already in place with suppliers are expected to improve ethical performance in the EDP value chain.

Vocational training courses were organised for external entities working for the Group in Portugal in order to integrate service providers into EDP's operating processes. There were a total of 1,323 trainees corresponding to 12,745 training hours, of which 36% corresponded to safety and accident prevention.

EDP also has an online system for sharing market and de supplier information, "Sinergie – Supply Integration for Energy". The system has been implemented at all Group companies and serves as a basis for all enquiries and deals worth more than EUR 75,000. Its main aim is the exchange and sharing of procurement information throughout the EDP Group, regardless of the business unit, origin of the business area's need or market in which they operate. They use the Internet to speed up all procurement procedures worldwide.



CONTRIBUTION TO SUSTAINABILITY

8. COMMUNITY

EDP Social Contributions by Category and Region

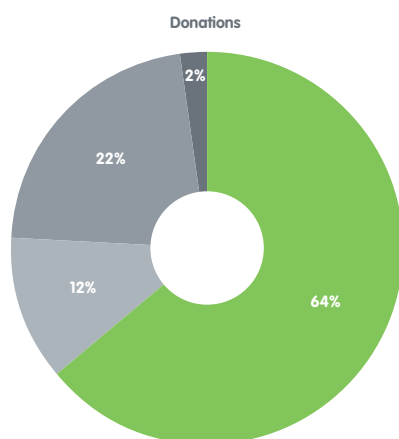
Community	2008					2007			
	Total	Portugal	Spain	Brazil	USA	Total	Portugal	Spain	Brazil
Taxes (EUR thousands)	195,565	n.a.	n.a.	n.a.	n.a.	9,569	n.a.	n.a.	n.a.
Donations and Sponsorships (€)	17,182,195	10,935,651	2,059,223	3,811,199	376,123	13,615,016	9,483,113	1,079,497	3,052,406
Environment	611,814	350,350	73,120	126,228	62,115	155,750	155,750	0	n.d.
Culture	4,266,554	1,712,797	1,040,080	1,471,138	42,540	2,145,668	1,921,726	223,942	n.d.
Education	1,266,985	447,303	n.a.	722,633	97,050	298,905	298,905	n.a.	n.d.
Institutional	2,057,281	1,716,945	n.a.	191,588	148,748	1,259,624	1,259,624	n.a.	n.d.
Social	2,576,522	1,338,183	403,021	813,098	22,220	545,903	145,135	400,768	n.d.
Sport	4,833,199	4,489,615	47,932	294,652	1,000	4,776,786	4,322,000	454,786	n.d.
Health	447,313	253,002	n.a.	191,861	2,450	1,324,373	1,324,373	n.a.	n.d.
Other	1,122,527	627,458	495,070	n.a.	0	55,600	55,600	n.a.	n.d.
Donations in kind	1,104,601	1,104,601	n.a.	n.d.	n.d.	2,066,625	2,066,625	n.a.	n.d.

EDP continues to pursue a strategy of high involvement in the communities in which it operates, as a result of the main impacts of its energy generation and distribution, and of cooperation with institutions in order to meet its commitment to create social value.

Activities for the good of the community are undertaken in Portugal through the EDP Group companies and Fundação EDP, in Spain through Fundación Hidrocarbónico, in Brazil through Instituto EDP and in the USA through Horizon. Its priority areas have been cultural, social and environment initiatives.

In 2008, spending on communities totalled EUR 17 million, 5 million of which was spent on EDP Group foundations (92% by Fundação EDP and the rest by Fundación Hidrocarbónico). This amount is the result of a total of EUR 12 million from appropriation of profits and donations from EDP Group companies.

Donations and Sponsorships by Region



Around EUR 4 million was spent by Instituto EDP out of revenue from the sale of carbon credits, direct investments from Energias do Brasil Group companies and tax incentive projects.

In turn, the EDP Group companies were responsible for approximately EUR 8 million (around 50% of EDP's total spending) spent on support for communities, particularly sports activities.

8.1. Local communities

EDP has a close relationship with local communities, regardless of the business area or region in which it operates, and maintains an open, frank, regular dialogue.

Local communities living near power generation and distribution facilities warrant special attention from EDP.

There is a good relationship between the company and neighbouring populations at older facilities, while at new ones in operation or in the planning or construction stage, EDP has undertaken listening, awareness-raising and monitoring programmes and sometimes schemes to improve the local residents' conditions.

INVOLVEMENT WITH THE COMMUNITIES AT THE RATTLESNAKE ROAD WIND FARM IN OREGON

This wind farm is located in an area ripe in cultural heritage and of great importance to two Native American communities: the Confederated Tribes of the Umatilla Indian Reservation and the Confederated Tribes of Warm Springs.

Horizon eased the involvement of a team of archaeologists hired by the Company and the two Confederations in the identification of cultural impacts and an assessment of information gathering agreements. This resulted in a set of measures aimed at minimizing impacts that were co developed consensually.

Monitoring during the construction phase was assured by representatives of both confederations, who guaranteed the implementation of the previously agreed on measures.

SOCIAL CARBON

The projects running in Brazil at four hydroelectric plants consist of using the participative, holistic, dynamic, flexible social carbon method in the community.

There are two separate components in the social carbon concept:

- Evaluation of the operation of hydroelectric plants, weighting the project's environmental feasibility and the company's commitment to corporate social and environmental responsibility;
- Evaluation of the neighbouring communities' living conditions, taking into account their prospects, resources, strategies, threats, opportunities, political organisations and social relations.

In Portugal, we are going through a phase of growth in installed capacity at new hydroelectric facilities and EDP has doubled its efforts to cement relationships with local communities, mostly through project monitoring meetings with local representatives.

Studies have been made of the potential socio-economic impacts on the affected areas and public consultations have been held. This approach enables us to assess local needs and take effective social responsibility measures in the environs of future facilities.

In 2008 a project entitled "Involvement of local communities in new facilities" was undertaken by EDP in partnership with the CIIS, Social Research and Intervention Centre at ISCTE, to implement new methods for relations with local institutions and populations.

The initiative included an internal awareness campaign on the communication of risks and the challenges of public participation and the preparation of a manual of guidelines on stakeholder involvement during the planning and construction of new power plants. These new methods are being tested on two new EDP projects in Portugal.

In Brazil, social projects are still under way at six hydroelectric plants, the most important of which is the social carbon scheme.

8.2. Administrative and regulatory authorities

The nature of our activities requires a close, permanent relationship with different government bodies.

Due to their geographical dispersal, distribution activities play an active part in public discussions held prior to the adoption of new spatial planning instruments in order to guarantee the expansion of electricity distribution grids in line with national interest.

Generation activities, on the other hand, depend on demand and national or European supply security goals, diversification of supply and environmental quality. In these fields, the dialogue is on a national or European scale, once again through the issue of opinions in response to new regulatory proposals put up for public debate or through our participation in Eurelectric, the Union of the Electricity Industry.

Finally, it is imperative to mention the importance of the regulation mechanisms to which our sector is subject. We maintain a constructive, collaborative relationship with the different regulators.

8.3. Sponsorship of social development

EDP favours systematic participation in meetings, seminars and training and awareness sessions on different subjects organised by schools, universities, local authorities and local development associations. EDP considers these opportunities to be an extremely important contribution



CONTRIBUTION TO SUSTAINABILITY

to fostering knowledge and the development of society in general.

In Portugal, Fundação EDP played a vital role in sponsorship of development in 2008. The work done by the Electricity Museum was particularly important and it received 110,000 visitors, (65,000 in 2007). In 2008 the museum had the second highest number of guided tours and ranked third among Portuguese museums.

In Spain, Fundación Hidrocarbónico signed an agreement with Universidad de Oviedo, by which it granted 140 scholarships, at a cost of EUR 529,000, for students to carry out their final course assignments, thereby improving their knowledge and employability. Whenever possible, it admits students with the best talent and conditions.

In Brazil, Instituto EDP is responsible for undertaking and coordinating all social, environmental and cultural action in all regions. Its main focus is on social action and it fosters access to education, reduces the risk of social exclusion, promotes access to essential services and encourages in-house volunteer work. Culture and the protection of natural heritage also warrant special attention. The projects undertaken in 2008 are described in this chapter.

8.3.1. Patronage policy

EDP has a patronage policy based on the following main criteria: multi-annual initiatives, high number of participants, promoted by solid institutions of recognised scientific and pedagogical merit, ongoing action and activities aimed at interactive museums and evenly distributed around the country.

Science, education and the environment

The following were the most important initiatives in 2008 in the support for scientific awareness and development:

Portugal

- The Physics Olympics at the Electricity Museum attracted 1,128 visitors;
- EDP sponsored the purchase of technical and lab equipment for Living Science Centres.

Brazil

- In Brazil the Casa da Cultura Caipira Zê Mira literacy project in partnership with Associação Alfabetização Solidária was aimed at training teachers and new trainers. It reached 1,000 young people and adults, 30 teachers and 30 school managers in six municipalities;

- The Mobile Science Project, a travelling science museum, visited municipalities with no access to science and technology museums, offering exhibitions, internet, a mobile library and workshops.

Health and solidarity

Social solidarity has been one of the areas in which EDP has increased its support. The following initiatives stood out in 2008:

Portugal

- Associação Nariz Vermelho, or Red Nose Association, is a project for humanising children's wards at hospitals in collaboration with healthcare professionals. In 2008 clowns gave more than 50,000 hugs, 832 visits were made at 11 hospitals, 15 workshops were held and seven "clown doctors" were trained;
- As part of the EDP Solidária 2008 scheme, a total of EUR 350,000 went to projects out of 156 applications. The most important initiatives in 2008 were the mutual aid Equipment Bank project, which will help over 800 institutions representing around 200,000 beneficiaries in Portugal, the Generation Orchestra, a youth symphony orchestra that will make an innovative contribution to the insertion and development of children from disadvantaged backgrounds.

Brazil

- There were programmes like support for an association helping children with cancer, the Early Diagnosis project, organised by Associação dos Amigos das Crianças com Cancro, which sponsored early diagnosis techniques with healthcare professionals, the Associação Capixaba Family Home project, which provides accommodation, leisure activities and manual arts workshops for children and Grupo de Apoio à Criança com Cancro, which reached 725 children, 725 women and mothers and 200 chemotherapy patients for 12 months.
- The Good Dentist project, involving volunteer dental surgeons who give free dental treatment to low-income children and young people until they reach the age of 18, which helps their social integration and improve their chances of finding a job. The project currently has over 4,000 volunteer dentists all over the country.
- Karate for young people with Down's syndrome, an Instituto Olga Kos project in partnership with Energias do Brasil encouraged young people and adults to take up karate in order to improve their quality of life.

Promotion of culture

EDP has always considered culture a very important area of intervention as part of its patronage policy. The main initiatives in 2008 were as follows:

Portugal

- Fundação Casa da Música – EDP is patron of the Piano Cycle, a programme of 10 concerts for a total of 6,476 spectators;
- Companhia Nacional de Bailado / Teatro Camões which was internationalised and decentralised;
- Orquestra Sinfónica Juvenil – Continuing to pursue its goal of decentralisation and training of audiences, it held 48 concerts all over the country, which were attended by 12,700 people;
- Fundação de Serralves – Fundação EDP is the sole sponsor for 2008-2010 of an important annual exhibition at Museu de Arte Contemporânea at Fundação de Serralves.

Spain

- Fundación Hidrocarbónico sponsored a cycle of Christmas concerts by Camerata Revillagigedo.

Sport

EDP continues to support athletics and cycling, which are activities of easy access to the general public, mainly by sponsoring the Lisbon and Oporto marathons and Volta a Portugal em Bicicleta.

8.3.2. Volunteer Campaigns

In 2008 EDP joined a number of volunteer campaigns to raise funds for good causes:

Portugal

- The “1 euro por uma nova vida” campaign was promoted by Fundação EDP, RTP and Antena 1 and 60,000 people participated to help purchase 19 special wheelchairs so that people with reduced mobility could take part in sports activities;
- EDP has agreements with AREP, the Portuguese Red Cross and Associação Aprender a Empreender and gives its employees half a day per month (see Chapter#, Employees).

Spain

- EDP Renováveis joined the Spanish Red Cross campaign “Dona tu móvil”, which collected all unused mobile phones from its own and HC Energia employees. In addition to the environmental benefits, the donations go to Red Cross social and humanitarian projects in underprivileged countries.

Brazil

- SOS Santa Catarina was a campaign to collect food, materials, clothes, etc for the flood victims in the state of Santa Catarina.
- Natal Solidário was a campaign to collect toys to donate to charities caring for disadvantaged children.

8.3.3. Partnerships and organisations

EDP’s active participation in different organisations whose principles and rules permit ongoing improvement is described on www.edp.pt > Sustainability > Community > Participation, with special focus on partnerships in the areas of R&D, human capital and biodiversity, presented in the appropriate chapters.

8.3.4. Assistance to developing countries

Through EDP Internacional, EDP is involved in projects to expand and restore electricity systems in Angola, with a high impact on the quality of life of large sectors of the population. The main data are 100,000 beneficiaries in the Lobito/Benguela region, 90,000 in Malange, 60,000 in Namibe, 20,000 in Caxito/Bengo and 120,000 in Cabinda.



CONTRIBUTION TO SUSTAINABILITY

9. ENVIRONMENTAL PERFORMANCE

Environmental Indicators

	2008					2007			
	Group	Portugal	Spain	Brazil	USA	Group	Portugal	Spain	Brazil
Primary Energy Consumption (TJ)	237,259	141,842	95,329	88	n.a.	261,157	141,069	119,998	88
Coal	121,423	65,442	55,981	n.a.	n.a.	166,152	76,766	89,386	n.a.
Fuel oil	11,292	11,076	217	n.a.	n.a.	15,117	14,860	257	n.a.
Natural gas ⁽¹⁾	90,180	64,463	25,716	n.a.	n.a.	63,503	47,810	15,693	n.a.
Blast furnace gas	9,673	0	9,673	n.a.	n.a.	10,101	n.a.	10,101	n.a.
Coke gas	2,496	0	2,496	n.a.	n.a.	3,293	n.a.	3,293	n.a.
Diesel	86	11	75	n.a.	n.a.	67	7	60	n.a.
Propane gas	0	0	0	n.a.	n.a.	2	2	n.d	n.a.
Forest waste	676	676	0	n.a.	n.a.	1,443	1,443	n.d	n.a.
Iron and steel industry gas	1,156	0	1,156	n.a.	n.a.	1,208	n.a.	1,208	n.a.
Fuel for vehicle fleet	277	174	15	88	n.a.	270	180	5	88
Electricity Consumption (MWh)									
Consumption by generation	2,244,466	1,572,290	672,175	n.a.	n.a.	1,457,748	1,457,748	n.a.	n.a.
Administrative services	31,138	21,373	851	11,914	n.a.	33,411	21,826	11,585	n.a.
Losses from grid									
Environmental certification									
ISO 14001 environmental certification (MW)	11,424	8,491	2,933	0	0	10,407	8,491	1,916	0
Net maximum installed certified power (%)	61	88	60	0	0	67	90	54	0
Distribution of certified gas (%)	100	100	100	0	0	100	100	100	0
Atmospheric emissions									
Total emissions (kt)									
CO ₂ ⁽²⁾	19,783	10,110	9,673	n.a.	n.a.	23,422	11,008	12,414	n.a.
SO ₂	33.99	21.68	12.31	n.a.	n.a.	100.75	57.74	43.00	n.a.
NO _x	33.26	20.15	13.11	n.a.	n.a.	52.26	27.59	24.62	n.a.
Particles	1.68	0.83	0.85	n.a.	n.a.	3.69	1.21	2.46	n.a.
Mercury	145	69	76	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SF ₆ (Kg)	333	234	42	57	n.a.	354	243	101	10
Overall specific CO ₂ emissions (g/kWh)	387	388	613	n.a.	n.a.	457	381	743	n.a.
Specific CO ₂ emissions thermal plants (g/kWh)	647	552	790	n.a.	n.a.	726	596	902	n.a.
SO ₂	1.13	1.18	1.05	0	n.a.	3.12	3.12	3.12	n.a.
NO _x	1.11	1.10	1.12	0	n.a.	1.62	1.50	1.79	n.a.
Particles	0.06	0.05	0.07	0	n.a.	0.11	0.07	1.79	n.a.
Water collected by source (10³x m³)									
Ocean	1,495,630	1,001,546	494,084	0	n.a.	1,507,526	1,022,668	484,859	0
River or stream	205,097	188,321	16,776	0	n.a.	344,272	293,761	5,0511	0
Reservoir	2,078	2,078	0	0	n.a.	1,493	1,493	0	0
Artesian well	884	884	0	0	n.a.	1,177	1,177	0	0
Well	33	15	0	18	n.a.	16	16	0	n.a.
Other	1,136	1,060	12	62	2	1,102	1,087	15	n.a.
Use of water (10³x m³)									
Cooling water	1,700,122	1,189,836	510,287	0	0	1,851,183	1,316,122	535,062	n.a.
Raw water	6,688	3,898	2,790	n.a.	0	5,964	3,816	2,148	n.a.
Potable water	253	159	12	80	2	216	201	15	n.a.
Wastewater (m³)									
Effluent treated in generation	4,323,869	2,034,430	2,289,439	0	0	11,375,055	9,812,878	1,562,177	0
Discharge into sea	1,497,569,009	1,002,326,244	495,242,765	0	0	1,509,195,064	1,023,304,287	485,890,777	0
Discharge in to inland and estuary water	195,436,820	184,037,335	11,399,485	0	0	336,811,581	296,725,768	40,085,813	0
Waste sent for final disposal									
Total waste (t)	835,922	390,267	438,206	7,363	86	958,988	394,442	562,888	1,658
Total hazardous waste (t)	3,328	1,914	1,287	98	29	2,641	2,273	257	111
Waste recovered (%)	85	88	83	99	100	84	87	82	100
Main waste categories (t)									
Fly ash recovered	583,352	248,408	334,944	0	0	688,914	268,959	419,955	n.a.
Concrete posts	24,972	19,356	0	5,616	0	59,784	59,506	0	278
Used oils	671	470	169	20	12	840	628	127	85
PCB	64	3	61	0	0	43	6	38	0
Metals	5,553	3,979	722	554	298	7,358	5,431	751	1,176
Gypsum	85,427	64,779	20,648	0	0	n.a.	n.a.	n.a.	0
Biodiversity									
km of HV lines in classified areas	931	850	39	42	n.a.	1,279	835	39	405
km of MV lines in classified areas	12,700	8,247	610	3,843	n.a.	18,779	8,043	600	10,136
No. of substations in classified areas	41	19	10	20	n.a.	62	23	9	30
Environmental costs (EUR thousands)									
Investment costs	163,783	91,338	52,352	20,206	n.d	157,896	82,753	66,550	8,593
Current costs	131,512	84,064	30,233	17,215	n.d	142,712	76,303	60,710	5,699
	32,270	7,274	22,006	2,991	n.d	15,185	6,450	5,840	2,895
Provisions									
Environmental fines and penalties (EUR thousand)	132	0	132	0	0	9,0	0	9,0	0
Environmental complaints (no.)	90	90	n.a.	n.a.	n.a.	69	66	3	n.a.

(1) Includes ambit 2 - natural gas consumption at gas distribution office buildings; (2) Not including vehicle fleet, including gas from iron and steel industry; (3) Waste from NEO (Spain) is estimated

9.1. Environmental policy

The EDP Group reviewed its environmental policy, which was released first in 1994 and complemented in 2007 by a biodiversity policy.

The EDP Group's current Environmental Policy Statement is part of proactive environmental management that generates value and is designed to create a socially responsible company. In it, EDP expresses its ambition to be the leader and benchmark in the environmental management of its businesses and in stakeholder involvement in the implementation and promotion of good practices in this field. In this policy, which is based on ten different principles, EDP seeks to promote a corporate culture in which business initiatives are consistent with environmental responsibility, stimulating innovation and ongoing improvement in products, services and environmental performance. The policy is available on www.edp.pt > Sustainability > Environment.

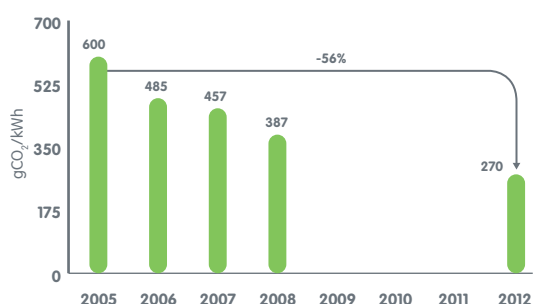
The organisation of the environment function is similar to that of the sustainability function, and in-house management abides by ISO 14 001:2004 (see Environmental Management).

9.2. Climate change

EDP's strategy for fighting climate change is aimed at progressively reducing greenhouse gas (GHG) emissions resulting from its activity, with particular focus on electricity generation.

In 2007, EDP therefore set a goal of reducing specific emissions from its electricity generating facilities by 35% in 2010 against 2006. However, its 2009-2012 Business Plan, based on an investment strategy aimed at reducing exposure to CO₂, reinforced this commitment and fixed the 2012 target at 270 kgCO₂/kWh, i.e. 56% lower than the 2005 figure (600 gCO₂/kWh).

EDP Group Goal for Reducing Specific CO₂ Emissions



The strategy adopted to achieve this goal involves using cleaner, more efficient generation technologies (renewables and combined cycle natural gas power stations) and the promotion of better energy efficiency, on the one hand, and effective management of GHG emissions from thermoelectric power stations under the European Emission Trading Scheme (EU-ETS), the use of flexibility mechanisms provided for in the Kyoto Protocol (Clean Development Mechanisms (CDM)) and operation in sectors outside emissions trading (voluntary carbon credit market and futures market) on the other hand.

2008 was a relatively dry year with a hydroelectric production index (IPH) 23% lower than the average year. This obliged EDP to resort to a more intensive use of thermoelectric power stations to meet the needs of the national electricity system, especially in Portugal, where hydroelectric generation carries significant weight. Even so, EDP managed to reduce overall specific emissions from its generation facilities from 457 gCO₂/kWh in 2007 to 387 gCO₂/kWh in 2008 (15%).

In the EU-ETS, in 2008 the EDP Group was allocated emission allowances of 18.4 MtCO₂, 27% less than in the pilot phase of the Kyoto Protocol (2005-2007). It used 19.8 Mt, i.e. +7%. The deficit was offset by purchasing 1.8 Mt on the market, with the remainder to be transferred to 2009.

CO₂ Emissions Attributed (EU – ETS) and Real in 2008

Emissions (tCO ₂)	Attributed	Real
PORTUGAL		
Carregado	377,234	51,634
Setúbal	1,118,999	555,423
Sines	5,833,317	6,151,342
Barreiro	138,977	226,001
Tunes	4,537	220
Ribatejo	1,423,103	2,698,034
Mortágua	577	461
Soporgem	239,306	232,912
Energin	225,955	194,466
Total PORTUGAL	9,362,005	10,110,493
Spain		
Aboño	3,132,632	3,930,996
Aboño*	2,816,000	2,667,841
Soto de Ribera	2,018,097	1,365,927
Novo entrante (Soto Rib)	55,777	25,345
Castejón	309,394	661,554
Novo entrante (Castejón)	275,174	481,658
Eito	20,271	42,809
Sinova	52,906	59,613
Intever	29,833	49,988
Tercia	52,906	63,458
Sidergas*	273,803	273,803
Bioener	28,382	36,381
Hospital de Oviedo	13,829	13,718
Total Spain	9,079,004	9,673,092
TOTAL EDP	18,441,009	19,783,585

(*) Includes CO₂ emissions from the Sidergás and Aboño 1 and 2 power stations, which burn gas from iron and steel works, and the new Soto IV. These are different from those presented in the Financial Section, note 46.



CONTRIBUTION TO SUSTAINABILITY

EDP also has a number of CDM projects under way in Brazil that will enable it to generate GHG emission reduction certificates (ERCs).

CDM Projects in Brazil

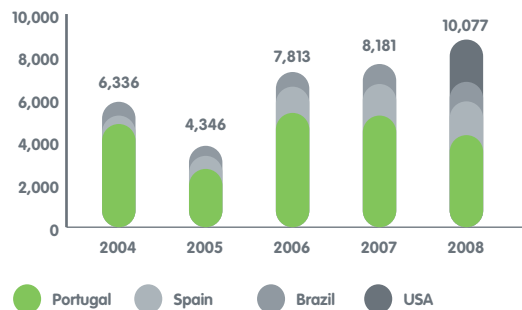
Project	Status	ERC* (ktCO ₂)
PCH São João (25 MW)	Approved	161.7
UHE Mascarenhas 4ª Máquina (50 MW)	Approved	252.3
PCH Paraíso (21.6 MW)	Approved	151.5

* Quantity of CO₂ avoided in the Kyoto period (2008-2012).

There was a 10% reduction in primary energy consumption, including fuel for our fleet of vehicles, compared to 2007.

EDP's activity in the area of renewable energies also has a highly significant impact in terms of CO₂ emissions avoided in 2008. Electricity generation from renewable sources in all regions avoided the emission of around 9.4 MtCO₂, which would otherwise have been generated by conventional thermoelectric power stations.

Emissions Avoided (kt CO₂)



ENERGY WISDOM PROGRAMME

The aim of this voluntary initiative by electricity companies belonging to Eurelectric is to report on projects that help improve the sector's energy efficiency and thereby reduce greenhouse gas emissions. The areas covered are generation, transport, distribution and end use of electricity and also carbon capture. In the last report on 2005-2007, 14 companies reported on around 150 projects that resulted in a reduction of 150 Mt CO₂eq and a saving of around 36 Mtep of primary energy. EDP contributed a total of 14 projects corresponding to a reduction of 18.6 Mt CO₂ in the period mentioned.

In addition to the use of renewable energies and cleaner, more efficient conventional generation technologies, better energy efficiency is another fundamental aspect of the sector's sustainable development, which is also strategic for EDP.

On the supply side, better energy efficiency of our thermoelectric facilities is the combined result of investments in more efficient power stations, such as combined cycle gas (CCGT) power stations and the progressive decommissioning of fuel oil power stations (in Portugal by 2012) and one coal group at the Soto de Ribera power station (in Spain).

On the demand side, EDP's promotion of efficient electricity consumption, which began in 2007, has had a considerable impact on society and been acknowledged by our customers.

In 2008, the **eco** programme continued in Portugal as part of a series of information and awareness campaigns and the implementation of concrete measures involving the service, industry, agriculture and residential sectors. Details of the programme can be found on Chapter Customers, New Services and on www.eco.edp.pt.

econnosco was implemented in Portugal. It is a campaign comprising measures that depend on employees' individual performance in terms of good environmental practices, such as selective collection of waste, water and electricity saving and rationalisation of consumables.

Some of the results achieved in 2008 are:

- Reduction of around 2.1% in electricity consumption for lighting in our office buildings;
- Elimination of 2,714 surplus light sources;
- Approximately 21% reduction in water consumption in 2008 compared to the same period in 2007;
- Choice of ECO-Logical paper with lower basis weight which, for an equivalent consumption, allows an immediate reduction of 6% in paper consumption.



As a highly significant measure to promote micro-generation and energy efficiency, we also completed a project to supply electricity from a renewable source to the Sustainability Area at EDP's head office. The supply comes from a photovoltaic system that operates independently from the electricity grid.

9.3. Biodiversity

EDP's activities fall within its Biodiversity Policy, which was published on the EDP website in 2007.

Due to the importance of impacts on biodiversity resulting from the construction and operation of power generation and distribution infrastructure, EDP published a brochure about the company's actions in this area. It will be available on www.edp.pt > Sustainability > Biodiversity in the first half of 2009 and will complement information given in this section.

This brochure describes ongoing projects in the B&B partnership with the Nature and Biodiversity Conservation Institute (ICNB) and a number of current case studies.

In 2008, the first edition of Biodiversity EDP Fund distributed EUR 500,000 to three different projects selected from 105 high-quality applications.

In electricity distribution in Portugal, EDP continued its work under the Birdlife Agreement, a partnership set up with two NGOs, Quercus and the Portuguese Bird Society (SPEA), and the ICNB. The aim of this agreement is to reconcile quality of service with the protection of birdlife. At the end of 2008 it had resulted in anti-collision and electrocution protection in 125 km of overhead lines.

Concerning electricity generation, the third year of the Plan to Restore Migratory Fish to the Douro Basin was completed. In spring 2008, 80,000 lamprey larvae were released on the banks of the River Sousa in order to repopulate the Douro Basin with sea lamprey.

We returned to the cooperation agreement with INETI, now called LNEG (National Engineering and Geology Laboratory) for a project to recover thermal waste in protected agriculture – the Serra da Arrábida Reforestation Project. The greenhouses will remain in order to support present and future activities for the conservation and promotion of biodiversity.

In Brazil, the monitoring fish life and biodiversity studies continued along with the restoration of habitats around some hydroelectric power stations.

Due to the rapid growth in installed wind-power capacity, 32 % of the existing farms, totalling 51, have monitoring in place.

OFFSETTING IMPACT IN CLOUD COUNTY, KANSAS

Following a study to assess the ecological impact of the wind farm in Cloud County, Kansas, in 2008 Horizon Wind Energy committed itself to financing a volunteer nature conservation programme to offset any impact resulting from the wind farm. The agreement, signed by Ranchland Trust of Kansas (RTK) and Nature Conservancy of Kansas, covers the investment for a habitat recovery programme outside the wind farm area in around 8,000 hectares.

EDP Management in Classified Areas in 2008

	Portugal	Spain	Brazil	USA
Distribution Grids (km)				
AT				
Overhead	846	38	42	n.a.
Underground	4	0.5	0.1	n.a.
MT				
Overhead	7,539	587	3,834	n.a.
Underground	708	23	0.4	n.a.
No. of substations	19	10	20	n.a.
Generation (ha)				
Areas flooded by reservoirs ^{†1}	3,426	260	0	n.a.
Areas assigned to wind generation	716	n.a.	n.a.	0

^{†1} Not including Alqueva and Pedrógão

9.4. Environmental management

EDP's corporate environmental management system has ISO 14001:2004 certification. It covers corporate management of environmental policies and strategic environment plans, environmental information and the environmental performance of EDP Group organisations.

Certification of its corporate environmental management system has reinforced EDP's commitment to include environmental aspects in planning and decision-making processes at all levels, such as the assessment, control and minimisation of significant impacts arising from its activities.

Identification of and response to accidents and emergencies are included in emergency plans and procedures aimed at the prevention and minimisation of related environmental impacts. Drills are held to check that emergencies are identified and dealt with correctly and to assess response capacity.

The importance of ongoing improvement in environmental management and eco-efficiency also encourages the



CONTRIBUTION TO SUSTAINABILITY

maintenance of ISO 14001:2004 certification for our environmental management systems at facilities that already have it and initiatives aimed at extending the number of EDP Group activities with environmental certification and EMAS registration.

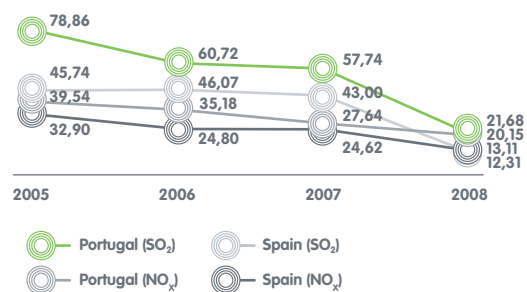
In Portugal, EDP's thermal generation is fully certified and it is part of a larger one that also includes safety.

In Spain, the environmental management systems of all hydroelectric power stations and five wind farms have UNE-EN ISO 14001:2004 certification to a total of 155.5 MW installed capacity.

HC Energía already has environmental permission integrated into all its power stations.

9.4.1. Atmospheric emissions

Total SO₂ and NO_x Emissions in the EDP Group (kt)



Absolute SO₂ and NO_x emissions fell to 33.99 kt and 33.26 kt respectively, which was below the EDP Group targets (35.28 kt for SO₂ and 43.7 kt for NO_x). This decrease mainly reflects the results of the implementation of desulphurisation systems and the reduction of nitrogen oxides at coal power stations. The installation of desulphurisation was successfully completed. The installation of low NO_x burners at the Aboño Power Station will soon be completed.

The Sines Power Station signed a contract for the installation of a catalytic denitrification system and its provisional handover is scheduled for 2011.

Specific SO₂ and NO_x emissions at the EDP Group's thermal power stations has been falling, thanks to more generation by combined natural gas cycles rather than fuel oil power stations and to the implementation of desulphurisation and reduction of nitrogen oxides at coal power stations.

9.4.2. Water

Thermoelectric power stations take in a substantial amount of water for cooling purposes. In open circuits, practically all the water is returned and maintains its physical and chemical characteristics. In closed circuits, the water is necessary essentially to compensate for water that has evaporated.

Reducing water consumption at facilities continues to be an EDP Group goal. The Sines power station completed its programme, begun in 2004, to change its system for extracting ash from the bottom of boilers from "wet" to "dry".

The Group's thermal power stations have equipment for processing effluent so that effluent discharged into water resources is of appropriate quality. Information on monitoring the quality of effluent discharge by thermal power stations is available on www.edp.pt > Sustainability > Environment.

9.4.3. Waste

EDP's waste management continually seeks to recover it and reduce its production at source.

EDP's generation activities produce large quantities of fly ash and slag from burning coal and fuel oil at thermal power stations. Coal fly ash has a high recovery potential and has been used for several years as a by-product in the cement and concrete industry. A total of 248,408 tonnes of coal fly ash from the Sines power station was recovered in the cement and ready-mix concrete industries.

Other waste is also produced during operation, maintenance, generation and distribution. The waste produced in the largest quantities is concrete posts and used oils.

Polychlorinated biphenyls (PCB) are chemical products that, until the mid-1970s, were widely used in oils for transformers, condensers and other electrical equipment. They constitute highly dangerous waste from an environmental point of view due to their polluting potential. The EDP Group in Portugal has equipment that has been identified and for which a PCB elimination plan has been implemented and should be completed in 2010.

In 2007, EDP set the goal of closing down the ash and other fuel oil waste landfill on Sines power station land. During the work, ash was sent for recovery.

During the year, around 63,000 tonnes of bottom ash (coal slag) were removed from the ash and coal slag Sines power station landfill for use at cement plants.

HC Energía in Spain has a gypsum and desulphurisation project in collaboration with BEFESA. Its purpose is to investigate the possibilities of power plant desulphurisation gypsum as a correction agent for contaminated soil. The research is being done by Barcelona University and the Sevillian Material Science Institute and the Agrobiology and Natural Resource Institute, both belonging to the Scientific Research Council. The project is being supervised by the Spanish Ministry of the Environment and Rural and Marine World.

More detailed information on waste produced by the EDP Group is available on www.edp.pt > Sustainability > Environment > Management and Performance > Waste.

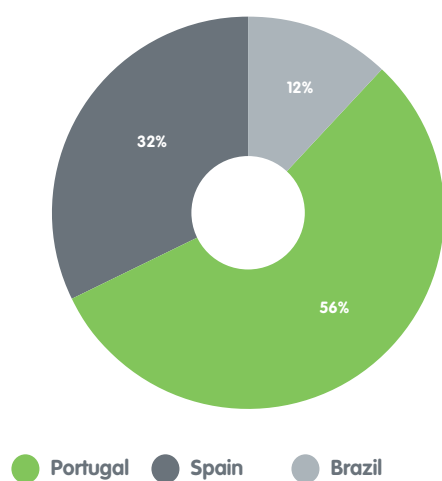
9.4.4. Environmental investments and costs

In 2008, EDP incurred environmental costs to the amount of EUR 164 million to prevent, repair or minimise environmental damage. Its environmental investment was EUR 132 million, which is 3.6% of the EDP Group's total investment. Around EUR 108 million was spent on minimising the effects of air pollution and around EUR 12 million in reducing impacts on biodiversity. Environmental revenue from the sale of waste and by-products totalled EUR 4 million.

For more detailed financial see page 134 of the Financial Report.

Of note is the environmental provision of EUR 20,725 for dismantling the Trillo nuclear power station.

Environmental Costs in 2008



9.5. New projects

Most electricity generation and distribution activities are subject to increasingly stringent legal requirements. Procedures for the assessment and minimisation of

significant environmental impacts are adopted for new projects, even if they are not required to undergo an environmental impact assessment.

Corporate guidelines have been drawn up in order to adapt environmental impact assessments to the company's strategy, which is to standardise requirements in the different regions in which EDP operates.

The construction of a new generation facility can be complex and lengthy and depends not only on obtaining legal operating licences but also the so-called "social operating licence". EDP's main challenges are efficient communication with neighbouring communities and other stakeholders, greater transparency of processes and an improvement in understanding and acceptance of their necessity. It has therefore been promoting dialogue reinforcement programmes, which are described in the Chapter Local Communities.

Detailed Information in impact assessments, such as those in the public consultation phase, is available on www.edp.pt > Sustainability > Environment > Environmental Impact Assessment.

In 2008 work continued on increasing capacity at Picote II and Bemposta II in Douro Internacional and at Alqueva II. The Ribeiradio and Foz Tua projects are in the final environmental impact assessment phase and should be completed in the first half of 2009.

Also associated with the plan to increase the number of EDP hydroelectric power stations in Portugal, we began environmental impacts assessments for the Fridão and Alvito projects, as well as the capacity boost at Venda Nova III.

In Brazil in 2008, EDP began work on the new Porto de Pecém thermoelectric mineral coal power station (CE), with 360 MW installed capacity. The use of mineral coal does not represent a reversal of EDP's sustainable development strategy as its vast experience and use of new technologies will allow Pecém to be fitted with highly efficient equipment to remove particles and acidifying pollutants such as SO₂ and NO_x. This project arises from the need for Brazil to find a diversified response for meeting growing demand in recent years.

9.6. Electric and magnetic fields

In 2008, EDP Distribuição in Portugal completed initiatives aimed at characterising its electricity distribution grid in terms of maximum electric and magnetic fields and raising public awareness on the subject:

- In order to characterise electric and magnetic fields at standard facilities in the electricity distribution grid,



CONTRIBUTION TO SUSTAINABILITY

5,952 measurements were made outside the facilities at a distance of 1 and 1.8 metres above the ground. The conclusions were that the values measured were not likely to influence public health. The results of this study will be included in a non-scientific publication approved as part of the application process for environmental performance plans promoted by the Energy Services Regulatory Authority (ERSE) for 2009-2011;

- The Coimbra_Health-EMF project belonging to the APDEE – Portuguese Electrical Engineering Association was undertaken to measure electromagnetic fields associated with HV and MV lines (60kV and 15kV) near schools in the Coimbra municipality. A total of 908 measurements were made at 10 primary schools and the results showed electric and magnetic field figures much lower than the reference values. There was therefore no additional cause for concern about human health;
- CEMBF_Public Health and HV Lines project undertaken by Instituto Superior Técnico began in 2007 to evaluate knowledge on the matter. In 2008 it focused on in-house awareness campaigns for EDP employees and external campaigns for the general public. The study is available on <https://fenix.ist.utl.pt/homepage/ist11935/campos-electromagneticos,-saude-publica-and-linhas-de-alta-tensao>.

For 2009-2011 a project to study ways of improving current levels of electric and magnetic fields associated with electricity distribution facilities was approved as part of environmental performance plan applications.





ANNUAL REPORT 2008
INSTITUTIONAL REPORT AND REPORT ON CORPORATE
GOVERNANCE AND SUSTAINABILITY

CORPORATE GOVERNANCE



INDEX

STATEMENT OF COMPLIANCE	110
CORPORATE GOVERNANCE STRUCTURE	120
Corporate Governance Model	120
Organic Corporate Structure	121
Corporate Bodies	121
Business operations between the Company and the members of the Executive Board of Directors and Supervisory and General Board with qualifying holdings and companies in a group or control relationship with EDP	130
FUNCTIONAL STRUCTURE OF EDP	132
The Group Organisational Model	132
Corporate Center	133
Specific EDP Committee (Functional Structures)	136
Subsidiary in Spain	141
Risk Control and Management System	143
SHAREHOLDER STRUCTURE AND EXERCISE OF SHAREHOLDER POSITIONS	150
Capital Structure	150
Shareholder Structure	150
Qualifying holdings	151
Holders of Special Rights	152
Restrictions to Share Transferability	153
Shareholders Agreements	153
General Meeting of Shareholders and participation in the General Meeting	153
Votes and Exercicing of Voting Rights	154
Postal Voting/Electronic Voting	154
Quorum and Decisions	154
Minutes and Information on Decisions	155
Measures on Control and Changes in Control of the Company	155
REMUNERATION	156
Remuneration of Company Officers	156
Remuneration of the Board of the General Meeting	156
Remuneration of the Members of the Executive Board of Directors	156
Remuneration of the Members of the General and Supervisory Board	157
Remuneration of Managerial Staff	157
Agreements Regarding Termination of Management or Employment Contracts	157
Stock Option Plan/Stock Purchase Options	157
Remuneration of the Auditor	158
THE EDP SHARE AND DIVIDEND POLICY	160
EDP in the Capital Markets	160
Factors Influencing Change in EDP Share Price	162
Dividend Distribution Policy	166
RELATIONS BETWEEN THE COMPANY AND THE MARKET	168
General Information Duties	168
EDP Investor Relations Department	168
Company Information on the EDP Website	168



1. STATEMENT OF COMPLIANCE

EDP – ENERGIAS DE PORTUGAL, S.A. (“EDP”) is a company that issues shares listed on the NYSE Euronext Lisbon market (denominated Eurolist by Euronext Lisbon). Accordingly, the corporate governance recommendations contained in the “Corporate Governance Code” approved by the CMVM in September 2007 apply to the company. The full text of the code is available on the CMVM website at “www.cmvm.pt”.

Ever since the company was listed in the former Lisbon Stock Exchange, the organisation and functioning of the EDP corporate governance model have been guided towards achieving the highest standards of corporate governance and business conduct and ethics referenced on the best national and international practices in corporate governance.

In this context, EDP declares that it adopts in full the CMVM recommendations on corporate governance for listed companies in the aforementioned “Corporate Governance Code”, with the exception of Recommendation 1.6.2. of said code, which is not adopted for the reasons given below.

The following table lists the CMVM recommendations in the Corporate Governance Code and indicates whether they were fully adopted or not by EDP, as well as the section of this report that contains more detailed information on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
I. GENERAL MEETING OF SHAREHOLDERS			
I.1 Board of the General Meeting			
I.1.1 The Chairman of the Board of the General Meeting shall have the necessary human and logistical resources at considering the company's economic situation into account.	Adopted		2.3.1.
I.1.2 The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the annual corporate governance report.	Adopted		5.2.
I.2 Participation in the General Meeting			
I.2.1 The period for depositing or blocking shares prior to participating in a General Meeting imposed by the Articles of Association shall not exceed five business days.	Adopted	Article 14 of the Articles of Association	4.7.
I.2.2 If a General Meeting is suspended, the company shall not oblige shareholders to block shares for the whole period until the session is resumed. The ordinary period required for the first convening date shall suffice.	Adopted		4.7.
I.3 Voting Rights and Voting			
I.3.1 Companies shall not impose any restrictions on postal votes.	Adopted	Article 14 of the Articles of Association	4.9.

STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
I.3.2 The time limit set for receiving postal votes prior to meetings shall not exceed three business days.	Adopted	Article 14 of the Articles of Association	4.9.
I.3.3 Companies' Articles of Association shall indicate that one share is entitled to one vote.	Adopted	Article 14 of the Articles of Association	4.8.
I.4 Quorum and Decisions			
I.4.1 Companies shall not establish a constitutive or deliberative quorum greater than that laid down by law.	Adopted		4.10.
I.5 Minutes and Information on Decisions			
I.5.1 The minutes of General Meetings shall be made available to shareholders on the company's website within five days, even if they are not inside information, as required by law, and a history of attendance lists, agendas and decisions made shall be maintained on the site covering the meetings of at least the previous three years.	Adopted	This recommendation has been adopted in general terms but is not considered applicable with respect to the maintenance of historic records of attendance lists at the General Meeting, given the personal nature of the information involved.	4.11.
I.6 Company Control Measures			
I.6.1 Measures adopted to prevent successful takeover bids shall respect the interests of the company and its shareholders.	Adopted	No measures designed to prevent successful takeover bids have been adopted. As far as other company control measures are concerned, in particular the restriction provided for in Art. 14.3 of the Articles of Association, it is considered that these measures, even if not adopted, with an aim to prevent successful takeover bids considering their origins and the general interests they aim to protect, respect the interests of the company and its shareholders.	4.12.
I.6.2 Companies' Articles of Association that, respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of this provision shall be put to the vote by the General Meeting – without the need for a quorum greater than the legal quorum – and that all the votes cast shall count in this decision without the limitation.	Not adopted	The alteration of any provision in the company's Articles of Association requires the approval of the General Meeting of Shareholders. No provision has been established in the Articles of Association on the assessment of the maintenance or alteration of the rule limiting the voting rights that can be exercised by each shareholder holding category A shares. Considering the representativeness of the shareholders at the General Meeting at which the Article of Association currently in force was approved (participation or representation of 58.37% of the capital and an approval rate of 90.99% of the votes cast), and as this matter is decided upon exclusively by the shareholders, one is of the opinion that the interests of the latter are adequately respected.	4.12.



STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
<p>I.6.3 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors, thereby affecting the free transferability of shares and the free appreciation by shareholders of the performance of the members of the Board of Directors.</p>	Adopted		4.12.
<hr/>			
II. MANAGEMENT AND SUPERVISORY BODIES			
<hr/>			
II.1 General Matters			
II.1.1 Structure and Duties			
<p>II.1.1.1 The Board of Directors shall, in its corporate governance report, assess the model adopted, identify any constraints on its functioning and recommend appropriate measures to overcome them.</p>	Adopted		2.1.
<p>II.1.1.2 Companies shall set up internal control systems for the effective detection of risks associated with the company's business activity in order to safeguard their assets and ensure the transparency of their corporate governance.</p>	Adopted		3.4.
<p>II.1.1.3 The Managing bodies and supervisory bodies shall have their own operating regulations which shall be posted on the company's website.</p>	Adopted		2.1.
<hr/>			
II.1.2 Incompatibilities and Independence			
<p>II.1.2.1 The Board of Directors shall include a number of non-executive members guaranteeing an effective capacity to oversee, supervise and evaluate the work of the executive members.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.1.2.2 The non-executive directors shall include a suitable number of independent directors, taking into account the company's size and shareholder structure. Under no circumstances shall there be fewer than one quarter of the total number of directors.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<hr/>			
II.1.3 Eligibility and Appointment			
<p>II.1.3.1 Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee or Financial Committee shall be independent and have the appropriate competences for the job.</p>	Adopted		2.3.9

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Observations	Description in the Report
II.1.4 Whistle-Blowing Policy			
II.1.4.1 The company shall adopt a whistle-blowing policy for reporting alleged irregularities with the following indications: i) the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) the treatment to be given to reports, including confidentiality if the whistleblower so requires.	Adopted		2.3.9.
II.1.4.2 The general lines of this policy shall be described in the corporate governance report.	Adopted		2.3.9.
II.1.5 Remuneration			
II.1.5.1 The remuneration of the members of the Board of Directors shall be aligned with the interests of the shareholders. In this context: i) the remuneration of executive directors should include a performance-based component and therefore take into consideration the performance assessments regularly carried out by competent body or committee; ii) the variable component shall be consistent with the maximisation of the long-term performance of the company and depend on the sustainability of the performance variables adopted; iii) when this is not stipulated directly by law, the remuneration of non-executive board members shall be made up exclusively of a fixed amount.	Adopted		5.3.
II.1.5.2 The Remuneration Committee and the Board of Directors shall submit to the Annual General Meeting a statement on the remuneration policy for the managing and supervisory bodies and other managers as set forth in Article 248-B.3 of the Securities Code. In this context, the criteria and main parameters for assessing performance in order to determine the variable component, be it in the form of shares, share options, annual bonuses or other components, shall be explained to the shareholders.	Adopted		5.1. a 5.5.
II.1.5.3 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.	Adopted		2.3.6. 2.3.9.



CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
<p>II.1.5.4 A proposal on the approval of share distribution and/or share option plan or plans based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in Article 248-B.3 of the Securities Code, shall be submitted to the general meeting. These proposals should mention all the information necessary for a proper appraisal of the plans and should be accompanied by their regulations, or if these have yet to be drafted, by the general conditions that shall govern them. Likewise, the main features of the pension system for members of the management and supervisory boards and other company officers, as set forth in Article 248-B.3 of the Securities Code, should be approved by the general meeting.</p>	Not applicable		
<p>II.1.5.5 The remuneration of the individual members of the managing and supervisory bodies shall be disclosed annually, indicating, where applicable, the different components received as fixed and variable remuneration and remuneration received from other group companies or companies controlled by shareholders with qualifying holdings.</p>	Adopted		5.3. 5.4.
II.2. Board of Directors			
<p>II.2.1 Within the limits of the law for each managing and supervisory body and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be indicated in the annual corporate governance report.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that are considered strategic due to the amounts or risks involved or their special characteristics.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.3 If the chairman of the Board of Directors has executive duties, the board shall find efficient mechanisms for coordinating the work of the non-executive members so as to ensure that they can make independent, informed decisions and shall explain these mechanisms to the shareholders in the corporate governance report.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.4 The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints encountered.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	

STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
<p>II.2.5 The Board of Directors must ensure rotation of the financial director at the end of at least every two terms of office.</p>	Not applicable	<p>This recommendation does not apply, given the corporate governance model adopted by EDP.</p> <p>In addition to the argument resulting from the chapter insertion of this recommendation it is EDP's understanding that adopting a dual governance model allows for protection of the same rights, given that:</p> <ul style="list-style-type: none"> • the General and Supervisory Board, and not the Board of Directors, is responsible for hiring the external auditor and for the relations with it; • the Statutory Auditor is chosen by the General Meeting after a proposal by the General and Supervisory Board, which permanently monitors the former's activities; • assessing the independence of the Statutory Auditor and External Auditor in their relations with the company is the competence of the General and Supervisory Board (assisted in this task by the Audit Committee, as per the regulations for the latter). 	
<p>II.3 CEO, Executive Committee and Executive Board of Directors</p>			
<p>II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide all information in a timely fashion and appropriate form.</p>	Adopted		2.3.3.
<p>II.3.2 The chairman of the Executive Committee shall send the invitations to and minutes of its meetings to the chairman of the Board of Directors and, as applicable, the chairman of the Supervisory Board or Audit Committee.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.3.3 The chairman of the Executive Board of Directors shall send the invitations to and minutes of its meetings to the chairman of the General and Supervisory Board and chairman of the Financial Committee.</p>	Adopted		2.3.3.
<p>II.4. General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board</p>			
<p>II.4.1 In addition to its supervisory duties, the General and Supervisory Board shall advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinions include: i) defining the company's general strategy and policies; ii) the business structure of the group; and iii) decisions that are considered strategic due to the amounts or risk involved or their special characteristics.</p>	Adopted		2.3.2.



CORPORATE GOVERNANCE

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Observations	Description in the Report
II.4.2 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall be published on the company's website along with the financial statements.	Adopted		2.3.2.
II.4.3 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Audit Committee and Supervisory Board shall include a description of their supervisory activities and reference any constraints encountered.	Adopted		2.3.2.
II.4.4 The Financial Committee, Audit Committee and Supervisory Board, depending on the applicable model, shall represent the company in all dealings with the external auditors. They may also make suggestions as to the providers of these services and their remuneration, ensuring that the right conditions exist in the company for the services to be performed and acting as the company's interlocutor and first recipient of their reports.	Adopted		2.3.9.
II.4.5 The Financial Committee, Audit Committee and Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and should just cause be given move that the General Meeting dismiss them.	Adopted		2.3.9.
II.5. Specialised Committees			
II.5.1 Unless the company is very small, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any committees necessary for: i) performing a competent and independent assessment of the executive directors' performance and evaluating their own overall performance and that of other committees; ii) reflecting on the adopted system of governance, checking its effectiveness and proposing, to the competent bodies, measures aimed at improving it.	Adopted		2.3.9.
II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors.	Adopted		2.3.9.
II.5.3 All committees must keep minutes of their meetings.	Adopted		2.3.9.
III. DISCLOSURE AND AUDITS			
III.1 General Disclosure Obligations			
III.1.2 Companies shall ensure permanent contact with the market, respect the principle of equality of shareholders and prevent imbalance in access to information by investors. In order to achieve this, the company shall have an investor relations office.	Adopted		7.1. 7.2.

STATEMENT OF COMPLIANCE

Recommendation	Adoption Status	Observations	Description in the Report
<p>III.1.3 The following information on the company's website must be published in English:</p> <p>a) the company name, status as listed limited company, registered office and all other information mentioned in Article 171 of the Companies Code;</p> <p>b) the Articles of Association;</p> <p>c) the names of the members of the corporate bodies and market relations representative;</p> <p>d) the Investor Relations Office, its functions and contact information;</p> <p>e) the financial statements;</p> <p>f) Half-yearly calendar of company events;</p> <p>g) motions submitted for discussion and voting at general meetings;</p> <p>h) notices to the general meetings.</p>	Adopted		7.3.

In line with the independence criteria provided for in Article 9 of the company's Articles of Association, the members of the Executive Board of Directors declared upon taking office that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and also do not hold a stake in EDP representing 2% or more of its share capital. They also declared that they have no incompatibility to hold the office in accordance with Article 10 of the Articles of Association as they do not hold office in EDP competing companies nor do they represent any EDP competing company or legal person associated with EDP competitors.

Likewise, when they took office, all members of the General and Supervisory Board declared, in accordance with the incompatibility criteria for their respective offices outlined in Article 414-A 1) of the Companies Code, that they had no incompatibility whatsoever for holding the office as they do not hold any office in EDP competing companies nor represent any EDP competing company or a legal person associated with EDP competitors.

At the General Meeting of 12 April 2007, the appointment of Sonatrach as a member of the General and Supervisory Board under Article 10.4 of the Articles of Association was authorised, given that, pursuant to Articles 10.1 a) and 10.7 of the Articles of Association, Sonatrach is a legal person that competes with EDP.

Furthermore, the members identified in section 2.3.2 declared, in accordance with the independence criteria provided for in Article 414 5) of the aforementioned code

and Article 9 of the Articles of Association, that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and do not hold a stake in EDP capital of 2% or more of its share capital nor represent any such shareholder.

The Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders have also declared that they comply with the independence and incompatibility criteria for their respective offices laid out in Articles 414.5 and 414-A.1 of the Companies Code and Articles 9 and 10 of the company's Articles of Association.

During the current term of office, and in accordance with declarations with the reference date of 31 December 2008, no circumstances that could have brought about a loss of independence or led to a situation of incompatibility were verified for members of the Executive Board of Directors or the General and Supervisory Board or for the Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders.

In matters of incompatibility and as a way of safeguarding the interests of the company and its shareholders, EDP has established in its Articles of Association that incompatibility arises when one accumulates office on any of the EDP corporate bodies with:

- The quality of natural or legal person associated with a legal person that is a competitor of EDP;
- Holding any office or performing any tasks of any kind or designation – namely through appointment to a



CORPORATE GOVERNANCE

corporate office, a work contract or a service contract – in a legal person competitor with EDP or in a legal person associated with an EDP competing company;

- Appointment, even if only de facto, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

The company's Articles of Association define a person associated with an EDP competing legal person as:

- A person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it;
- A person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.

Incompatibility as described above does not apply to competing companies in which EDP holds a share of 50% (fifty per cent) or more of the respective share capital or voting rights, nor to natural persons that hold office of any kind or designation or are nominated, even if only de facto, in such competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person were made on the basis of an indication by EDP or an EDP subsidiary.

Incompatibility as defined above also does not apply to the holding of offices such as member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes issued in the General Meeting at which the appointment is confirmed. The competition relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be made subject to conditions, namely the holding of a shareholding in the EDP representing no more than 10% (ten per cent) of its share capital.

Likewise, the Articles of Association define a competing legal person as:

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.

Finally, the Articles of Association define a person that indirectly carries out a business activity in competition with EDP as:

- A legal person that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.

The EDP Articles of Association are available for consultation on the company website www.edp.pt.

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board see section 3.1.1 of the Annual Report issued by that body.





CORPORATE GOVERNANCE

2. CORPORATE GOVERNANCE STRUCTURE

2.1. Corporate Governance Model

EDP has adopted a dual corporate governance model comprising an administration body responsible for the company management, the Executive Board of Directors, and a supervisory body, the General and Supervisory Board.

The EDP corporate governance model is aimed at ensuring separation of functions and specialisation of supervision with the due transparency and rigour. The EDP management and supervision structure is made up of three bodies:

- The Executive Board of Directors;
- The General and Supervisory Board; and
- The Statutory Auditor.

This model is also aimed at aligning the interests of EDP and its shareholders. Accordingly, the EDP General Meeting of Shareholders appoints the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board.

Separation of the functions of management and supervision is ensured by the General and Supervisory Board, which is the maximum corporate authority in matters of supervision.

The choice of this management and supervision model was made in the context of the amendments to the Companies Code introduced by Decree-Law n.º 76-A/2006 of 29 March. The model came into force on the same date as the new EDP Articles of Association, i.e. 30 June 2006. For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

In accordance with the EDP Articles of Association, the General Meeting appoints and dismisses the members of the Executive Board of Directors and the General and Supervisory Board, and the Statutory Auditor.

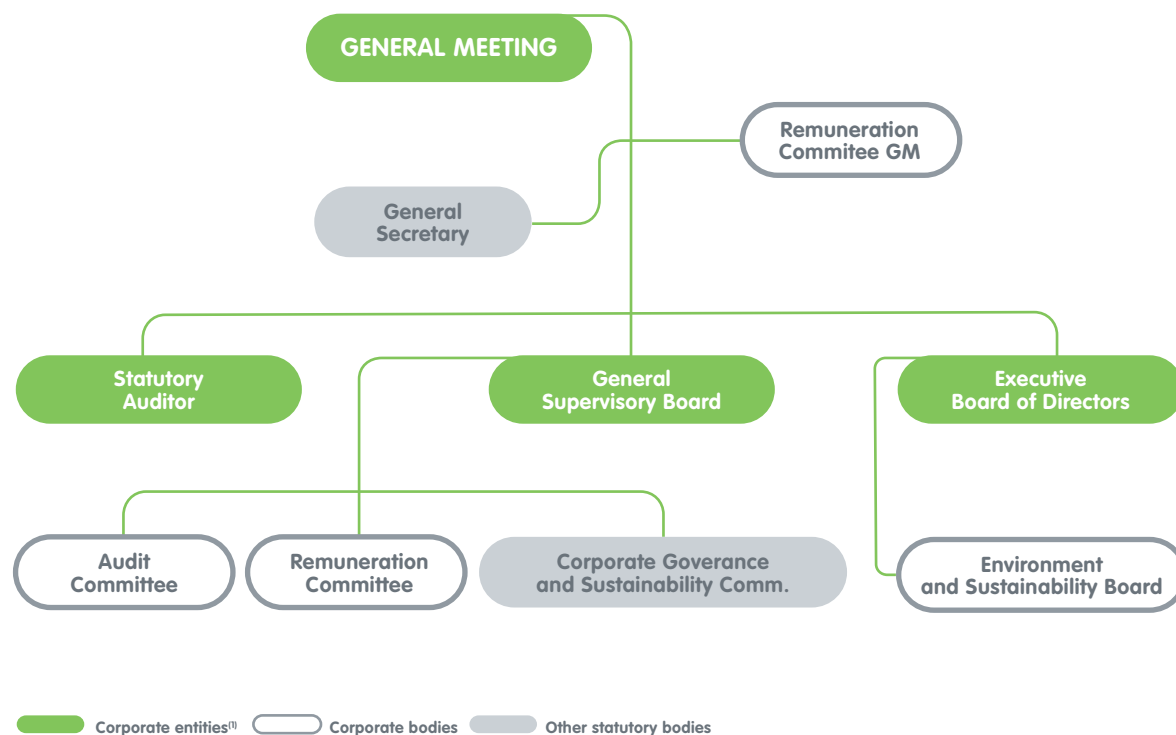
The General and Supervisory Board may propose to the General Meeting the dismissal of any member of the Executive Board of Directors and the Statutory Auditor.

In relation to the assessment of the corporate governance model and following its powers in this matter, the General and Supervisory Board registered its conclusions in its Annual Report, which can be summarised as follows:

- The governance model adopted by the shareholders proves to be adequate to the organisation of the EDP business, above all because it ensures a fair balance between the necessary flexibility and amplitude of the management powers and the effectiveness of the general supervision of the company and specific supervision in truly sensitive areas;
- The institutional and functional relationship between the General and Supervisory Board and the Executive Board of Directors was very positive and of considerable effectiveness in the choice of the matters dealt with; it also proved to be very efficient in terms of how the matters were looked at and dealt with;
- The continuous monitoring of the Group's activities by the General and Supervisory Board, the at all times very close scrutiny of the decision making processes and, in some cases, the effective involvement in said processes, significantly strengthen the standards in terms of demands and functional accountability within the EDP universe and better safeguard the interests of all shareholders and other stakeholders;
- The commitment of and articulation between the General and Supervisory Board and the Executive Board of Directors further promotes higher standards of quality in governance practices, allowing for optimisation of the virtues of the governance model, namely:
 - * At the level of the mechanisms for access to information by the General and Supervisory Board;
 - * In terms of consolidating the functions of the General and Supervisory Board in relation to the subsidiaries;
 - * At the level of the provision of the human and technical resources appropriate to the tasks of the General and Supervisory Board.

For more information on this topic please see section 2 of the Annual Report of the General and Supervisory Board.

2.2. Organic Corporate Structure



⁽¹⁾ Corporate entities are also corporate bodies, pursuant to Article 8.4 of the EDP Memorandum.

2.3. Corporate Bodies

2.3.1. General Meeting of Shareholders

The General Meeting of Shareholders is the body that represents the shareholders. It has the following functions:

- Assessing the annual reports of the Executive Board of Directors, discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Audit Committee and voting on proposals for the allocation of profits;
- Electing and dismissing the members of the board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairmen and vice-chairmen and, if applicable, the Statutory Auditor, after proposal by the General and Supervisory Board or, by delegation, the Audit Committee, and also the members of the Environment and Sustainability Board;
- Deciding on amendments to the Articles of Association, including capital increases;

- Appointing a Remuneration Committee responsible for establishing the remuneration of the members of the corporate bodies; the majority of the committee members should be independent;
- Assessing the annual company report produced by the General and Supervisory Board;
- Dealing with any other matters brought before it;
- Exercising any other powers that may be conferred to it by law.

Board of the General Meeting

Pursuant to Article 12 of the EDP Articles of Association, the Board of the General Meeting is made up of a Chairman and a Vice-chairman elected by the General Meeting and the company's General Secretary.

Board of General Meeting	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-chairman	António Bernardo de Menezes e Lorenas de Sêves
Company secretary	Maria Teresa Isabel Pereira

Without prejudice to the possibility of re-appointment, the term of office of the General Secretary terminates together



CORPORATE GOVERNANCE

with the end of office of the Executive Board of Directors that was appointed him/her, in accordance with Article 17.i) of the EDP Articles of Association.

In accordance with the Articles of Association, the Chairman of the Board of the General Meeting is a member of the General and Supervisory Board. The members of the board of the General Meeting were elected on 30 June 2006 for a term of three years, with the exception of the Chairman, who was appointed at the General Meeting of 12 April 2007.

The Chairman of the Board of the General Meeting has the internal human and logistic resources that are appropriate for his/her needs, namely the support of the General Secretary and Legal Department, the Investors Relations Office and the Brand and Communication Department, as well as external support from a specialised entity hired by EDP for the collection, processing and counting of votes. The logistic and administrative resources for holding the General Meeting are provided by the company, with the respective organisation being supervised by the Chairman of the Board of the General Meeting.

2.3.2. General and Supervisory Board

In accordance with the Articles of Association, the term of office of the current General and Supervisory Board, which took office on 30 June 2006, is three years. The Board is made up of 17 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by internal regulations.

The professional qualifications of the members of the General and Supervisory Board can be consulted in the Corporate Bodies chapter herein.

The EDP General and Supervisory Board is the body that oversees the company's management activity and guarantees permanent monitoring and supervision of the administration of the company, cooperating with the Executive Board of Directors and all other corporate bodies in pursuit of the corporate interests in accordance with the Companies Code and the Articles of Association. In particular, it:

- Permanently monitors the management of the company and the subsidiaries, providing advice and assistance to the Executive Board of Directors, namely with respect to strategy, meeting targets and objectives and complying the applicable legislation;
- Issues opinions on the annual report and accounts;
- Oversees, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issues pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;
- Oversees, on a permanent basis, and evaluates internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Proposes to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitors definition of the necessary or appropriate criteria and responsibilities for the structures and internal bodies of the company or group and their impact, in addition to drawing up follow-up plans
- Provides, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;
- Issues, on its own initiative or upon request by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the company management as referred to in Article 455 of the Companies Code;
- Monitors and assesses matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and issues opinions on these matters;
- Procures the resources, financial or otherwise, which it reasonably considers necessary for its work and requests the Executive Board of Directors to adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if required;
- Receives regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualified shareholding and related persons;
- Appoints the Remuneration Committee and Audit Committee;

- Represents the company in its relations with the directors;
- Oversees the work of the Executive Board of Directors;
- Supervises observance of the law and the Articles of Association;
- Selects and replaces the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;
- Monitors, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;
- Oversees the drawing up and disclosure of financial information;
- Convenes the General Meeting when it deems appropriate;
- Approves its internal regulations, including rules on relations with the other corporate bodies
- Exercises any other powers that may be conferred upon it by law or by the General Meeting.

In the scope of the corporate governance model in force at EDP, the General and Supervisory Board has one more power of particular importance. Although it does not have management powers, in accordance with Article 442.

1) of the Companies Code, the company's Articles of Association establish that approval of the company's strategic plan and the following operations carried out by the company or by subsidiaries are subject to favourable prior approval from the General and Supervisory Board:

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Contracting financing operations of significant value;
- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;
- Other transactions or operations of significant economic or strategic value;
- The commencement or termination of strategic partnerships or other forms of lasting cooperation;

- Plans for divisions, mergers or transformations;
- Amendments to the Articles of Association, including changes of registered office and capital increases when these are at the initiative of the Executive Board of Directors.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on their own initiative or at the request of any member, the Executive Board of Directors or its Chairman. In 2008 the General and Supervisory Board met 10 times.

The General and Supervisory Board draws up annual reports on its activity, organisation and functioning, including any constraints it may have encountered. The report is available on the EDP website (www.edp.pt) together with the management report and accounts.

The Chairman of the General and Supervisory Board has particular competencies, and is responsible for:

- Representing the General and Supervisory Board institutionally;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Coordinating the work of the General and Supervisory Board and convening and presiding over its meetings;
- Ensuring correct implementation of the General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board, one of its members specifically appointed by that board and the members of the Audit Committee have the right to attend the meetings of the Executive Board of Directors. Members of the Audit Committee have the obligation to attend meetings assessing the accounts for a financial year.

For more information on the activity of the General and Supervisory Board during the year please see section 4 of its Annual Report.



CORPORATE GOVERNANCE

General Supervisory Board

Chairman	António de Almeida	
Vice-Chairman	Alberto João Coraceiro de Castro	Independent
	António Francisco Barroso de Sousa Gomes	Independent
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Barradas de Lacerda Machado	Independent
	Eduardo de Almeida Catroga	Independent
	Fernando Manuel Barbosa Faria de Oliveira	
	João Brandão de Brito (em representação da Cajastur Inversiones, S.A.)	
	José Maria Espírito Santo Silva Ricciardi	
	Khalifa Adbulla Kamis Al Romaiithi	
	Manuel Fernando de Macedo Alves Monteiro	Independent
	Mohamed Meziane (em representação da Sonatrach)	
	Rui Eduardo Ferreira Rodrigues Pena	Independent
	Vasco Maria Guimarães José de Mello	
	Vital Martins Moreira	Independent
	Vitor Domingos Seabra Franco	Independent
	Vitor Fernando da Conceição Gonçalves	Independent

In 2008 Cajastur Inversiones, SA, a company governed by Spanish law appointed José Maria Brandão de Brito as its representative on the General and Supervisory Board and Carlos Jorge Ramalho dos Santos Ferreira, Fernando Manuel Barbosa Faria de Oliveira and Khalifa Al Romaiithi were elected to the General and Supervisory Board at the General Meeting of Shareholders on 10 April 2008 for the 2006 – 2008 period. On 4 March 2009, Vitor Domingos Seabra Franco resigned his post as member of the General and Supervisory Board. As a result his duties on the Audit and Corporate Governance and Sustainability Committees also came to an end.

For more information on changes to membership of the General and Supervisory Board please see section 3.1.2. of its Annual Report.

2.3.3. Executive Board of Directors

The Executive Board of Directors is the body responsible for the day-to-day management of the company's business activities in accordance with the Companies Code and the Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is made up of 7 members.

The professional qualifications of the members of the Executive Board of Directors can be consulted in the Corporate Bodies section.

The Executive Board of Directors habitually meets once a week, though it is obliged to meet only once every two months.

The Executive Board of Directors requires the presence of a majority of its members at a meeting in order to deliberate. Each member may not represent more than one other member at a meeting. All directors have equal voting rights and the Chairman has the casting vote.

The work of the Executive Board of Directors is governed by internal regulations.

The powers of the Executive Board of Directors, in accordance with the Articles of Association, include:

- Establishing the objectives and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;
- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;
- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;
- Establishing proxies with such powers as it may deem fit, including the power to delegate;
- Appointing the general secretary and his/her deputy;
- Contracting and dismissing the External Auditor upon recommendation of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and
- Establishing its own system for determining the regulations for its internal operations.

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

- Representing the Executive Board of Directors;

- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring correct execution of the decisions of the Executive Board of Directors.

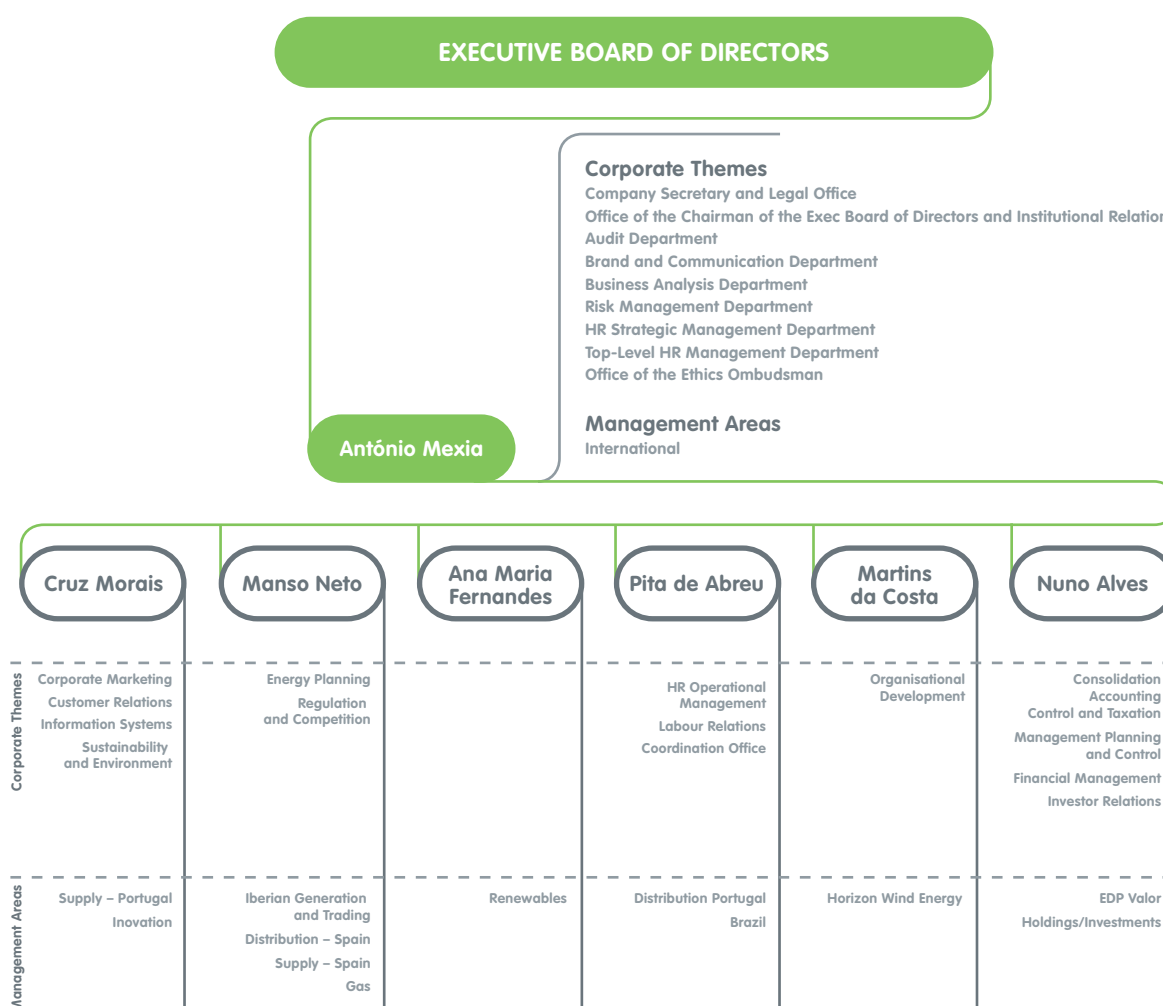
Proposals for amendments to the Articles of Association in matters of capital increases that are submitted by the Executive Board of Directors are subject, pursuant to Article 17.2 g) of the Articles of Association, to a prior opinion to be issued by the General and Supervisory Board.

The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions associated with the supervision of the work of the Executive Board of Directors and, in general, any situations which involve a conflict of interests.

The Chairman of the Executive Board of Directors forwards invitations to meetings and the respective minutes to the support office of the General and Supervisory Board and, whenever requested, provides the information requested from him/her in productive time and in the appropriate form.

The Executive Board of Directors met 46 times in 2008.

The organisation of the Executive Board of Directors is based on the following management areas and corporate themes:





CORPORATE GOVERNANCE

The offices held by members of the Executive Board of Directors in other Group companies are as follows:

Offices Held by Members of the Executive Board of Directors

	António Mexia	Ana Maria Fernandes	António Martins da Costa	António Pita de Abreu	João Manso Neto	Jorge Cruz Morais	Nuno A. Alves
EDP – Energias de Portugal, S.A.	CEBD	A	A	A	A	A	A
Balwerk – Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	-	M	M
EDP – Estudos e Consultoria, S.A.	-	-	-	A	-	-	CBD
EDP – Gestão da Produção de Energia, S.A.	-	-	-	-	CBD	-	-
EDP – Investimentos, Gestão de Participações e Assistência Técnica, Lda.	-	-	-	CBD	-	A	A
EDP – Soluções Comerciais, S.A.	-	-	-	-	-	CBD	-
EDP Comercial – Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-
EDP Energias do Brasil, S.A.	CBD	A	-	VCBD + DC	-	-	A
EDP Gás, S.G.P.S., S.A.	-	-	-	-	CBD	A	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	CBD
EDP Powerline – Infraestruturas de Comunicação, S.A.	-	-	-	CBD	-	-	-
EDP Serviner – Serviços de Energia, S.A.	-	-	-	A	-	CBD	-
EDP Valor – Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBD
Energia RE, S.A.	-	-	-	-	-	-	A
Hidroeléctrica del Cantábrico, S.A.	-	A	-	A	VP/CD	A	A
EDP Internacional, S.A.	-	-	-	-	-	CBD	-
MRH Mudança e Recursos Humanos, S.A.	-	-	-	-	-	-	CBD
Naturgás Energía, S.A.	-	-	-	-	2nd VC	A	-
EDP Gás III, SGPS, S.A. (ex NQF – Energia, S.G.P.S., S.A.)	-	-	-	-	CBD	-	A
EDP Gás II, S.G.P.S., S.A. (ex NQF Gás, S.G.P.S., S.A.)	-	-	-	-	CBD	-	-
EDP Investimentos, SGPS, S.A. (ex NQF – PTE, S.G.P.S., S.A.)	-	-	-	-	CBD	-	A
Nuevas Energias de Occidente, S.L.	-	CBD	-	-	-	-	-
Sávida – Medicina Apoiada, S.A.	-	-	-	-	-	-	CBD
SCS – Serviços Complementares de Saúde, S.A.	-	-	-	-	-	-	CBD
ENEOP – Eólicas de Portugal, S.A.	-	CBD	-	-	-	-	-
EDP Energias de Portugal, Sucursal en España, Sociedad Anonima	PR	PR	PR	-	PR	-	PR
EDP Renováveis, Sociedade Limitada, S.L.	CBD	VCBD	A	-	A	-	A
Horizon Wind Energy, LLC	-	A	CBD	-	-	-	A
EDP Gás.Com – Comércio de Gás Natural, S.A.	-	-	-	-	-	CBD	-
EDP Finance BV	R	R	R	R	R	R	R
Electricidade de Portugal Finance Company Ireland Lt.	-	-	-	-	-	-	D
EDP Gás GPL – Comércio de Gás de Petróleo Liquefeito, S.A.	-	-	-	-	CBD	-	-

A – Administrator

CBD – Chair of the Board of Directors

PR – Permanent Representative

D – Director

CEBD – Chairman of the Executive Board

2nd VC – Second Vice-Chairman

M – Manager

R – Representative

VCBD – Vice-Chairman of the Board of Directors

DC – Director-Chairman of the Board (Executive Board)

2.3.4. Statutory Auditor

The Statutory Auditor is the corporate body responsible for examining the financial statements. It is appointed by the General Meeting of Shareholders.

In accordance with the Companies Code and the Articles of Association, the Statutory Auditor is in particular responsible for:

- The regularity of the company's books, accounting records and the respective supporting documents;
- When, and in the form it deems fitting, the cash and all assets or securities belonging to the company or

received by it as a guarantee, deposit or for any other purpose;

- The exactness of the account rendering documents;
- Whether or not the accounting policies and valuation criteria adopted by the company lead to a correct evaluation of the assets and profits.

Statutory Auditor

Permanent KPMG & Associados, SROC, S.A., representada por Jean-éric Gaign, ROC
 Deputy Vítor Manuel da Cunha Ribeirinho, ROC

2.3.5. EDP Shares Held by Company Officers

The table below shows the shares held by the members of the corporate bodies, as well as any alterations in these between the financial years 2007 and 2008, in compliance with Article 447 5) of the Companies Code:

	EDP – Energias de Portugal, S.A.				EDP Renováveis, S.A.		Energias do Brasil
	Moviment in 2008	Avg. Purch/Sales price (euros)	N.º Shares 31-12-2008	N.º Shares 31-12-2007	Avg. Purch/Sales price (euros)	N.º Shares 31-12-2008	N.º Shares 31-12-2008
Board of the General Meeting							
Rui Eduardo Ferreira Rodrigues Pena	-	-	1,445	1,445	8.00	380	-
António Bernardo de Menezes e Lorena de Sêves	-	-	0	0	-	-	-
Maria Teresa Isabel Pereira	3,065	3,065	9,257	6,192	-	0	0
General and Supervisory Board							
António de Almeida	-	-	0	0	-	0	0
Alberto João Coraceiro de Castro	-	-	4,578	4,578	7.70	1,580	0
António Francisco Barroso de Sousa Gomes	-	-	4,135	4,135	-	0	0
Carlos Jorge Ramalho dos Santos Ferreira	15,600	2,710	40,000	24,400	-	0	0
Diogo Campos Barradas de Lacerda Machado	-	-	260	260	-	0	0
Eduardo de Almeida Catroga	-	-	1,375	1,375	-	0	0
Fernando Manuel Barbosa Faria de Oliveira	-	-	0	0	-	0	0
Cajastur Inversiones, S.A.	-	-	0	0	-	0	-
José Maria Brandão de Brito (on behalf of Cajastur Inv. S.A.)	-	-	0	0	-	0	0
José Maria Espírito Santo Silva Ricciardi	-	-	0	0	-	0	0
Khalifa Adbulla Karnis Al Romaihi	-	-	0	0	-	0	0
Manuel Fernando de Macedo Alves Monteiro	-	-	0	0	6.82	2,750	-
Sonatrach	-	-	81,713,076	81,713,076	-	0	0
Mohammed Meziane (on behalf of Sonatrach)	-	-	0	0	-	0	0
Vasco Maria Guimarães José de Mello	-	-	0	0	-	0	0
Vital Martins Moreira	5,212	2,420	27,082	21,870	-	0	0
Vitor Fernando da Conceição Gonçalves	-	-	3,465	3,465	8.00	680	0
Victor Domingos Seabra Franco	-	-	0	0	-	-	-
Executive Board of Directors							
António Luís Guerra Nunes Mexia	-	-	1,000	1,000	7.79	4,200	1
Ana Maria Machado Fernandes	-	-	0	0	7.72	1,510	1
António Fernando Melo Martins da Costa	-	-	13,299	13,299	7.68	1,480	11
António Manuel Barreto Pita de Abreu ⁽¹⁾	-	-	34,549	34,549	7.60	1,810	1
João Manuel Manso Neto	-	-	1,268	1,268	-	0	0
Jorge Manuel Pragana da Cruz Morais	-	-	12,497	12,497	7.80	1,990	0
Nuno Maria Pestana de Almeida Alves	40,000	3,248	40,000	0	7.76	5,000	1

Note: ⁽¹⁾ Includes 475 shares held by his wife, Gilda Maria Pita de Abreu.

2.3.6. Remuneration Committee – GM

The remuneration of members of the corporate bodies, with the exception of the members of the Executive Board of Directors, is fixed by the Remuneration Committee elected by the General Meeting. It is currently made up as follows:

Remuneration Committee – GM	
Chairman	José Manuel Archer Galvão Teles Parpública

Members of the Remuneration Committee of the General Meeting were present at the General Meeting of Shareholders of 10 April 2008.

2.3.7. Environment and Sustainability Board

The Environment and Sustainability Board was set up in 1991 under a different name. Its name was changed to Environment and Sustainability Board at the Annual General Meeting of Shareholders of 30 March 2006.

The Environment and Sustainability Board has powers to advise the Executive Board of Directors in environment and sustainability-related matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and in drawing up opinions and recommendations on the environmental impact of projects planned by the EDP Group.

The Environment and Sustainability Board is currently made up of four persons with acknowledged competence in the



CORPORATE GOVERNANCE

field of environmental protection who were elected by the General Meeting:

Environment and Sustainability Board	
	Graça Martinho
	João Ferreira do Amaral
	Madalena Presumido
	Miguel St. Abyn

2.3.8. Company Secretary

The Company General Secretary and respective deputy are appointed by the Executive Board of Directors. The Secretary has the powers conferred upon him/her by law and his/her term of office ends with that of the Executive Board that appoints him/her.

Company Secretary	
Secretary	Maria Teresa Isabel Pereira
Deputy	Maria Virginia Bastos dos Santos

2.3.9. Specialised Committees of the General and Supervisory Board

EDP recognises that the specialised committees of the General and Supervisory Board are essential to the regular functioning of the company because they allow for appropriate reflection on the governance system it has adopted, ensure competent and independent assessment of the performance of the company directors and assessment of the company's overall performance.

AUDIT COMMITTEE

Composition, powers and functioning

Due to nomenclature traditions at EDP, the Articles of Association allow the committee for financial matters (the constitution of which by the General and Supervisory Board is compulsory for companies listed on the NYSE Euronext Lisbon market, in accordance with Article 444 2) of the Companies Code to use the name Audit Committee. It should not, however, be confused with the supervision body of the same name provided for in the monist governance model.

The Audit Committee is made up of at least three independent members with the appropriate qualifications and experience, including one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting, as confirmed by the CV of the Chairman which can be consulted in the chapter on corporate bodies.

The committee is currently made up of the following members:

Audit Committee	
Chairperson	Vitor Fernando da Conceição Gonçalves
	António Francisco Barroso de Sousa Gomes
	Manuel Fernando de Macedo Alves Monteiro
	Vitor Domingos Seabra Franco

In accordance with the EDP Articles of Association and through delegation from the General and Supervisory Board, the Audit Committee has the following responsibilities:

- To issue opinions on the annual report and accounts;
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue opinions on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company;
- To exercise any other powers that may be conferred upon it by law.

As a specialised committee of the General and Supervisory Board, the Audit Committee supports the former in the process of selecting and replacing the external auditor.

The members of the Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relation or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2% or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

In line with the European Commission Recommendation of 15 February 2005, the Audit Committee is made up exclusively of members of the General and Supervisory Board whose independence profiles in general match that recommended by the Commission. Likewise, the powers attributed to the Audit Committee are in line with the role proposed by the European Commission for the Audit

Committees of listed companies in the areas of internal procedures and auditing.

In 2008 the Audit Committee met 18 times. Minutes of all meetings were drawn up.

Whistle-Blowing Policy

The EDP Group has always regulated its activity by consistently implementing measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides the Group workers with a channel enabling them to report directly and confidentially to the Audit Committee of the General and Supervisory Board any practice presumed illicit or any alleged accounting and/or financial irregularity in their company, in compliance with the provisions of CMVM Regulation n.º 1/2007.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the Audit Committee;
- Facilitating the early detection of irregular situations which, if practised, might cause serious damage to the EDP Group, its workers, customers and shareholders.

The Audit Committee can be contacted by e-mail, fax and regular mail, and access to the information received in this context is restricted.

All complaints or reports to the Audit Committee are treated with the strictest confidentiality. The identity of the whistle-blower is kept secret, provided that this does not hinder investigation of the complaint.

In accordance with its established regulations, EDP guarantees that no employee will be the target of any retaliatory or disciplinary action as a result of exercising their right to report irregular situations, provide information or assist in an investigation.

REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association and following the rules established in the Remuneration Committee Regulations, the Remuneration Committee is the body that determines the remuneration of the members of the Executive Board of Directors, the majority of whom must be independent in accordance with Article 9.1 of the EDP Articles of Association. Accordingly, the EDP Remuneration Committee determines the remuneration

of the company directors, as well as other benefits such as old age or invalidity pensions, and, in years in which the policy on remuneration of the members of the Executive Board of Directors is established or altered, submits said policy to the annual EDP General Meeting of Shareholders for consultation. The work of the Remuneration Committee is governed by a set of internal regulations.

In 2008 the committee met 3 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom must be independent.

Remuneration Committee	
Chairperson	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	Vasco Maria Guimarães José de Mello

The members of the Remuneration Committee attended the General Meeting of Shareholders on 10 April 2008.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to monitor and supervise, on a permanent basis, all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof;
- Drawing up succession plans.

Given its powers and the fact the majority of its members must be independent, the Corporate Governance and Sustainability Committee also carries out ongoing assessment of the company management and of the performance of the General and Supervisory Board itself. These assessments are included in a report drawn up each year and submitted to the General and Supervisory Board for appreciation.



CORPORATE GOVERNANCE

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience. The work of the Corporate Governance and Sustainability Committee is governed by internal regulations.

In 2008 the Committee met 7 times. Minutes of all meetings were drawn up.

Corporate Governance and Sustainability Committee

Chairperson	António de Almeida
	Alberto João Coraceiro de Castro
	Diogo Campos Barradas de Lacerda Machado
	José Maria Espírito Santo Silva Ricciardi
	Manuel Fernando de Macedo Alves Monteiro
	Vital Martins Moreira
	Vitor Domingos Seabra Franco

For further information on this matter, please see section 4.5.1 of the Annual Report of the General and Supervisory Board.

2.4. Business operations between the Company and the members of the Executive Board of Directors and Supervisory and General Board with qualifying holdings and companies in a 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's 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, it should be noted that the General and Supervisory Board has approved the "Reference Framework for the Treatment of Conf icts of Interests", which is available for consultation on the EDP website (www.edp.pt). This set of rules related to prevention, identification and resolution of potential important conf icts 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 conf icts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

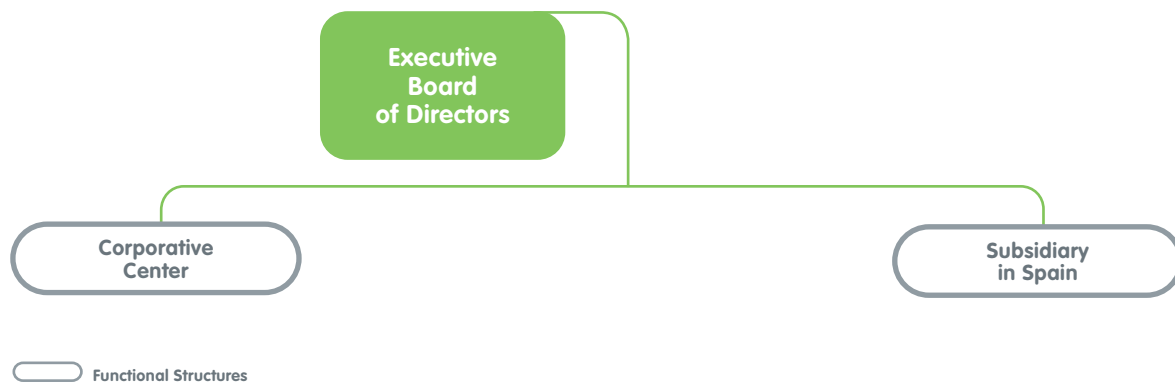




CORPORATE GOVERNANCE

3. FUNCTIONAL STRUCTURE OF EDP

3.1. The Group Organisational Model



It is the responsibility of the Executive Board of Directors to define the organisational model of the Group and how tasks are distributed amongst the various business units, the Group's shared services company – EDP Valor – and the central structure. The latter consists of a Corporate Centre that plays an instrumental role of support to the Executive Board of Directors in defining and controlling implementation of the strategies, policies and goals for the respective business areas.

The Corporate Centre is organised in departments and business units, allowing for greater optimisation and efficiency of the organisational structure.

The Executive Board of Directors is also supported by specialised committees, allowing for more effective and efficient monitoring and better support of the company management.

3.2. Corporate Centre

The current organisation of the central support structure for decision-making processes is as follows:

Executive Board of Directors	
Corporate Centre • Business Units	
DEPARTMENTS	
SUPPORT TO GOVERNANCE AREA	
Company Secretary and Legal Office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors and Institutional Relations	João Paulo Mateus
Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	Carlos Alberto Loureiro
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Direcção de Análise de Negócios	Miguel Stilwell de Andrade
Risk Management Department	José Allen Lima
FINANCIAL AREA	
Investor Relations Department	Miguel Henriques Viana
Consolidation, Accounting Control and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Financial Management Department	Paula Cristina Guerra
MARKETING AND COMMUNICATION AREA	
Corporate Marketing Department	Maria Inês Lima
Brand and Communication Department	Paulo Campos Costa
Customer Relations Department	Paula Pinto da Fonseca
SYSTEMS AND ORGANISATIONAL AREA	
Information Systems Department	José Salas Orta
Organisational Development Department	Rui Ferin Cunha
HUMAN RESOURCES AREA	
HR Strategic Management Department	Nuno Manuel Brito
RH Management Department	Maria Adília Pina Pereira
Operational Management of HR and Labour Relations Department	Isabel Ramires Ramos
SUSTAINABILITY AND REGULATION AREA	
Regulation and Competition Department	Maria Joana Simões
Sustainability and Environment Department	António Neves de Carvalho
BUSINESS UNITS	
Energy Management Business Unit	Carlos Alves Pereira

The functions and responsibilities of the current **Departments** are as follows:

The **Company Secretary and Legal Office** supports the Executive Board of Directors in administrative and logistical matters, thus ensuring the smooth functioning of the Corporate Centre, and provides legal assistance to the Group with the aim of guaranteeing observance of the applicable legislation. It also provides administrative

support to the meetings of the Executive Board of Directors, including dissemination of the decisions reached.

The **Office of the Chairman of the Executive Board of Directors and Institutional Relations** supports the Chairman of the Executive Board of Directors in all matters determined by the latter, guarantees representation of the Group at the institutional level and participates, on behalf of the Chairman, in internal projects and initiatives. It also



CORPORATE GOVERNANCE

coordinates the management of the agenda and the support work for the office and represents the Chairman at events and meetings whenever necessary.

The main function of the **Audit Department (DAI)** is the systematic and independent assessment of the Group activities with the aim of ensuring effectiveness of the management systems and processes and the internal control system. The DAI's main responsibilities are to establish and manage the systematic planning of the internal audits at the Group level in the areas of finance, information, operations and management and to monitor the definition and implementation of corrective measures and improvements resulting from audits performed. It is also responsible for monitoring the implementation and maintenance of the Internal Control System, providing methodological support and guaranteeing its consistency and internal coherence, as well as reporting on its performance.

In accordance with the EDP Code of Ethics, the **Office of the Ethics Ombudsman (GPE)** is responsible for receiving, retaining and processing reports and complaints received by EDP on alleged infractions of the provisions of the code in matters of compliance with laws and ethics, conduct in the workplace, human rights, equal opportunities, integrity, relations with customers and suppliers, the environment and sustainability. The GPE must accompany each of the infraction proceedings it initiates to the end, making contact with the reporter of the complaint wherever necessary and appropriate.

The **Energy Planning Department (DPE)** supports the Executive Board of Directors in processes for altering the Group's energy portfolio, contributing to an integrated vision of the portfolio and to the planning of its development in the various regions in which the Group operates. The DPE thus constitutes an organisational platform that links the Group's various electricity and gas business areas, helping to form the required integrated vision of the market and operation of the EDP Group.

The mission of the **Business Analysis Department (DAN)** is to contribute to defining and developing the Group business strategy by promoting and carrying out the analysis, study and realisation of new business opportunities and optimising the EDP business portfolio. Its main areas of work are the assessment of projects, identification of business opportunities, the analysis and execution of merger operations, the purchase and sale of assets and strategic alliance options, as well as providing analyses and studies for the Group's strategic planning processes.

The mission of the **Risk Management Department (DGR)** is to support the Executive Board of Directors in modelling and monitoring identification of the Group's risks with

a view to risk minimisation and control. The use of the Integrated Risk Management System provides comparative advantages to EDP by enabling the risk factor to be included in the Group's strategic and operational decisions. There are always uncertainties associated with the business opportunities that are constantly presented to a group the size of EDP and the fact that these can be quantified by determining the corresponding risks is a decisive contribution towards correct decision-making.

Investor Relations Department (DRI) (see section 7.2.)

The **Consolidation, Accounting Control and Taxation Department (DCF)** is structured into three areas of operation: (i) the area of consolidation, the main task of which is consolidation of the Group accounts and accounting reports; (ii) the area of corporate accounting standardisation (national, international and environmental); and (iii) the area of taxation. Its mission is to render the Group's accounts and define, implement, monitor and coordinate the rules, guidelines, policies and procedures for all the Group companies in Portugal, Spain, Brazil and other countries in matters of accounting, internal control, taxation, consolidation and reporting on a local and international basis (IFRS-IAS) in a standardised and consistent way.

The main tasks of the **Management Planning and Control Department (DCG)** are to support the Executive Board of Directors in the Group's corporate planning and to challenge the business units in their performance, guaranteeing their alignment with the Group's strategic objectives. It is responsible for coordinating the EDP Group's business plan and budget and for the corporate management control process.

The mission of the **Financial Management Department (DFN)** is to optimise the consolidated financial operations of the Group and control the financial liabilities in accordance with the approved policies. The DFN proposes the financial management policy of the Group and pursues implementation thereof. Its main responsibilities are: i) negotiating, managing and controlling financing, credit lines and banking and financial products and services; ii) optimising the Group's cash management; iii) proposing financial risk management policies, particularly in relation to interest and exchange rates, and applying the policies in the market; iv) liaisons with the debt capital and banking markets and the rating agencies; and v) managing the EDP Pension Fund.

The **Corporate Marketing Department (DMK)** is responsible for planning, developing and controlling the Group's marketing strategy with the aim of achieving a competitive market positioning and maximising the commercial outcome of the business operations.

The **Brand and Communication Department** (DMC) works in the planning, implementation and control of the Group's communication strategy with the aim of maximising brand value, creating goodwill in relation to all stakeholders and furthering internal communication.

The mission of the **Customer Relations Department** (DRE) is to plan, implement and control the customer relations strategy, consolidate knowledge and promote a market-oriented culture, with the aim of improving customer satisfaction and loyalty levels.

The mission of the **Regulation and Competition Department** (DRC) is to support the Executive Board of Directors in decision-making processes in the areas of regulation and competition and in the relations with the various regulatory entities in the sector. The DRC monitors the development and implementation of new European directives on the internal market and competition pertaining to the electricity and natural gas markets and studies the impacts of implementation of the Iberian Electricity Market (MIBEL). It also monitors alterations to the energy sectors at the legislative, regulatory and organisational levels that have implications for the profitability of the EDP companies, namely through developing economic/financial models and carrying out tariff studies.

The **Information Systems Department** (DSI) is responsible for aligning the Group's information systems with the business strategy, creating value by providing solutions that further effectiveness, efficiency and innovation within the Group. The DSI also proposes the Group strategy in matters of information systems and is responsible for their medium and long-term planning, including regular revisions and for studying and proposing the information systems' architecture with a view to their being an adequate support for the Group's businesses.

The **Organisational Development Department** (DDO) is responsible for defining and implementing an organisational structure in permanent alignment with the Group strategy, supported by adequate business process management practices, and for coordinating transformation projects that aim to guarantee performance excellence for the Corporate Centre and the businesses.

The mission of the **Operational Management of Human Resources** (DORH) is to coordinate the operational management of the Group's human resources while guaranteeing compliance with the established HR policies, models and practices. The department's main responsibilities are: i) to guarantee the alignment of the business units with the established HR policies through the integrated development of the workforce (with the exception of macro-structure workers, high-potential managerial staff and performers with potential), with

a view to fostering Group unity; ii) to coordinate the operational management of the Group's HR in Portugal and guarantee administrative support in the HR area within the Group; iii) to monitor the negotiations, and ensure implementation (or their monitoring outside Portugal) of the Collective Employment Agreements signed in this area; and iv) to monitor execution of the Group's personnel budget in Portugal and monitor its execution in other regions.

The **Coordination Office for Labour Relations** (GCRL) negotiates (or monitors negotiation outside Portugal of the Collective Employment Agreements, manages relations with the Ministry of Labour and Social Solidarity and the official entities dependent on it, Works Council, Trade Unions, Workers' Association, Pensioners' Association and other similar institutions for workers, former workers and pensioners. The office's main responsibilities are: i) to draw up and propose the instruments of collective regulation for the Group and carry out the respective negotiation in Portugal; ii) to guarantee complete understanding of the labour-related legislation in all the countries in which the Group operates and ensure compliance with said legislation; iii) to propose and implement strategies for relations with the social partners; iv) to monitor the management of the EDP Pension Fund in the HR perspective, in particular the actuarial responsibilities; and v) to develop the EDP Flex Plan and monitor management thereof.

The **Top-Level Human Resources Management Department** (DRHT) was set up with the aim of contributing to the definition and implementation of the Group's HR strategy and to the outlining of the policies for Potential and Performance Assessment, Compensation, Skills Development, Career Management and Mobility, above all applicable to top flight management, middle management and young employees with high potential. The DRHT also has the task of coordinating the identification and development of the Group's talent pool in the different regions.

The main responsibilities of the **Sustainability and Environment Department** (DSA) are to support the Executive Board of Directors in defining the sustainability and environmental policy and objectives and to cooperate with the businesses with a view to boosting complementarities and synergies in these areas and, in particular, to contribute to the operationalisation of the policies and initiatives in the area of the Group's environmental management.

The **Energy Management Business Unit** (UNGE) is responsible for negotiating the physical and forward purchases of fuel and contracting maritime transport in the name of, and on behalf of, the relevant EDP companies. It is also responsible for carrying out spot and forward



CORPORATE GOVERNANCE

purchases and sales in the electricity market of a physical and financial nature, namely energy derivatives and foreign exchange operations. It also decides on operational and supply programmes of the EDP Group electricity generating plants where the energy management is under its responsibility, with the aim of optimising the portfolio and supplying energy to the clients of the EDP Group's sellers. Additionally, it is responsible for managing operations relating to the EDP Group's CO₂ emission licences and green certificates.

3.3. Specific EDP Committee (Functional Structures)

With a view to achieving more effective and efficient support of the management of the company, the following specific committees were set up:

Ethics Committee

EDP has always carried out its business activities within a framework of ethical values that are explicit or implicit in its business agenda, in its professional relations and obligations to the shareholders, in the Vision, Commitments and Culture defined by the Executive Board of Directors and in the principles of sustainable development.

The company has a Code of Ethics with autonomous versions for Brazil and Spain that are local adaptations of the same principles. The Code defines how all company workers must act in conducting the business and all other activities of the EDP Group.

In 2008 the Corporate Governance and Sustainability Committee appointed the EDP Ethics Officer.

Following the approval of the EDP Group Code of Ethics, a specialised committee was set up to work together with the General and Supervisory Board's Corporate Governance and Sustainability Committee with the aim of:

- Supporting the definition of EDP Group policy regarding the code of conduct, the adoption of good practices and compliance with the highest standards of ethics;
- Establishing guidelines for regulating the matters for which it is responsible; and,
- Ensuring the proper regulation of ethical matters within the Group companies.

Up until the end of 2008, 195 ethical complaints were reported, 34 of which were resolved since they were eligible to be dealt with by the Ethics Committee. These complaints were received via the reporting channels especially provided for that purpose in the various regions in which the Group operates. Assessment and processing

of the complaints were carried out by the competent bodies in accordance with the EDP Code of Ethics Regulations. Ethical complaints are classified in accordance with the principles and values set forth in that Code, i.e. in the following categories: Legislation and Ethics; Conduct in the Workplace; Human Rights and Equal Opportunities; Integrity; Relations with Customers and Suppliers; and Environment and Sustainability. In 2008, 65% of the complaints identified and resolved were related to Conduct in the Workplace matters, 23% had to do with Human Rights and Equal Opportunities and 6% involved Relations with Customers and Suppliers and Environment and Sustainability. Approximately 59% of complaints originated in Portugal and 41% in Brazil. No complaints were received in the other regions.

In 2008 this committee met twice, with the Chairman of the Executive Board of Directors attending both meetings.

Innovation Committee

The Innovation Committee has the following mission:

- To define strategic areas for innovation within the EDP Group, to be submitted to the approval of the Executive Board of Directors;
- To identify the projects to be carried out in the field of innovation and to submit them to the Executive Board of Directors;
- To monitor EDP Group initiatives and projects in the area of innovation that are in progress and to propose corrective measures wherever necessary;
- To analyse the conclusions from technology watch actions;
- To support the Energy Planning Committee in the analysis of new technological options;
- To prepare the meetings of the Innovation Board.

The Innovation Committee is chaired by the Chairman of the Executive Board of Directors and is made up of company directors from the generation, distribution and support services business areas, as well as the directors in charge of the Business Analysis, Brand and Communication, Energy Planning, Information Systems and Organisational Development departments. The committee meets on a half-yearly basis.

The Innovation Committee met 3 times in 2008, with the Chairman of the Executive Board of Directors attending all three meetings.

Disclosure of Information Control and Procedures Committee

The Disclosure of Information Control and Procedures Committee (CDI) has three main functions:

- To identify and analyse the information that should regularly be made public by the company;
- To assist in the review of the information periodically disclosed by EDP in the context of preparing reports and other communications for the market;
- To make quarterly assessments of the control and disclosure of information mechanisms.

The committee is the organisational structure responsible for monitoring and assessing the control mechanisms and procedures for the disclosure of information. It is an integral part of the EDP Group's Information Certification Project, which also includes a project work group, led by the Internal Auditing Department working in close cooperation with the Executive Board of Directors, and teams from the business areas responsible for the control procedures in their respective areas of activity. The committee meets on a quarterly basis.

The CDI is made up of the member of the Executive Board of Directors responsible for finances and by those in charge of the Investor Relations, Internal Auditing, Management Planning and Control, Consolidation and Taxation, Brand and Communication and the General Secretariat and Legal Department that are involved in preparing information.

In 2008 the committee held one meeting, attended by the member of the Executive Board of Directors responsible for finances.

Risk Committee

The Risk Committee is chaired by the Chairman of the Executive Board of Directors and consists of members of the Executive Board of Directors and directors of the Risk Management, Finances, Energy Planning departments and the Energy Management Unit.

The Risk Committee has the following responsibilities:

- To monitor significant risks and the EDP Group's risk profile;
- To approve the periodical reporting model proposed by the business units or the Risk Management Department, as well as other mechanisms for reporting and monitoring EDP risks;

- To approve or define recommendations on the Group's significant risks and on extraordinary situations in terms of risk, for analysis by the Executive Board of Directors;
- To approve or define recommendations on risk policies, procedures and limits for the EDP Group to be analysed and approved by the Executive Board of Directors.

Non-standing members meet on this committee and they are invited to take part depending on the respective items on the agenda. It may also meet whenever an unexpected risk situation requires it.

In 2008 this committee met twice, with the Chairman of the Executive Board of Directors attending both meetings.

Accident Prevention and Safety Committee

The Accident Prevention and Safety Committee has the following main responsibilities:

- To support the Executive Board of Directors in drawing up proposals for defining the EDP Group's strategic objectives with regard to accident prevention and safety at work, appraising the degree of application and effectiveness thereof and reporting on progress;
- To provide a critical analysis of the Annual Report and to give an opinion on the EDP Accident Prevention and Safety Action Plan;
- To monitor the evolution in the safety in the workplace indicators and draw up proposals for improvement actions; and,
- To appraise and approve regulatory documents on the safety management system that apply within the EDP Group in general or apply across several areas of activity.

The committee is chaired by the Executive Board of Directors member responsible for finances and also consists of the directors of the generation, marketing and support activity business areas.

In 2008 the committee held one meeting, chaired by the Executive Board of Directors member responsible for finances.

Energy Planning Committee

The main tasks of the Energy Planning Committee are:

- To plan and project the structural development of the market on a 5-year horizon;



CORPORATE GOVERNANCE

- To define a baseline scenario for the purpose of the Business Plan;
- To identify the generation portfolio to adopt on a 5-year horizon;
- To provide an integrated vision of the Group's portfolio of quantities, covering generation, gas and the retail market;
- To identify gas and CO₂ needs for the next 5 years;
- To analyse priorities for action in new technologies/ innovation, in liaison with the Innovation Committee; and,
- To identify attractive business opportunities throughout the value chain and in the different geographical locations.

This committee is made up of the Executive Board of Directors members responsible for the generation, marketing, gas and renewable energy sources business areas and the directors of the Energy Planning, Risk Management, Regulation and Competition and Management Planning and Control Departments.

This committee did not meet at all in 2008, since most of the matters within its sphere of jurisdiction were dealt with by the Prices and Volumes Committee and within the Energy Outlook annual procedure.

Investments Committee

The Investments Committee is responsible for the following:

- Analysing, challenging, filtering and issuing opinions on organic growth investment projects, which either form part of the budget or entail changes to it, according to the amounts and potential profitability involved.

This committee is made up of the Executive Board of Directors member responsible for the financial areas, directors of the business areas and those in charge of the Business Analysis, Management Planning and Control and Energy Planning departments.

In 2008 the committee met 24 times, with the Executive Board of Directors member responsible for finances attending all meetings.

Careers, Mobility and Training Committee

The Careers, Mobility and Training Committee has the following main areas of responsibility:

- Approving measures designed to further evolution and/or mobility of the workforce, in particular with reference to Macrostructure workers, high-potential managerial staff and performers with potential;
- Guaranteeing the implementation of Succession Plans for key positions in the EDP Group;
- Monitoring the development of careers in the Macrostructure workforce, high-potential managerial staff and performers with potential and analysing expectations and possible hindrances; and,
- Approving the EDP Group's Training Plan and monitoring its implementation.

This committee is made up of all members of the Executive Board of Directors, the directors of the business areas and those in charge of the Human Resources Strategic Management, Top-level Human Resources Management and Operational Human Resources Management and Labour Relations departments.

This committee met once in 2008. All members of the Executive Board of Directors attended the meeting.

Remuneration Committee

The Remuneration Committee is responsible for the following:

- Approving the remuneration model (fixed, variable and incentives) for all employees in the EDP Group, as proposed by the HR Strategic Management Department;
- Approving the benchmarks for the Key Performance Indicators (management by objectives) for Macrostructure workers, high-potential managerial staff and performers with potential, as well as the corresponding annual performance calculation;
- Regularly fostering development and comparative analysis (benchmarks) at the national and international levels with a view to defining adequate (fixed and variable) remuneration levels and fringe benefits for all Macrostructure workers, high-potential managerial staff and performers with potential, in particular the Macrostructure "payment package", and align the strategy for compensation for all workers; and,
- Reporting on the remuneration policies to all stakeholders.

This committee is made up of all members of the Executive Board of Directors and those in charge of the Human Resources Strategic Management, Top-level Human Resources Management and Operational Human

Resources Management and Labour Relations departments.

This committee met once in 2008. All members of the Executive Board of Directors attended the meeting.

Information Technology Committee

The Information Technologies Committee is responsible for the following:

- Developing guidelines for the strategic planning of information systems;
- Approving the annual plan and budget for information systems (application and infrastructure projects), to be submitted to the Executive Board of Directors for approval;
- Allocating funds and resources for large-scale initiatives;
- Defining priorities with respect to strategic projects;
- Projecting budget allocations for unplanned projects; and,
- Resolving issues such as the distribution of limited resources and those involving with unplanned requirements for strategic projects.

This committee is made up of the Executive Board of Directors member responsible for the information systems area, the board members of the Group companies responsible for the same area, and the head of the Information Systems Department.

This committee met once in 2008.. This meeting was chaired by the Executive Board of Directors responsible for information systems.

Regulation Committee

The main responsibilities of the Regulation Committee are:

- Monitoring the development of European Commission's energy strategy and policy and the implementation of new European internal market and competition directives for the electricity and natural gas sectors and to study their impact on the Iberian Market;
- Monitoring alterations in terms of policies, legislation, regulations and organisation to the energy sectors in Portugal and Spain (namely in the scope of the Iberian Market), anticipating the structural implications thereof for the sectors in terms of energy prices and tariffs, company profitability and possible needs or obligations

for alterations at the organisational level, namely through identification and monitoring of the most relevant regulatory risks;

- Supporting the Executive Board of Directors in drawing up proposals defining the positions to be defended by the EDP Group in the context of the Iberian and European Markets in terms of regulation and competition;
- Fostering the exchange of experiences on regulatory practices in European and the Iberian peninsula and those that apply in Brazil;
- Monitoring the trends in prices and the implications of the tariff policies and decisions (per se and on a comparative basis) in the regulated activities.

This committee is made up of the Executive Board of Directors member responsible for the regulation area, the group company directors responsible for the same area and the head of the Regulation and Competition department.

This committee met 7 times in 2008, with the member of the Executive Board of Directors responsible for regulation attending the meetings.

Environment and Sustainability Committee

The Environment and Sustainability Committee has the following responsibilities:

- Preparing and annually updating the medium/ long-term Strategic Sustainability and Environment Plan for the EDP Group to be submitted to the Executive Board of Directors for approval;
- Proposing the annual action plans and defining the objectives and goals to be met by the Group to be submitted to the Executive Board of Directors for approval;
- Monitoring the progress of approved plans of action; and,
- Monitoring the activities of the sustainability and environmental management structures of the Group companies.

This committee is made up of the Executive Board of Directors member responsible for the area of the environment and sustainability, the directors of the generation, distribution, gas and renewable energy sources business areas, the head of the environment area at HC Energia, a representative of EDP Brasil and those



CORPORATE GOVERNANCE

in charge of the Human Resources, Investor Relations, Risk Management and Brand and Communication departments.

Given the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever he/she deems fitting. The committee meets at least once every quarter.

This committee met 4 times in 2008 and the member of the Executive Board of Directors responsible for the environment and sustainability chaired 2 meetings.

Procurement Committee

The main responsibilities of the Procurement Committee are:

- To support the Executive Board of Directors in the strategic coordination of the Group's procurement policies;
- To ensure top-level articulation between the various businesses with regard to procurement;
- To dynamise and continuously analyse the performance of the structures involved in procurement;
- To monitor the main group procurement indicators, particularly in terms of volumes purchased and savings obtained; and,
- To follow in detail the most important procurement negotiations carried out by the Group's procurement structures.

This committee is made up of the Executive Board of Directors member responsible for the area of finances, the EDP Valor board member responsible for procurement and the managers involved in this area.

In 2008 this committee held 6 meetings which were chaired by the director responsible for finances.

Prices and Volumes Committee

The primary aim of the Prices and Volumes Committee is to guarantee that the Group has access to the best information and perspective on market evolution at any given moment. Accordingly, the committee is responsible for:

- Sharing relevant and up-to-date market information;
- Deciding on what should be considered relevant information on the evolution of key variables to be made available to the Group;

- Defining the forward curve that represents Group estimates in terms of market evolution;
- Providing an up-to-date database containing historical data and estimates for key market variables;
- Guaranteeing harmonisation amongst business areas with regard to shared information; and,
- Establishing itself as a forum for ongoing discussion and for sharing and aligning market perspectives and information.

This committee is made up of the Executive Board of Directors member responsible for energy planning and those responsible for the generation, gas and renewable energy sources business areas, as well as those responsible for the planning and commercial areas at HC.

In 2008 this committee held 4 meetings which were chaired by the member of the Executive Board of Directors responsible for energy planning. Other members of the Executive Board of Directors attended 3 meetings.

Generation Committee

The main responsibility of the Generation Committee is to coordinate, Iberia wide, the management of the generation business, ensuring articulation and standardisation between the activities of EDP Produção and HC Energia (Generation), with specific reference to:

- Exchange of information on the development of the business in each geographical area, including the respective regulatory environments;
- Dissemination of best practices, particularly in the context of operation of power generation infrastructures, with a view to identifying and harnessing synergies;
- Joint decision-making with a view to defining objectives (with a focus on developing power generation infrastructures); and,
- Broadening the scope of the committee to cover other regions, whenever necessary.

This committee consists of the Executive Board of Directors member responsible for the area of generation and the board members and directors of the companies from the energy generation business area.

This committee met twice in 2008, with the member of the Executive Board of Directors responsible for generation attending the meetings.

Distribution Committee

The main responsibility of the Distribution Committee is to guarantee the Iberia-wide coordination of distribution and coordinate and standardise the activities of EDP Distribuição, HC Energia (Distribution) and EDP Brasil, with special reference to:

- Drawing up joint proposals for strategic objectives for the EDP Group's distribution activity, assessing their degree of implementation and effectiveness and reporting on progress;
- Monitoring developments in the main activity indicators and drawing up proposals for improvements;
- Reviewing the periodical reporting model, as well as other mechanisms for reporting, controlling and disclosing information;
- Promoting the development of national and international benchmarks;
- Fostering exchange of experiences on the regulatory environments and practices in the different regions; establishing guidelines for the regulation of matters under its responsibility and monitoring and studying the effects of alterations in terms of policies, legislation, regulation and organisation on the energy sectors;
- Disclosing and sharing information on the evolution of the distribution business in each region, as well as on best practices, with a view to identifying projects of mutual interest, improving the efficiency and effectiveness of operations, and identifying synergies; Sharing information on the management of high-impact events;
- Analysing, and issue opinions on, the criteria used to evaluate investment projects and planning models;
- Ensuring coordination with regard to standardising projects and heavily used equipment and analysing new technological options and identifying priorities for action in the area of new technologies/innovation.

This committee includes the director responsible for distribution and the directors of companies in the energy distribution business.

This committee met once in 2008. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

Commercial Committee

The Commercial Committee's main responsibility is to coordinate the commercial area Iberia-wide and to ensure coordination and standardisation of the activities of EDP Comercial and HC Energia (Marketing and Supply), in particular:

- Exchange of information on the evolution of the business in each region, including the respective regulatory environments;
- Dissemination of best practices in the supply of energy services, with a view to identifying and harnessing synergies; and,
- Joint decision making in relation to business with an impact at the Iberian level, in particular with regard to setting objectives, implementing the marketing plan and defining conditions for energy purchase.

This committee is made up of the director responsible for the commercial area and directors of the companies in the energy supply business.

This committee met twice in 2008, with the member of the Executive Board of Directors responsible for supply attending the meetings.

Pension Plan and Fund Committee

The main responsibilities of the Pension Plan and Fund Committee are to define the strategy for the Pension Plan and Fund and guarantee its alignment with the EDP Group strategy. It is responsible for strategic decisions on:

- The pension plan;
- Risk assessment for the pension plan; and,
- The pension fund's management structure.

This committee consists of the Chairman of the Executive Board of Directors, the members responsible for the finances and human resources areas and the directors of the Financial Management and Risk Management departments.

This committee met 4 times in 2008, with the member of the Executive Board of Directors responsible for finances attending the meetings.

3.4. Subsidiary in Spain

The mission of EDP – Energias de Portugal, Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of the EDP Group companies in Spain



CORPORATE GOVERNANCE

with a view to guaranteeing maximum synergies and the creation of value in the operations and activities in Spain. It also serves as an organisational platform for managing the Iberia-wide integration of support services. All majority shareholdings in EDP Renováveis S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.) have been directly allocated to the subsidiary's assets, as well as indirectly in NG Energia (Naturgas Energia Grupo S.A.) by virtue of the majority control of the latter.

The subsidiary has offices in Madrid and Oviedo. The subsidiary is represented by means of Permanent Representatives that are members of the EDP Executive Board of Directors appointed for that purpose.

The administration, coordination, management and representation of EDP Sucursal de España is made up of the Executive Committee, the Management Committee and the

Coordination Committees. The Executive Committee is made up of five Permanent Representatives of EDP, a Group Controller for activities in Spain and by the first line managers in charge of the business units in Spain. It fundamentally serves as the coordination body for the activities of the permanent representatives. The Management Committee is chaired by the Group Controller and is also made up of the natural extension of the management departments at the EDP Corporate Centre, namely the Business Analysis, Legal, Audit, Spanish Taxation, Financial Management, Shared Services and Information Systems departments. The committee carries out, in a homogeneously grouped way the tasks of these departments in Spain. Finally, the Coordination Committees for Generation, Distribution, Supply and Gas are chaired by members of the members of the EDP Executive Board of Directors responsible for the respective management areas

Executive Board of Directors

EDP Energias de Portugal S.A. • Sucursal de España

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE

Permanent EDP Representative
 Permanent EDP Representative
 Permanent EDP Representative
 Permanent EDP Representative
 Permanent EDP Representative
 Chairman of the Board, HC Energía
 Group Controller – Activities Spain
 1st Line Responsible, HC Energía
 1st Line Responsible, EDP Renováveis
 1st Line Responsible, NG Energia

António Mexia – Presidente
 Ana Maria Fernandes
 António Martins da Costa
 João Manso Neto
 Nuno Alves
 Manuel Menéndez Menéndez
 Miguel Ribeiro Ferreira
 Javier Sáenz de Jubera
 João Paulo Costeira
 João Pedro Summavielle

MANAGEMENT COMMITTEE

Group Controller – Activities Spain
 Business Analysis Department
 Legal Department
 Audit Department
 Taxation Spain Department
 Financial Management Department
 Shared Services Department
 Information Systems Department

Miguel Ribeiro Ferreira – Presidente
 Duarte Bello
 Emilio Garcia-Conde
 Azucena Viñuela
 Ramon Ortea Garcia
 Nuno Gonçalves
 Félix Arribas
 José Salas

GENERATION COORDINATION COMMITTEE
 DISTRIBUTION COORDINATION COMMITTEE
 SUPPLY COORDINATION COMMITTEE
 GAS COORDINATION COMMITTEE

João Manso Neto
 António Pita de Abreu
 Jorge Cruz de Morais
 João Manso Neto

with a view to harnessing synergies with Spain and eliminating inefficiencies and redundancies.

3.5. Risk Control and Management System

3.5.1. Internal Control over Financial Reporting (ICOFR)

The EDP Group has chosen to guarantee an adequate system of internal control and financial reporting, drawn up in accordance with international standards, and to guarantee the necessary resources to maintain the system's operationality and effectiveness in four countries in which the Group operates – Portugal, Spain, Brazil and the USA.

In 2008 the following initiatives were carried out:

- Efficiency optimisation, revision, evaluation and tests, with the support of an international external body;
- Development and optimisation of the model in accordance with international standards;
- Approval of the formal responsibility structure;
- Development of an information tool to support observation and monitoring of the ICOFR system.

Additionally, following the EDP investments in Horizon Wind Energy in the USA, the EDP Group implemented the first phase of the ICOFR system using a local consultancy team for the purpose and also the support of the EDP Renováveis team. The work carried out included the survey of processes identified in this scope, documentation of the "entity level controls", application controls and IT controls.

The next cycle will be marked by implementation of the tool and expansion of the ICOFR system to other locations and

business areas in Europe, namely France, Belgium and Poland, in line with the Group's international expansion.

3.5.2. Risk Management Structure

3.5.2.1. Risk Management Mandate and Structure

The past year was marked by important advances in integrated risk assessment and consolidation of the integration of the management thereof in the business processes.

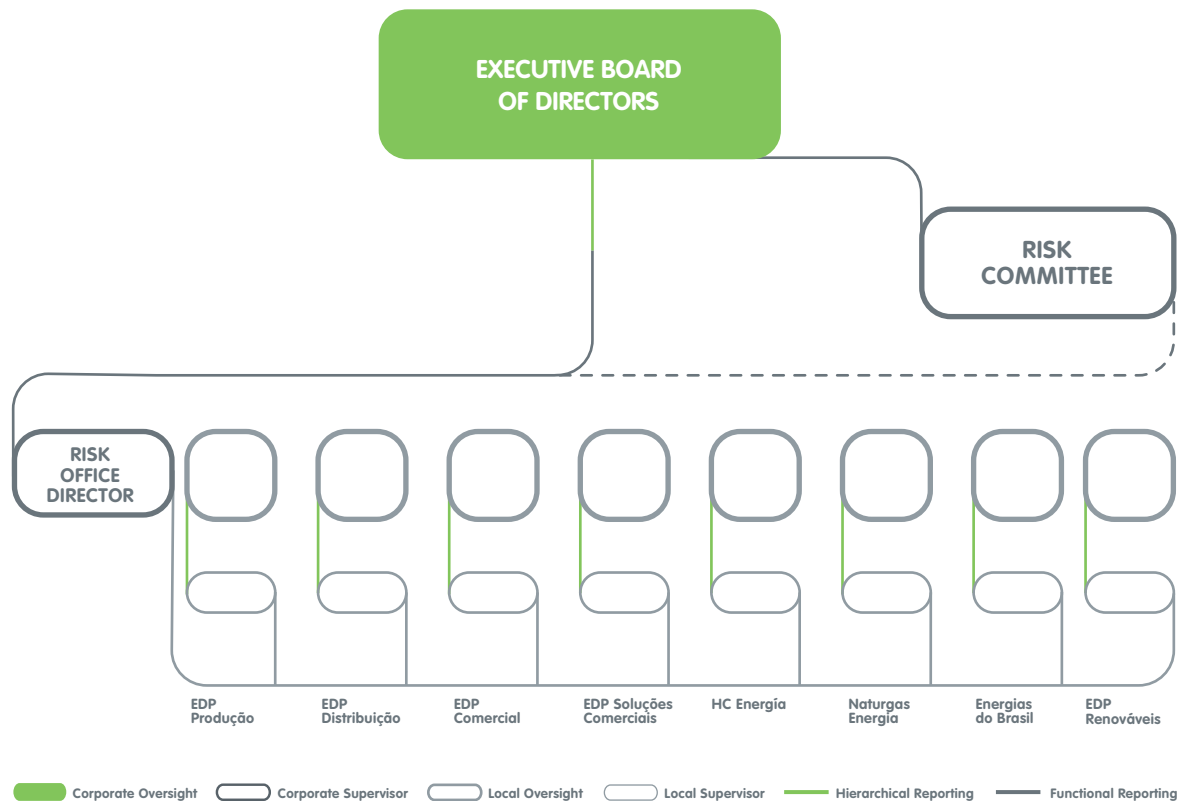
Indeed, risk consideration is an inherent part of management. Good management is not possible without risk management. This has always been the case at EDP. New developments have focused on systematised assessment, risk measurement, the benefit of having better knowledge of the relative contribution of critical factors, both in terms of their upsides and downsides, and assessment of the R2R (Return to Risk) optimisation possibilities, which is only feasible with aggregated risk assessment.

The risk management organisation and process in practice within the Group are based on the following:

- **Risk identification and prioritisation.** The Risk Portal, an instrument developed internally for the consistent collection of information on each relevant risk, is used at the EDP Group level. It provides qualitative and, where possible, quantitative assessment of the overall impact of a risk, the probability of occurrence and the control level, as well as drawing up priority matrixes for action and control;
- **Risk strategy.** The aim of the risk strategy, for each of the priority risks, is to identify the key measure that can be used to avoid or mitigate it (registration of action plan in the Risk Portal), decide on the transfer of the risk to another entity (insurance, hedging) and define the desired risk-return profile;
- **Governance and control.** This is based on the Corporate Entrepreneurial Risk Management Policy



CORPORATE GOVERNANCE



defined by the Executive Board of Directors and on the structure established for the purpose.

The Executive Board of Directors, with the support of a Risk Committee, decides on the level of exposure to risk assumed by the EDP Group in its various operations and, in addition to the corresponding mandates for the delegation of tasks and responsibilities, defines the overall risk limits and ensures that risk management policies and procedures are followed. This is preceded by the definition of the Group's appetite for risk, resulting on the one hand from its long established business structure and, on the other, from criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board. De facto and in practice, the appetite for risk focuses on how the Group:

- Is positioned in terms of its debt rating;
- Aims to grow (organic investment policy and acquisitions/sales);
- Implements a dividend payment policy (and also possibly a policy on the acquisition of treasury stock).

In the course of the year under review, the Risk Management department carried out its own studies that actively contributed, in a business intelligence-based

approach, to the assessment of important and very topical R2R (Return to Risk) matters for the Group. These were:

- The Cash-flow at Risk project, which serves to obtain a "bottom-up" assessment of the Group's integrated risk, i.e. its capacity for supporting unexpected losses, be it through assessment of the financial liquidity – the Group's capacity to satisfy short-term cash needs – or through the economic value – the Group's long-term capacity to fulfil its business plan, creating value. This methodology was already applied to the in-depth analysis of the most important business units and the consolidated amounts;
- The top-down "Cash-flow at Risk" project, aimed at performing a simplified risk assessment and rapid comparison with other companies in the sector, as well as with the bottom-up methodology, based on public data;
- Application of the ALM (Asset Liability Management) methodology in analysis of the risk for the Pension Fund assets and liabilities and for the liabilities covered by provisions;
- Analysis of the operational risk applied to the assessment of the creation (or not) of economic value in insurance solutions against the loss of revenue for

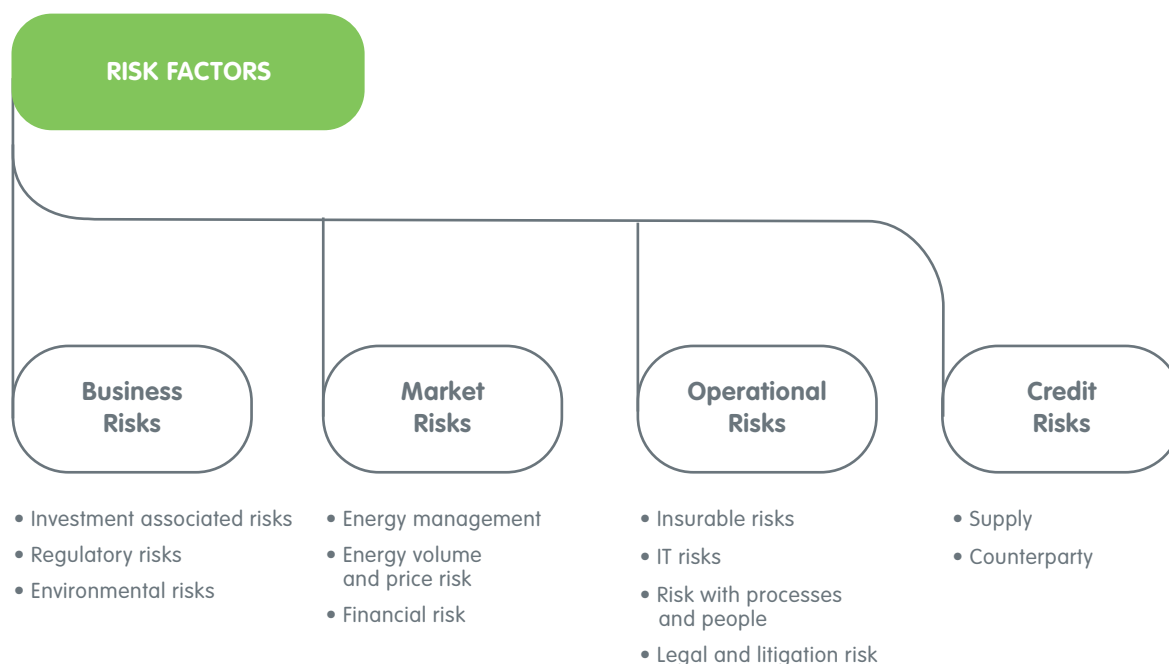
power plants, in comparison to the current self-insurance situation;

- Application of the LOLP (Loss of Load Probability) methodology in assessment of the Coverage Index (guaranteed available capacity / consumption peak) of the Spanish, Portuguese and joint systems, with a view to contributing to assessment of the risk of over-investment in generation and also of the incapacity for mutual support via interconnection;
- Contribution to consolidation of the optimisation of the hedging policy in the MIBEL in an R2R and risk aversion level-based approach, namely through complete integration of the market variability, including variability of revenue from wind farms depending on the market prices – most recent wind farms in Spain;
- Re-analysis of the problem of commercial credit risk, namely through collaboration with HC Energia in expanding the model it has developed for the scoring of the credit quality of B2B customers, which reveals greater adherence than that registered in the energy sector, in relation to other external rating bodies;

- Application of the DEA (Data Envelopment Analysis) method in comparison of the relative efficiency of the electricity distribution grids managed by the Group (Portugal, Spain and Brazil), with a view to analysis of the regulatory risk;
- Active participation in risk management projects coordinated by EURELECTRIC, namely:
 - * The Risk Measurement and Value Creation Project aimed at establishing the best practices in risk measurement, with the support of Mercer Oliver Wyman.

The business units manage their own risks within the established criteria and delegated areas. There is double reporting by the Risk Officer of each business unit and the director of the Risk Management department, with a view to ensuring alignment in terms of activities, reporting and control.

3.5.2.2. Risk Factors





CORPORATE GOVERNANCE

The main risk factors identified by the EDP Group are structured as follows:

The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

3.5.2.3. Risk Management throughout the value chain - MIBEL

In addition to the management of risks that transversally affect all business units, management of the aforementioned risk factors within the EDP Group is carried out on the basis of the value chain of the individual activities as follows:

Electricity generation and energy management:

Management of the Iberian integrated wholesale position. Management of the Group's wholesale position in the Iberian Peninsula is included in the scope of the HEDGE process, involving all areas with exposure to the market (UNGE, Supply and Gas). The aim is to achieve integrated management of the price and volume risks as detailed below. In line with the risk appetite level defined by the company, in particular for the business units in question, risk coverage objectives per technology are defined that simultaneously maximise the margin by means of different hedging possibilities (forward markets vs. gas or electricity retail in Portugal or Spain). The UNGE is responsible for implementing risk coverage. Compliance with the objectives is monitored on a daily (UNGE), monthly and quarterly (by the Prices and Volumes Committee) basis and the coverage strategy is revised whenever alterations in the market justify this.

Electricity price risk. The revenue from generation can be affected by alterations in the price of electricity in the wholesale markets. Only those power stations operating in the free market (Spain as a whole and the Ribatejo power station and small hydroelectric power station in Portugal) are exposed to this risk, given that most of the plants are subject to the CMECs – Costs of Maintenance of Contractual Equilibrium – (power stations that have Power Purchase Agreements with REN and began market operation on 1 July 2007). One should also mention the market risk exposure (OMEL price) for the great majority of wind farms EDP Renováveis operates in Spain. Furthermore, the Group proactively seeks to protect the margin, with integrated actions in the context of Energy and Supply Management. In the MIBEL, the UNGE has a mandate to act in the wholesale market, both with a view to optimising the generation offer in the OMEL spot market and taking advantage of the forward market, OMPI, OTC and arbitration in the Spain-France interconnection. The higher market price risk in Portugal as compared to Spain – a result of market splitting after exhaustion of the

interconnection capacity and the need to resort, in Portugal, to more expensive generation means – is not relevant for the Group given that supply in the Portuguese free market does not depend on imports from Spain. The UNGE simulates the behaviour of the Iberian system and uses the MUR programme to regularly calculate the MaR (Margin at Risk).

Fuel price and CO₂ risk. This risk is also more present for the power stations in the free market. The UNGE has been entrusted with management of this risk, its actions focusing on the purchase of coal and fuel oil, management of the gas purchase contracts for electricity generation and CO₂ emission rights, as well as on defining hedging solutions for fuel prices and the dollar exchange rate (the latter in coordination with the Financial Department). As far as the gas supplies are concerned, EDP Gás is responsible for negotiating new contracts and managing momentary positions of excess/shortage between the Group companies and in relation to outside the Group. The MUR is also used in the risk assessment, making use of its capacity for assessing trends in the prices of fuels and CO₂.

Operational risk for power stations and wind farms.

Conventional power stations and wind farms have breakdowns and other incidents that can entail a loss of revenue due to the resulting outage or downtime. This risk is mitigated by the application of conduction and maintenance methods and safety procedures of the highest standard. Furthermore, the most important insurable risks are associated with generation, which is covered by insurance policies managed by EDP Valor's Insurable Risk Management Office.

Environmental risk. Power generation resources are most exposed to this risk due to the use of natural resources and also due to the emissions and waste that thermal power generation produces. The EDP Group observes a very strict Environmental Policy that seeks to fully comply with the parameters for the licensing of its facilities and introduce additional measures that will minimise possible responsibilities in this area.

Credit risk. This is not a significant risk in operations in the organised market. In OTC market and fuel purchase operations, the UNGE minimises this risk by applying exposure limits in agreement with the limits approved internally in line with the counterparty rating (defined by an external body or internally if there is no external information). However, one should point out that, as a result of the present international crisis, its effects have been felt and have led to a revision of criteria, given that some of the counterparties are associated with international groups with acknowledged difficulties.

Market supply:

Electricity price risk. This risk is assumed by the UNGE, once the volumes of sales to final customers by EDP Comercial and HC Energia are defined, except in situations in which market price-indexed contracts are possible.

Volume risk. Climate and economic conditions as well as the migration of customers between the free market and the regulated public service market mean that the volume of energy to be sold to final customers always involves a certain amount of uncertainty. In principle, this risk is assumed by supply, as it has to make excess or shortage adjustments with the UNGE at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant fluctuations in the share of free market consumption depending on the attractiveness of the public tariffs, calls for dynamic management of this risk through integrated and regular intervention by the Prices and Volumes Committee set up for that purpose.

Commercial quality operational risk. In the free market the criteria for commercial service quality are the entire responsibility of the Group, which has placed great emphasis on the good management of this risk.

Credit risk. This supply-related risk is managed primarily by the contractual criteria that are applied and, secondly, by EDP Soluções Comerciais, the unit entrusted with performing the metering – billing – payment collection cycle (in Spain: HC Energia).

Supply of last resort:

In accordance with European legislation, consumers that opt for regulated tariffs are customers of the so-called supplier of last resort, which is totally regulated (in terms of share of electricity purchases in auctions, the forward market, etc.).

Regulatory risk. Although this activity is low risk, the increase in the accumulation of tariff deficits in the sector raises some concern as to the future consistency of a hybrid system with systematic arbitration between the public service regulated tariff and free market contracts. It is hoped that the gradual disappearance of regulated tariffs for the sale of electricity will enable consolidation of the competitive balance mechanisms and closer monitoring of the real trends in international costs for the raw materials required for electricity generation.

Supply quality operational risk. In addition to the regulated criteria for supply quality of service (average response time in providing services to the customer, percentage of readings of low voltage meters, etc.), the Group has placed great emphasis on management of this

risk, for the possible consequences in terms of brand erosion risk management are by no means negligible.

Credit risk. Management of this risk has been delegated to EDP Soluções Comerciais and is carried out in accordance with the regulations defined for public service customers (power cuts when bills are not settled within payment deadlines).

Electricity distribution:

Regulatory risk. Alterations to the remuneration rules for this activity can affect the revenue of EDP Distribuição and HC Energia. In addition to the just defence of the valuation criteria for the activity, the Group also strives to apply better grid planning, construction, operation and maintenance practices with a view to achieving, and even surpassing, the efficiency gains implicit in the regulatory objectives.

Technical service quality and losses operational risk.

In addition to the regulated criteria for technical quality of service (duration and number of service interruptions, service reinstatement times, etc.) and the incentives aimed at reducing physical losses in the grid, the Group has also placed great emphasis on the management of this risk, as the possible consequences in terms of brand erosion risk management and efficient energy management policy are by no means negligible.

Grid operational risk. The existence of infrastructures in the public domain (power lines, cables, transformer posts, etc.) can worsen the impact of breakdowns and other incidents. This risk is mitigated through application of conduction and maintenance methods and safety procedures of the highest standard. Furthermore, insurable risks are transferred to insurance policies.

Environmental risk. Although it is less relevant than in generation, the problem of overhead power lines in terms of their visual impact and bird flight paths is one worth mentioning. Particular attention is given to these questions in the planning and design phase and to additional measures that help make the infrastructures compatible with birds that use them as resting places or sites for building their nests.

3.5.2.4. Risk management in other regions and activities

Although market and regulatory conditions may differ, the principles and methods referred to above also apply to gas transport, distribution and supply business units and to Energias do Brasil and EDP Renováveis.

As far as gas in particular is concerned, the strategic partnership with Sonatrach has made a significant contribution to profitable growth with controlled risk,



CORPORATE GOVERNANCE

as it significantly increases the Group's flexibility and hedging levels.

The market launch of EDP Renováveis was a clear confirmation of the alteration in the Group's power generation profile, as well as a sign of its commitment to the American market. These developments bring enormous possibilities in terms of growth and reduced country risk, enabling the Group to assert itself as one of the world's major players in renewable energy sources and, accordingly, one with low exposure to risks associated with the emission of greenhouse gases.

3.5.2.5. Transversal risk management

Investment risk. The investment assessment and decision-making process has established uniform criteria for defining the discount rates to be used in evaluating the expected cash flows and for the modelling of scenarios (which incorporate different sensitivities, such as price risk, energy volume risk, regulatory risk). These criteria help to mark out limits in the Group's appetite for risk, with the capital cost of each business unit/region being reviewed on a regular basis. The investment committees at the business unit and corporate level allow for effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investments, monitoring operational risks in these phases and their potential impact on the expected value.

Financial risk. The Group's financial risks are primarily managed by the Financial Department, which is responsible for the Group's cash management in Portugal and management of the debt portfolio and interest and exchange rate risks through financial market instruments (in Brazil, Energias do Brasil follows, under coordination, similar principles and methods and EDP Renováveis uses identical procedures both for the positions it holds in Europe and in the United States of America).

Particular attention has been paid to the liquidity risk, given the present international climate of recession. It is hoped that the current conditions do not affect the ability to attract funds for the habitual debt roll-out and for the planned growth, given that the Group and its assets have a low risk profile. The liquidity risk is mitigated by the debt management policy and the contracting of new financing and also by the availability of credit lines that have been contracted (firm deals) but not used.

Given the financial policies followed by the Group, one continues to observe a low level of market risk and a diversified counterparty risk involving financial institutions with adequate ratings.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully

covered by the Pension Fund assets and specific provisions included in the EDP balance sheet. These liabilities are calculated annually by an Independent Actuary on the basis of IFRS-IAS assumptions, taking various factors into account, including the performance of the Fund, demographic aspects, economic variables and the applicable requirements.

Operational risk. Included under operational risk are potential losses resulting from incidents caused by failures or inadequacy in terms of procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and ethical standards; operating losses include economic and non-economic effects and loss of reputation).

For the area of Information Technologies, the Information Systems Department has been consolidating the complete risk management process. One should note here that criteria have been defined for establishing the necessary redundancies for the DPC (Data Processing Centre), thus continuing and consolidating the Disaster Recovery policy.

The most significant risks that are transferable to the insurance market have to do with industrial facilities. Both for these and for the risk of claims by third parties for material or personal damages and their consequences that may arise from the activities of the Group companies, the Insurable Risk Management Office at EDP Valor has applied the Strategic Insurance Plan 2007/2008, which is based on the establishment of joint programmes for all Group companies in Portugal and Spain, direct contracting with the insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimise insurance costs and improve control thereof.

In terms of legal risks, either involving litigation or arbitration pertaining to operations involving the licensing of new facilities or compliance with taxation and accounting obligations, the Group does not expect any significant negative repercussions.





CORPORATE GOVERNANCE

**4. SHAREHOLDER STRUCTURE AND EXERCISE
 OF SHAREHOLDER POSITIONS**

4.1. Capital structure

The EDP share capital of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, 2,936,222,980 of which are Category A shares, which are ordinary shares, and 720,314,735 of which are Category B shares, with a face value of one euro each. The Category A shares account for 80.30% of the share capital and Category B shares account for 19.70%.

Although there are no limits to the transferability of EDP shares, given that, in accordance with the Securities Code, shares traded in the market are freely transferable, the EDP Articles of Association do contain rules limiting the exercise of voting rights that apply to ordinary (or Category A) shares.

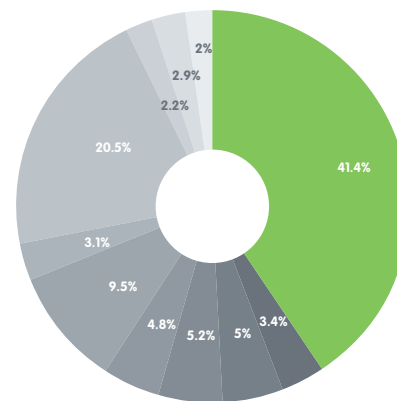
In accordance with the Articles of Association, votes corresponding to Category A shares that are cast by one and the same shareholder on its own behalf or in representation of another shareholder and exceed 5% of the total number of votes corresponding to the share capital shall not be counted.

Category B shares are those to be reprivatised. Their only privilege is that their holders, or those representing them, are not subject to the voting restriction laid down in Article 14.3 of the Articles of Association, in relation to these shares.

In addition, shareholders who acquire a holding of 5% or more of the voting rights, or of the share capital, must communicate this fact to the Executive Board of Directors within a period of five work days from the date on which said holding becomes effective. They may not exercise voting rights if they have not communicated this fact.

4.2. Shareholder structure

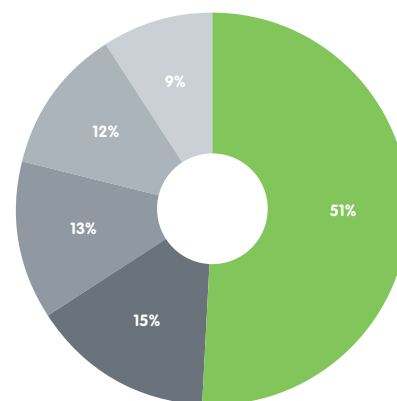
Shareholder Structure



- Grupo BCP
- CajAstur
- CGD
- J. de Mello
- Iberdrola
- BES
- Parpública
- Sonatrach
- Pictet
- IPIC
- Remaining Shareholders

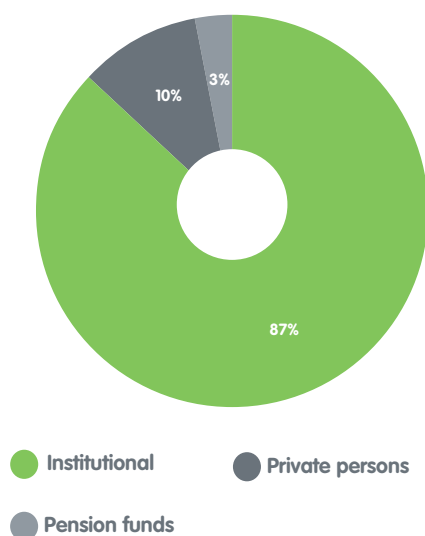
The breakdown of the EDP shareholder structure by region and investor type in 2008 was as follows:

Geographic Breakdown of Shareholder Structure



- Portugal
- Spain
- United Kingdom
- Europe
- USA

Breakdown of Shareholder Structure by Investor Type



4.3. Qualifying holdings

Pursuant to Article 8.1b of CMVM Regulation n.º 5/2008, the following information can be provided on qualifying holdings held by shareholders in the EDP share capital in 2008:

Allocation of Voting Rights in Accordance with Article 20.1 of the Securities Code

EDP Shareholders Structure

Shareholders	N.º of Shares	% Capital	% Vote
PARPÚBLICA – Participações Públicas, SGPS, S.A.	749,323,856	20.49%	20.69%
IBERDROLA – Participações, SGPS, SA	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 (CajAstur)	183,257,513	5.01%	5.00%
José de Mello – Soc. Gestora de Participações Sociais, S.A.	176,291,567	4.82%	4.87%
Grupo Millennium BCP + FUNDO DE PENSÕES	124,198,519	3.39%	3.43%
BANCO ESPÍRITO SANTO, S.A.	111,566,342	3.05%	3.08%
Pictet Asset Management	104,396,422	2.86%	2.88%
Sonatrach	81,713,076	2.23%	2.26% ⁽¹⁾
International Petroleum Investment Company (IPIC)	73,130,755	2.00%	2.02%
EDP (Treasure Stock)	35,703,591	0.98%	-
Remaining Shareholders	1,478,412,357	40.44%	
Total	3,656,537,715	100.00%	

Note: In accordance with the made use once in n.º 3 of the 14.º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 5% of the totality of the corresponding votes to the capital stock exceed

The percentage of voting rights was calculated based on 35 703 591 shares/treasury stock

(1) In compliance with the understanding imparted by the CMVM to Sonatrach in relation to the effects of a shareholder agreement entered into with the shareholders Parpública – Participações Públicas, (SGPS) S.A. and Caixa Geral de Depósitos S.A., the voting rights corresponding to the stock held by these two shareholders have been assigned to Sonatrach since 11 April 2007, pursuant to Article 20(1) of the Portuguese Securities Code.



CORPORATE GOVERNANCE

4.4. Holders of special rights

Shareholders	Number of Shares	% Capital	% Vote
PARPÚBLICA – Participações Públicas, SGPS, S.A.			
Privatised shares – Category A	29,009,121	0.79%	0.80%
Non-privatised shares – Category B	720,314,735	19.70%	19.89%
Capitalpor – Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.29%
PARPÚBLICA – Participações Públicas, SGPS, S.A.	311,517,000	8.52%	8.60%
Total	749,323,856	20.49%	20.69%

The company Capitalpor – Participações Portuguesas, SGPS, S.A. is fully owned by PARPÚBLICA – Participações Públicas, SGPS, S.A.

GRUPO CAIXA GERAL DE DEPÓSITOS

Caixa Geral de Depósitos	186,385,039	5.10%	-
Fundo de Pensões da CGD	1,791,871	0.05%	-
Companhia de Seguros Fidelidade Mundial, S.A.	2,793,233	0.08%	-
Império Bonança – Companhia de Seguros, S.A.	178,318	0.00%	-
Via Directa – Companhia de Seguros, S.A.	13,490	0.00%	-
Multicare – Seguros de Saúde, S.A.	10,683	0.00%	-
Total	191,172,634	5.23%	5.00%

Caixa Geral de Depósitos holds 100% of the share capital and voting rights of Caixa Seguros, SGPS, S.A., which in turn holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A., which in turn holds 100% of the share capital and voting rights of Via Directa – Companhia de Seguros, S.A.; ii) 70% of the share capital and voting rights of Império Bonança, SGPS, S.A., which in turn holds 100% of the share capital and voting rights of Império Bonança – Companhia de Seguros, S.A.; iii) 100% of the share capital and voting rights of Cares – Companhia de Seguros, S.A.

CAJA DE AHORROS DE ASTURIAS (CajAstur)

Cantabrica de Inversiones de Cartera, S.L.	128,409,447	3.51%	-
Caja de Ahorros de Asturias (CajAstur)	54,848,066	1.50%	-
Total	183,257,513	5.01%	5.00%

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

JOSÉ DE MELLO – SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.

José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.87%
Órgãos de Administração e Fiscalização	8,041	0.00%	0.00%
Total	176,291,567	4.82%	4.87%

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

Grupo Millennium BCP + FUNDO DE PENSÕES

Company Officers	233,126	0.01%	0.01%
Fundação Banco Comercial Português	350,000	0.01%	0.01%
Banco Millennium BCP Investimento, S.A.	84,664	0.00%	0.00%
Banco Comercial Português, S.A. (Gestão descrecionária)	77,950	0.00%	0.00%
Banco Comercial Português, S.A.	1,116,185	0.03%	0.03%
Fundo de Pensões do Grupo Millennium BCP	122,336,594	3.35%	3.38%
Total	124,198,519	3.40%	3.43%

BANCO ESPÍRITO SANTO, S.A.

Banco Espírito Santo, S.A.	111,553,128	3.05%	3.08%
Members of Corporate Bodies	13,214	0.00%	0.00%
Total	111,566,342	3.05%	3.08%

INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)

Senfara SARL	73,130,755	2.00%	2.01%
Total	73,130,755	2.00%	2.01%

The company Senfara SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abhu Dhabi government.

Note: The percentage of voting rights was calculated based on 35,703,591 shares/treasury stock

Pursuant to Article 4.3 and 4.4 of the EDP Articles of Association, Category B shares are the shares to be reprivatised. Holders of these shares or their representatives are not subject to the voting restrictions stipulated for Category A shares, i.e. the fact that votes corresponding to Category A shares cast by a shareholder on its own behalf or in representation of another shareholder that exceed 5% (five per cent) of the total votes corresponding to the share capital shall not be counted (in keeping with Article 20.1 of the Securities Code).

The shares in reprivatisation are the Category B shares as long as they are held by public bodies. Their transfer to non-public bodies determines their respective conversion to Category A shares. This conversion does not require the approval of the respective holders or a decision by any EDP corporate body.

4.5. Restrictions to share transferability

As laid down in the Articles of Association (Article 5.3), Category B shares can only be held by public bodies as long as they are not the object of privatisation.

There are no restrictions on the transferability of Category A shares.

4.6. Shareholder agreements

In accordance with Article 7 of the EDP Articles of Association, full information of shareholders agreements relating to the company must be forwarded to the Executive Board of Directors and the General and Supervisory Board by the shareholders that sign them within 30 (thirty) days after the date on which they were signed.

On the basis of the information provided to the Company by shareholders, the Executive Board of Directors has knowledge of one single shareholders agreement, which was signed on 11 April 2007 by Parpública – Participações Públicas (SGPS), S.A. (“Parpública”), Caixa Geral de Depósitos, S.A. (“CGD”) and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (“Sonatrach”).

Under the aforementioned Shareholders Agreement, which was the object of public disclosure, Parpública and CGD took on the following obligations:

- a. To support the election of Sonatrach (or a person appointed by it) to the EDP General and Supervisory Board at the General Meeting of Shareholders of 12 April 2007 under the condition that a strategic partnership between EDP and Sonatrach be formed;
- b. To support the permanence of Sonatrach (or the person appointed by it) as a member of the EDP General and

Supervisory Board, provided that Sonatrach retains a holding of at least 2% of the EDP share capital and the aforementioned strategic partnership remains in effect; and

- c. To abstain from promoting, supporting and/or voting favourably on any amendment to the EDP Articles of Association that would prevent the permanence of Sonatrach (or the person appointed by it) on the General and Supervisory Board.

4.7. General Meeting of Shareholders and participation in the General Meeting

Meetings of the General Meeting of Shareholders must be convened at least 30 (thirty) days in advance of the respective date with specific reference to the items on the agenda. Only shareholders with voting rights may attend the meetings, as well as other persons whose presence is considered justified by the Chairman of the Board of the General Meeting.

In accordance with Article 11.10 of the EDP Articles of Association, EDP shareholders can only attend the General Meeting of Shareholders if they have held shares for at least five working days before the date of the respective meeting and maintain that quality until the date of the meeting.

Proof of ownership of shares is provided by forwarding to the Chairman of the Board of the General Meeting, at least five working days prior to the date of the respective General Meeting, a declaration issued and authenticated by the financial intermediary entrusted with registration of the shares in an account.

The declaration of the aforementioned financial intermediary must state that the shares in question were registered in the respective account at least five working days in advance of the date of the respective General Meeting and that the blockage of the shares in the account until the date of the General Meeting has been effected.

In the event of suspension of a General Meeting, EDP adopts Recommendation 1.2.2 of the Corporate Governance Code. Accordingly, for clarification purposes, express reference to application of the aforementioned recommendation shall be made on the notice for the General Meeting.

Shareholders may be represented by persons with full legal capacity. This must be communicated to the Chairman of the Board of the General Meeting by 5.00 p.m. on the second last day prior to the date of the General Meeting at the latest.



CORPORATE GOVERNANCE

4.8. Votes and exercising of voting rights

Pursuant to Article 14.2 of the EDP Articles of Association, and in accordance with Recommendation 1.3.3 of the Corporate Governance Code, one share equals one vote.

Votes belonging to Category A shares cast by one shareholder on its own behalf or in representation of another shareholder that exceed 5% of the total votes corresponding to the share capital shall not be counted. This restriction applies in all matters voted on, including those for which the legislation or EDP Articles of Association require a qualified majority of the company capital.

Pursuant to Article 14.4 of the EDP Articles of Association, the votes corresponding to Category A shares shall be treated as cast by the same shareholder whenever so considered under the terms of Article 20.1 of the Securities Code, or any legal provision that amends or replaces it.

The EDP shareholders are duty bound to provide to the Executive Board of Directors – in writing and in a complete, objective, clear and truthful fashion, and in a form that is satisfactory to the Board – all information that the latter requests on matters relating to them and related with Article 20.1 of the Securities Code. Failure to comply with this duty shall result in prevention of the exercise of voting rights for the shares held by the defaulting shareholder.

In the event that the discounting of votes affects more than one shareholder, the restriction shall apply in proportion to the number of ordinary shares held by each shareholder.

Article 15.1 of the EDP Articles of Association establishes that shareholders who, under the aforementioned Article 20.1 of the Securities Code or a legal provision that amends or replaces it, become holders of, or have allocated to them, a share equal to or higher than 5% (five per cent) of the voting rights or the share capital, must inform the Executive Board of Directors of that fact within a period of five working days following the date on which said ownership takes effect. They cannot exercise the respective voting rights if they have not made this communication.

EDP has adopted measures aimed at encouraging the exercise of voting rights by the shareholders, namely through the elimination of financial obstacles that may affect the exercise of voting rights. These measures include:

- General dissemination of the notice of the General Meeting, with express reference to the means available for voting, namely through regular publications and the forwarding of mailings to the shareholders;
- Payment of the costs involved in procuring share ownership and blockage declarations for all

shareholders that take part in the General meeting (directly or through distance voting);

- Payment of the costs involved in distance voting, including postal voting.

4.9. Postal voting/Electronic voting

EDP shareholders can exercise their postal voting rights on each of the items on the agenda in a letter bearing a signature identical to that on their identity card addressed to the Chairman of the Board of the General Meeting and forwarded by registered mail with recorded delivery to the company's head office. The letter must be delivered at least 3 (three) working days in advance of the date of the respective General Meeting, unless a longer period is referenced on the notice for the meeting, and must also include a legible photocopy of the identity card of the signatory of the letter.

The Chairman of the Board of the General Meeting is responsible for verifying the authenticity and legality of postal votes, in addition to ensuring they remain confidential until the actual vote is taken. Postal votes on motions submitted after the date on which these votes were cast will count as negative votes. Shareholders can find a draft form for postal voting on the EDP website (www.edp.pt).

Pursuant to Article 14.7 of the EDP Articles of Association, voting rights can be exercised by electronic means, in accordance with requirements that assure their authenticity, which are to be defined by the Chairman of the Board of the General Meeting in the notice for the respective General Meeting.

4.10. Quorum and decisions

Decisions of the General Meeting shall be reached by a majority of votes cast, unless there is legal or statutory provision requiring a qualified majority.

The EDP Articles of Association do not define any constitutive quorum for the General Meeting (adopting the rule in the Companies Code).

As far as the deliberative quorum is concerned, the rule adopted in the EDP Articles of Association is that the General Meeting can reach decisions at the first or second convening of the meeting, irrespective of the number of shareholders attending or represented, including decisions on the amendments to the Articles of Association, mergers, demergers or transformation of the company (this means that, with respect to the aforementioned matters, the quorum is lower than that provided for in the law, i.e. the need for shareholders holding at least the shares corresponding to one third of the share capital to be present or to be represented).

In all other cases, the deliberative quorum laid down in the law, namely in Article. 383.2 of the Companies Code, applies.

4.11. Minutes and Information on Decisions

Considering that the General Meeting of Shareholders is the company's highest authority, EDP provides extracts from the minutes of its General Meetings, as well as the respective notices, agenda, motions submitted and forms of participation for consultation on its website (www.edp.pt) within 5 (five) days after a meeting.

EDP considers that the information that is materially relevant for investors does not include the whole content of the minutes of meetings. Full provision of the minutes would, indeed, be susceptible to use for purposes that are not related to the interests of the company, its shareholders, investors and the market in general. Accordingly, EDP publishes on its website an extract of the minutes of General Meetings containing all relevant information relating to the constitution of the General Meeting and decisions taken, including motions submitted and any voting declarations made.

The website provides information to the EDP shareholders on the following: i) the requirements for participation in the General Meeting; ii) exercising postal voting rights; and iii) the information available at the company head office.

To this one can add the fact that EDP clarifies its shareholders on the forms of participation in the General Meeting through provision of draft versions of the letter of representation, voting ballot and the instructions for voting by electronic mail.

EDP shareholders can consult all this information on the website, as well as the historic records containing information on the Annual and Extraordinary General Meetings since 2004, which are also available for consultation.

The historic records do not include the attendance lists at the General Meetings, given the personal nature of the data involved.

4.12. Measures on Control and Changes in Control of the Company

EDP has not adopted any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk.

Although the EDP Articles of Association establish a restriction on the exercise of voting rights for Category A shares, according to which the votes for Category A shares

cast by one and the same shareholder (pursuant to the terms of allocation of voting rights established in Article 20.1 of the Securities Code) that exceed 5% of the total votes corresponding to the share capital shall not be counted, this restriction is not a measure adopted with a view to preventing the success of takeover bids.

Indeed, the fact that the restriction of voting rights is incapable of preventing a successful takeover bid is a result of the current EDP capital structure and the relative weight of the Category A shares in that capital, as well as of the requirement of a deliberative quorum of two-thirds of the votes cast established in the EDP Articles of Association for amendments to the by-laws with the provisions of Article 182-A.2 of the Securities Code.

Defensive measures with the aim, or that have the consequence, of causing grave erosion of the EDP assets in the case of transition of control of the company or a change in the composition of the Executive Board of Directors, thus impairing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors, have also not been adopted.

To the knowledge of the Executive Board of Directors, EDP is not party to important agreements that enter into force, are altered or terminated in the event of a change in control of the company following a takeover bid (with the exception of the normal practice in matters of debt issue). Nor is it party to agreements with holders of office on the management body or directors, in the understanding of Article 248-B.3 of the Securities Code, that provide for compensations in the event of dismissal, dismissal without just cause or the termination of work contracts following a successful takeover bid.



CORPORATE GOVERNANCE

5. REMUNERATION

5.1. Remuneration of Company Officers

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

In keeping with the interests that Recommendation II.1.5.2 of the CMVM Corporate Governance Code for Listed Companies seeks to protect, in fixing the payments for the members of the General and Supervisory Board and the Statutory Auditor, the Remuneration Committee of the General meeting takes into consideration their fixed nature as well as the mandatory rules on determination of the remuneration, in particular the provisions of Article 440(2) of the Companies Code, which defines the criteria for payment of the General and Supervisory Board; Article 374-A of the Companies Code on the remuneration of members of the Board of the General Meeting, and Article 60 of Decree-Law n.º 224/2008 of 20 November on the remuneration of the Statutory Auditor.

The total amounts paid to members of the EDP corporate bodies in 2008 were as follows:

	Euros
General Meeting Presiding Officers	0,00
Statutory Auditor	161,663.00
General and Supervisory Board	1,409,940.31
Executive Board of Directors ⁽ⁱ⁾	7,670,981.74
Total	9,242,585.05

⁽ⁱ⁾ Includes amounts paid to Directors (by companies in which EDP has a majority stakeholding), solely for the period when they are resident abroad.

5.2. Remuneration of the Board of the General Meeting

The Chairman of the Board of the General Meeting receives no remuneration in that capacity, given that the Chairman is a member of the General and Supervisory Board and is remunerated for that office.

The Vice-Chairman of the Board of the General Meeting is paid by means of attendance fees. The attendance fee of EUR 1,000.00 for his presence at the General Meeting held on 10 April 2008 was paid in 2009.

5.3. Remuneration of the Members of the Executive Board of Directors

The remuneration policy for the members of the Executive Board is defined by the Remuneration Committee appointed by the General and Supervisory Board. The committee has defined the payment to be made to the members of the Executive Board of Directors to reflect the performance of each board member in each year of term

of office (annual variable remuneration), as well as performance for the duration of the term of office through the fixation of a variable component that is consistent with maximisation of the long-term performance of the Company (multi-annual variable remuneration).

The Remuneration Committee of the General and Supervisory Board submitted a declaration on the remuneration policy to the General Meeting of 12 April 2007. It is currently still in force (without any alterations) and contains the following terms:

- **Fixed Remuneration** – for the Chairman of the Executive Board of Directors remuneration is fixed at EUR 600,000.00 (gross) per annum; the remaining members of the Executive Board of Directors receive 80% of that sum;
- **Annual Variable Remuneration** – for each of the Executive Board of Directors members, payment can range between 0% and 100% of the annual gross fixed remuneration; the respective amount is determined on the basis of the following indicators for each year of office: relative performance of Total Shareholder Return of the EDP Group vs. Eurostoxx Utilities and PSI-20, the real capacity for creation of shareholder value, Gross Margin growth, Net Profit growth and EBITDA growth;
- **Multi-annual Variable Remuneration** – likewise, for each of the Executive Board of Directors members this component can be between 0% and 100% of the annual gross remuneration, depending on the annual accumulated assessment of the performance of the directors in achieving the economic sustainability of the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the set strategic objectives have been achieved; these will be assessed on the basis of the performance and comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors: relative performance of the EDP Group's EBITDA vs. Eurostoxx Utilities and PSI-20 in the term of office; the EDP Group's capacity for creation of value in the term of office; relative performance of the Group's stock market capitalisation vs. Eurostoxx Utilities and PSI-20 in the term of office; performance of the sustainability index applied to the EDP Group (DJSI method); EDP Group's image in the national and international markets; capacity for change and adaptation to new market demands; and compliance with strategic goals set for the EDP Group.

The time frame taken into consideration for determining the value of the multi-annual variable remuneration component (3 years), the use of medium-term strategy oriented qualitative criteria in the company development,

the existence of caps for the variable remuneration and the relative weight of that component in the overall payment are decisive elements in fostering performance in the company management that is not concentrated on short-term objectives alone, but includes the medium and long-term interests of the company and the shareholders in its performance.

The payments to the members of the Executive Board of Director for 2008 were as follows. The table distinguishes the payments to the Chairman from those of the other members:

	Fixed	Variable	Remuneration paid to internationally seconded directors	Total
Chairman of the Executive Board	686,714.12	570,863.00	0	1,256,577.12
Executive Board members	3,261,332.62	2,673,072.00	480,000.00 ⁽¹⁾	6,414,404.62
Total	3,947,046.74	3,243,935.00	480,000.00	7,670,981.74

⁽¹⁾ Amounts paid (by companies in which EDP has a majority stakeholding), solely for the period when they are resident abroad.
Note: Payments to the Chairman and members of the Executive Board include those relating to employee pension savings schemes.

The pension savings scheme for the members of the Executive Board of Directors serves as a complement to the retirement pension and corresponds to 10% of the annual remuneration.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

5.4. Remuneration of the Members of the General and Supervisory Board

Remuneration of the members of the General and Supervisory Board is fixed, taking into account the tasks performed.

The remuneration for the Chairman of the General and Supervisory Board was fixed specifically taking into account that it is a full-time position.

	Fixed	Variable	Total
Chairman of GSB	622,856.92	0,00	622,856.92
GSB Members	787,083.39	0,00	787,083.39
Total	1,409,940.31	0,00	1,409,940.31

Note: Remuneration to the chairman of the gsb includes payments relating to pension savings schemes.

5.5. Remuneration of Managerial Staff

The remuneration of the other company managers, as defined in Article 248-B of the Securities Code, with the exception of the members of the corporate bodies, follows the scheme applicable to the workforce in general. This remuneration is made up of a fixed monthly amount plus a possible annual bonus based on corporate and individual performance, in accordance criteria defined in advance, namely the achievement of set profitability targets, absenteeism and equity.

5.6. Agreements Regarding Termination of Management or Employment Contracts

There are no agreements between the company and holders of office on the governing or supervisory bodies or workers that provide for compensation in the event of resignation or dismissal of the former or the resignation of a worker, dismissal without just cause or the termination of work contracts following a successful takeover of the company.

5.7. Stock Option Plans/ Stock Purchase Options

5.7.1. Applicable to the Governing Body in the 2006/2008 period

The definition of the parameters for determining the variable remuneration of the members of the Executive Board of Directors – a remuneration policy defined by the Remuneration Committee of the General and Supervisory Board – did not include any Stock Option Plans or Stock Purchase Options for the term of office in question.

5.7.2. Applicable to the Governing Body in the 2003/2005 period

For the variable remuneration for the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee in the three-year period of 2003 to 2005 the Remuneration Committee in office during that period provided for the stock option plans in accordance with the qualitative and quantitative assessment for each business year. In accordance with the plans, each stock purchase option can be exercised up to a maximum of 1/3 on each of the anniversaries from the date of allocation of the option plan



CORPORATE GOVERNANCE

onwards. Options not exercised become null and void at the end of eight years from the date of allocation.

Date of option	N.º Benef.	N.º of Options	Option Price	Date of Commencement	Date of Forfeiture	N.º of Options	
						In 2008	Total
30-Apr-04	6	760,482	2.29	30-Apr-05	29-Apr-12	40,133	722,206
30-Jun-05	6	932,328	2.21	30-Jun-06	29-Jun-13	116,240	641,666
02-May-06	6	1,461,497	2.21	02-May-07	01-May-14	336,475	672,950

In 2008 a total of 492,848 options were exercised, as shown in the following table, which also details the total number of stock options given in the 2003 – 2005 period.

5.8. Remuneration of the Auditor

KPMG has been entrusted with all the external auditing of all EDP Group companies in Portugal, Spain, Brazil, the USA and other countries in which the Group presently operates.

In 2008 the recognised specialised costs for fees to KPMG for auditing services and statutory auditing, guarantee and reliability services, taxation consultancy and other services beyond legal revision of the accounts for Portugal, Spain, Brazil, the USA and other countries were as follows:

Euros	Audit and Statutory Audit of Accounts	Assurance and Reliability Services	Tax Consultancy Services	Other Services Unrelated to Statutory Auditing	Total
Portugal	2,417,100	1,402,027	589,765	196,285	4,605,177
Spain	1,485,047	348,930	120,000	314,900	2,268,877
Brazil	934,267	41,862	41,930	163,530	1,181,589
USA	562,116	410,772	687,360	0	1,660,248
Other Countries	205,550	11,400	40,840	0	257,790
Total	5,604,080	2,214,991	1,479,895	674,715	9,973,681

The auditing services and statutory auditing are services required in order to issue opinions on the individual and consolidated financial statements of the parent company and its subsidiaries in Portugal and abroad. These amounts do not include services provided to associated companies or jointly controlled entities.

Furthermore, the measures also stipulated that the provision of non-audit services by the independent statutory auditor to EDP Group companies in Portugal or abroad has to be approved in advance by the Audit Committee.

Given the scope of the services provided by auditing companies, EDP has adopted, as of 2004, measures specifically aimed at safeguarding the independence of the statutory auditor, using as a reference the rules of the Securities Exchange Commission for companies listed in the American market issued after the Sarbanes-Oxley Act of July 2002.

These measures include definition of the permitted scope of non-audit services that may be provided by the statutory auditor, excluding, in particular, accounting, financial information systems development, assessment and legal and actuarial services. These services may not be provided by the independent statutory auditor.





CORPORATE GOVERNANCE

6. THE EDP SHARE AND DIVIDEND POLICY

6.1. EDP in the capital markets

The shares representing the EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon (which, at the time, operated under the name Lisbon Stock Exchange) on 16 June 1997. Since then, thanks to subsequent reprivatisation phases, more company shares have been admitted to trading in the NYSE Euronext Lisbon market:

EDP Admission to Trading Phases

Admission Phase	Date
1 st Privatisation Phase/IPO	16 June 1997
2 nd Reprivatisation Phase	26 May 1998
3 rd Reprivatisation Phase	28 June 1998
4 th Reprivatisation Phase	23 October 2000
5 th Reprivatisation Phase/Capital Increase	7 December 2004
6 th Reprivatisation Phase	27 December 2005

EDP has 2,936,222,980 ordinary shares, with a face value of EUR 1.00 and representing 80.30% of the share capital, admitted to trading in the NYSE Euronext Lisbon market. The free float in 2008 was 60 per cent.

EDP – Energias de Portugal, S.A.

Shares	
Share capital	€ 3,656,537,715
Nominal Share Value	€ 1.00
N.º of Shares	3,656,537,715
Date of IPO	16 June 1997
NYSE Euronext Lisbon	
Shares	
Reuters RIC	EDPLS
Bloomberg	EDP PL
ISIN	EDPOAM0009

The EDP shares are also the underlying assets for futures contracts and warrants negotiated in the Lisbon market.

The following EDP bond loans are also admitted to trading:

Issue / ISIN	Date			Stock Exchange	Sum	
	Issue	Maturity	Coupon		Issue	Outstanding ⁽²⁾
26 th Issue PTEDPAOE0002	26-03-2003	26-03-2013	Half-yearly Euribor 6m + 50 bp	Not listed	150,000,000	150,000,000
1 st Issue EMTN ⁽¹⁾ XS0103383286	29-10-1999	29-10-2009	Annual fixed rate EUR 6.400%	London, Switzerland, Euronext Paris	1,000,000,000	1,000,000,000
2 nd Issue EMTN ⁽¹⁾ XS0126990778	28-03-2001	28-03-2011	Annual fixed rate EUR 5.875%	London, Frankfurt	747,352,000	747,352,000
4 th Issue EMTN ⁽¹⁾ XS0139081763	26-11-2001	27-11-2009	Zero coupon – EUR	London	22,455,000	22,455,000
6 th Issue EMTN ⁽¹⁾ XS0152784715	09-08-2002	09-08-2017	Annual fixed rate GBP 6.625%	London	200,000,000 ⁽³⁾	200,000,000 ⁽³⁾
8 th Issue EMTN ⁽¹⁾ XS0160258280	23-12-2002	23-12-2022	Annual fixed rate EUR 2.661%	Not listed	93,357,000	93,357,000
9 th Issue EMTN ⁽¹⁾ XS0221295628	22-06-2005	22-06-2015	Annual fixed rate EUR 3.75%	London	500,000,000	500,000,000
10 th Issue EMTN ⁽¹⁾ XS0223447227	29-06-2005	29-06-2020	Annual fixed rate EUR 4.125%	London	300,000,000	300,000,000
11 th Issue EMTN ⁽¹⁾ XS0256997932	12-06-2006	14-06-2010	Quarterly Euribor 3m + 15 bp	London	500,000,000	500,000,000
12 th Issue EMTN ⁽¹⁾ XS0256996538	12-06-2006	12-06-2012	Annual fixed rate EUR 4.25%	London	500,000,000	500,000,000
13 th Issue EMTN ⁽¹⁾ XS0256997007	12-06-2006	13-06-2016	Annual fixed rate EUR 4.625%	London	500,000,000	500,000,000
14 th Issue EMTN ⁽¹⁾ XS0397015537	08-11-2004	04-01-2024	Annual fixed rate GBP 8.625%	London	325,000,000 ⁽³⁾	325,000,000 ⁽³⁾
1 st Issue 144A/REGS US26835PAA84	02-11-2007	02-11-2012	Annual fixed rate USD 5.375%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾
2 nd Issue 144A/REGS US26835PAB67	02-11-2007	02-02-2018	Annual fixed rate USD 6.000%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾

⁽¹⁾ EMTN – Euro Medium Term Notes ⁽²⁾ Outstanding – Amount owed as at 31 Dec 2008 ⁽³⁾ Amount in GBP ⁽⁴⁾ Amount in USD

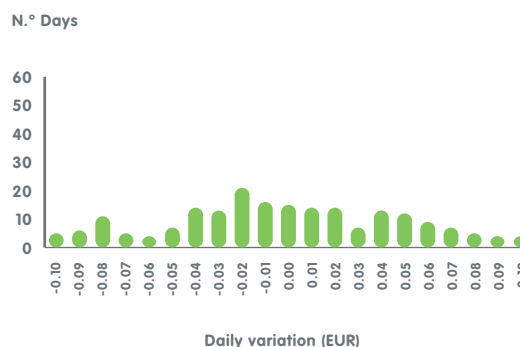
In 2008 EDP was the company with the greatest stock market capitalisation and greatest relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 19.83% of said index. EDP is one of the seven Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.878%. EDP shares are also a reference in several European indices, such as the Dow Jones Eurostoxx Utilities, which is based on the stock market performance of the leading and most representative European utilities companies.

In 2008 EDP shares lost 40% of their value, dropping from EUR 4.47 to EUR 2.695. This decrease in value together with the gross dividend of EUR 0.125 per share (paid on 8 May 2008) resulted in a total gross return of -37% in the reference period. This performance was in line with the returns provided by the leading benchmark indices, in particular the Dow Jones Europe STOXX Utilities index, which had a negative performance of 38% in the same period, and above the PSI-20 index, which lost 51% in value in 2008.

The market value of the EDP Group, based on its stock market capitalisation (n.º of shares issued x price per share), amounted in 2008 to EUR 9,854 billion, the equivalent of 21% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 46,039 billion. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2008. In this official stock market, approximately 2,761 billion EDP shares were traded, which corresponds to a daily average of 37.9 million shares at an average price of EUR 3.47 and to approximately 94% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 8.5% (EUR 9,710 billion) of the overall volume of shares traded in the Lisbon regulated market (a total of EUR 113,524 billion).

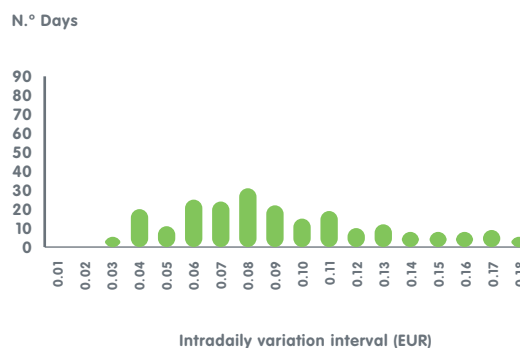
The following graphs present the daily and intraday variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2008, EDP shares proved to be less volatile.

Histogram – Daily Variation
52 weeks (Jan08-Dec08)



Source: Bloomberg

Histogram – Intradaily Variation
52 weeks (Jan08-Dec08)



Source: Bloomberg

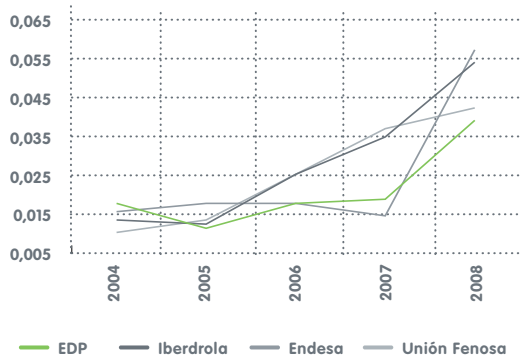
In spite of the international financial crisis, the EDP Group has a relatively low business risk level, given that it is structurally less exposed to market risk. This advantage is expected to diminish in the future due to the replacement, in the medium term, of thermal power stations that have reached their end of life and were protected with CMEC mechanisms by market-oriented power stations and also due to greater exposure to exchange rate risk resulting from business expansion outside the Euro zone, namely in Brazil and the USA.

On the basis of the following graphs and a top-down assessment of the weekly RaR (Return at Risk) of the EDP assets and the Iberian partners (95% probability of not being exceeded – unleveraged approach), it was concluded that the EDP Group presents a lower business risk profile and that its assets have a smaller relative significance in the overall risk value.

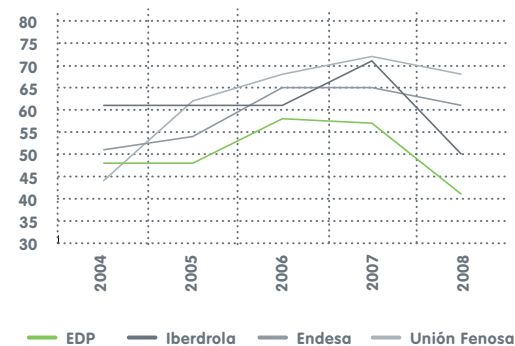


CORPORATE GOVERNANCE

RaR – Assets



Weight of Assets Risk in Overall Risk



6.2. Factors influencing change in EDP share price

The year 2008 was one of the most difficult years for the stock markets in recent times. Stock market performance was weak worldwide, with the Dow Jones in the US experiencing a drop of 33.8%, while in Europe, the DJ Stoxx 600 lost 45.6%. In the United Kingdom the FTSE 100 recorded a negative trend of 31.3% and in Germany the DAX was down 40.4%.

It was in this context that the EDP shares experienced a 39.7% decrease in value in 2008. Taking into account the payment of dividends of EUR 0.125 per share on 8 May 2008, this represents total negative profitability for the shareholder of 36.9% for the period under review. This performance was in line with the European utilities index SX6P, which registered a drop of 38.1% in the same period and in which Unión Fenosa was the only share to present a positive performance (+15.2%), following the takeover bid by Gás Natural in late July. The reference index for the Portuguese stock market, the PSI-20, presented a 51.3% loss in value for the same period, having been penalised by the negative performance of the banking sector. The best performance in the stock market belonged to REN shares (-21.7%), with Sonae Indústria registering the highest negative variation (-77.1%).

EDP vs PSI20 vs DJ Euro Stoxx Utilities



Source: Bloomberg

The evolution of the global financial crisis and performance of the stock markets were not homogenous throughout the year. Up until mid-May 2008, the leading stock market indices generally presented accumulated losses, in comparison to year start, of less than 15%, as a result of the increasing uncertainty in the markets, particularly after the acquisition of Bear Stearns, the fifth largest American bank, by JP Morgan, when the former was already in grave financial difficulty.

The high level of interest of stock market investors in the renewable energy sources sector and the high needs for capital for this business has led to the realisation of several IPOs in the second half of 2007. Of these one can highlight the Iberdrola Renováveis IPO in December 2007. In this context, EDP, at its Investor Day on renewable energy (wind and hydroelectric) held in Porto on 31 January, announced the launch of the study and preparation of the potential IPO for EDP Renováveis, a sub-holding for the development, investment in and operation of wind farms, with the aim of financing the financial effort in increasing the installed capacity, improving the visibility of this business area and enabling direct access for the wind energy generation business to the stock market with a view to meeting possible future additional growth opportunities.

On 9 April, IPIC, a company that is 100% owned by the government of Abu Dhabi, announced that it held a 2% share in the EDP capital and that it had concluded an memorandum of understanding with EDP on the same date for the development of a potential business cooperation in the electricity and gas sectors. The EDP General Meeting of Shareholders of 10 April 2008 approved the appointment of Khalifa Al Romaiithi, – IPIC’s representative, to the General and Supervisory Board until the end of the three-year period 2006 – 2008.

On 29 April, EDP signed a financing contract for EUR 925 million to run over a period of five years. The contract provides, in relation to the current EDP rating, for a basic interest rate of Euribor + 45 basis points, to which 10 basis points are added if use of the credit line exceed 50% and upfront payment commissions of between 25 and 35 basis points depending on the participation level.

On 8 May, EDP paid a gross dividend of EUR 0.125 per share, in line with the proposal made by the management and approved by the shareholders at the General Meeting.

On 15 May, the CMVM approved the prospectus for the Public Subscription Offer, creating the conditions for a combined offer of up to 25% of the share capital of EDP Renováveis. The price interval for subscription was fixed at between EUR 7.40 and EUR 8.90 per share.

The EDP Renováveis management team organised a roadshow, visiting more than 400 institutional investors in the leading international financial markets in two weeks.

On 2 June, the final price for the IPO was fixed at EUR 8.00 per share. Effective demand in the OPS was approximately 87.9 times greater than the total number of 45,085,590 shares offered. As far as the final fixed price is concerned, institutional sales led to a demand that was 6.1 times greater than the total number of 180,342,362 shares in the OPS. The total cash received from the offer, for 22.5% of the EDP Renováveis share capital (the greenshoe of 2.5% of the capital was not exercised), amounted to EUR 1.568 billion, with the offered shares being admitted to trading in the NYSE Euronext Lisbon market on 4 June 2008.

The EDP Renováveis IPO was the largest IPO carried out in Western Europe in 2008.

The first half of the year also saw a transfer of funds from the stock markets to the commodities markets (foodstuffs and raw materials), which registered extremely high growth rates early in the year, reaching historic peaks in July 2008. This growth in the commodities market was favourable for the performance of the stock market in some cyclical sectors such as mining and other areas of basic product manufacturing. Fossil fuels such as oil, gas and coal and also CO₂ emission licences also accompanied this trend, leading to an increase in prices in the wholesale electricity markets, which benefited the stock market performance of some utilities companies with greater exposure to the energy markets. Although it favoured the EDP Renováveis IPO, this increase in energy prices had a negative impact on the stock market performance of EDP in comparison to similar European companies in this period, due to the lower weight of the energy generation and supply in the free market business activities in the Group's overall business mix, particularly in the two months following the EDP Renováveis IPO.

The rise in commodity prices during the first half year of 2008 led to inflationary pressure in the world's leading economies, a situation that led the European Central Bank to raise its reference interest rate from 4.0% to 4.25% in July. This increase contributed even more to the increasing trend registered since March 2008 in the Euribor interbank lending rates (used as a reference in granting bank loans to companies and households), which, in turn, contributed to a sharp fall in the stock markets in general, including the utilities sector, and, consequently, of the price of the EDP share between late May and early July.

In this phase, on 3 July, the S&P rating agency announced an upgrading of the EDP Outlook from negative to stable, maintaining its long-term rating for the company at A- following concretisation of the EDP Renováveis IPO.

On 28 July, the most important consolidation operation of the year in the Iberian utilities sector was announced when Gás Natural communicated its friendly takeover bid for Union Fenosa at a price of EUR 18.33 per share in cash and a premium of 15% on the closing price for the Union Fenosa shares on the previous day.

The prime bond issue market for non-financial companies was non-existent in Europe from Lehman Brothers bankruptcy until the middle of October. In Spain, on 30 September the auction for securitisation of up to EUR 3.852 billion of the tariff deficit was empty, with no offers whatsoever being received. Thanks to its defensive risk profile, the utilities sector led the re-opening of the credit capital market in Europe at the end of the most acute phase of the crisis, with GDF Suez (which has a A/AA3/AA rating from the 3 main rating agencies) leading the re-opening of the bond market on 17 October. EDP led the reopening of the bond markets in Europe for companies with A-/A-/A2 ratings from the 3 main rating agencies. On 28 October it issued 15-year bonds amounting to GBP 325 million (EUR 425 million), demonstrating the company's capacity to access long-term credit in the capital market even in acute phases of increasing credit risk. However, although credit investors were once more willing to grant funds to certain companies, there was an abrupt increase in the spreads for the reference rates and the available liquidity amounts were still low, which had extremely negative repercussions through the stock market, including the performance of the EDP shares.

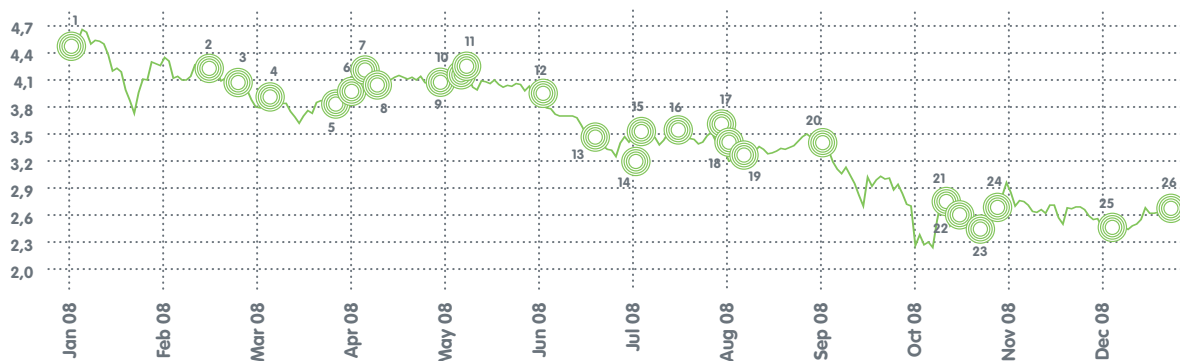
On 6 November, EDP organised an Investor Day in Lisbon for the purpose of presenting the EDP strategy for the 2009 – 2012 period. The stock market reacted positively to the Investor Day and the EDP Strategy, showing appreciation for the high levels of openness, transparency and commitment on the part of the company in a period of high uncertainty in the capital market.



CORPORATE GOVERNANCE

On 15 December, ERSE announced an average increase of 4.9% in electricity tariffs in Portugal for 2009. It also established the main regulatory parameters for the 2009 – 2011 period, confirming expectations for regulatory stability in that period.

Main Events Affecting the EDP Share Price in 2008



Date	Description
1	2/Jan Horizon agrees on US\$ 600 million deal with institutional investors
2	19/Feb EDP acquires 1,050 MW generation capacity to be installed in the US
3	26/Feb EDP exercises sales option on 40% holding in Edinfor
4	6/Mar Disclosure to the market of the financial results for 2007
5	31/Mar EDP transfers right to receive Portuguese tariff deficit for 2006 and 2007
6	1/Apr Construction and operation of Foz Tua hydroelectric power station awarded to EDP
7	8/Apr EDP acquires the wind energy assets of EOLE 76 in France
8	11/Apr ANEEL approves Enersul tariff revision
8	11/Apr Portgás signs regional distribution concession contract
9	29/Apr EDP signed credit facility for EUR 925 million
10	6/May EDP sells its stakes in Turbogás and Portugen
11	8/May Payment of gross dividend of € 0.12 per share for the business year 2007 (net dividend of € 0.10)
11	8/May Disclosure of the financial results for the 1st quarter 2008
12	2/Jun EDP Renováveis fixes IPO subscription price at EUR 8.00 per share
13	19/Jun Energias do Brasil and Rede Group agree on exchange of assets to consolidate the EDP Group's position in electricity generation in Brazil
13	19/Jun Competition Authority authorises operation of Alqueva power plant and the acquisition of mini-hydroelectric plants by EDP
14	1/Jul EDP begins construction of the Baixo Sabor hydroelectric plant and reinforcement of capacity at Alqueva
15	3/Jul Standard & Poor upgrades outlook for EDP from negative to stable
16	17/Jul Construction of Fridão and Alvito hydroelectric plants in Portugal awarded to EDP
17	31/Jul Disclosure of financial results for 1st half year 2008
18	1/Aug EDP awards contract for construction of new CCGT in Spain (Soto V)
19	8/Aug ANEEL approves Escelsa annual tariff readjustment of 12.17%
20	1/Sep Energia do Brasil sells its stake in telecommunications company ESC90
21	15/Oct ERSE announces tariff proposal for electricity in 2009 and parameters for the 2009 – 2011 period
22	17/Oct EDP Renováveis enters Romanian market with acquisition of 736MW of wind energy projects
23	22/Oct ANEEL approves Bandeirante's annual tariff readjustment of 14.48%
24	28/Oct EDP issues 15-year fixed rate bonds totaling GBP 325 million
25	3/Dec BNDES approves credit line of BRL 900 million for Energias do Brasil investments
26	29/Dec EDP Renováveis closes deal with institutional investors for investment in wind energy projects in 2008 in EUA

Capital Market Indicators					
	2008	2007	2006	2005	2004
EDP Shares in NYSE Euronext Lisbon Market (EUR)					
Opening price	4,470	3.84	2.60	2.22	2.01
Closing price	2,695	4.47	3.84	2.60	2.23
Peak price	4,760	5.00	3.86	2.68	2.42
Minimum price	2,062	3.79	2.58	2.04	1.93
Variation in Share Price and Reference Indices					
EDP shares ⁽¹⁾	(39.7%)	16%	48%	17%	11%
PSI20	(51.3%)	16%	30%	13%	13%
Dow Jones Eurostoxx Utilities	(38.1%)	18%	36%	26%	25%
Euronext 100	(45.2%)	3%	19%	23%	8%
Liquidity of EDP Shares in the Markets					
Volume in NYSE Euronext Lisbon (EUR million)	9,710.1	21,256.5	12,812.5	5,639.4	5,470.9
Mean daily volume (EUR million)	37.9	83.4	50.2	21.9	21.1
Number of shares traded (million) ⁽²⁾	2,761.1	5,079.7	4,080.9	2,505.2	2,477.2
Total shares issued (million)	3,656.5	3,656.5	3,656.5	3,656.5	3,656.5
Privatised shares at the end of the year (million)	2,936.2	3,096.2	3,096.2	3,096.2	2,936.2
% of capital already privatised	80%	85%	85%	85%	80%
Number of own shares held as at 30 Dec (million)	35.7	15.5	7.1	17.3	14.3
Annual rotation of capital (privatised shares)	94.0%	164.1%	131.8%	85.0%	84.4%
EDP Market Value (EUR millions)					
Market capitalisation at end of period	9,854.4	16,344.7	14,041.1	9,507.0	8,154.1
Total Shareholder Profitability					
Annual variation in share price ⁽¹⁾	(1.78)	0.63	1.24	0.37	0.22
Gross dividend distributed per share in year	0.125	0.110	0.100	0.092	0.090
Total shareholder profitability	-36.9%	19%	52%	21%	16%
Dividends					
Dividend per share	0.14	0.125	0.11	0.10	0.092
Dividend yield	5.2%	2.8%	2.9%	3.8%	4.1%

⁽¹⁾ For reasons of comparability, prices for EDP shares prior to 9 November 2004 have been adjusted to show EDP share capital increase rights in 2004
⁽²⁾ The number of share traded has been adjusted to keep the Daily Business Volume unchanged after the adjustment of the share price referred to in (1)



CORPORATE GOVERNANCE

6.3. Dividend distribution policy

Since the EDP shares were initially admitted to trading in the Lisbon Stock Exchange (now NYSE Euronext Lisbon), EDP has made careful and judicious annual distribution of dividends based on principles of prudence and creation of value for its shareholders. In accordance with these principles, the dividends distributed by EDP since 1997 are as follows:

Year	Approval Date	Payment Date	Gross Dividend	Net Dividend	
				Residents	Non-Resid.
1997 ⁽¹⁾	98/04/17	98/05/18	€ 0.648	€ 0.534	€ 0.534
1998 ⁽¹⁾	99/05/11	99/05/28	€ 0.698	€ 0.620	€ 0.620
1999 ⁽¹⁾	00/05/12	00/05/31	€ 0.698	€ 0.611	€ 0.611
2000 ⁽²⁾	01/05/10	01/05/31	€ 0.140	€ 0.119	€ 0.119
2001 ⁽²⁾	02/05/10	02/06/06	€ 0.113	€ 0.099	€ 0.093
2002 ⁽²⁾	03/05/22	03/06/18	€ 0.090	€ 0.079	€ 0.074
2003 ⁽²⁾	04/03/31	04/04/30	€ 0.090	€ 0.083	€ 0.079
2004 ⁽²⁾	05/03/31	05/04/29	€ 0.09243	€ 0.085	€ 0.081
2005 ⁽²⁾	06/03/30	06/04/28	€ 0.10000	€ 0.090	€ 0.090
2006 ⁽²⁾	07/04/12	07/05/04	€ 0.11000	€ 0.099	€ 0.099
2007 ⁽²⁾	08/04/10	08/05/08	€ 0.12500	€ 0.100	€ 0.100

⁽¹⁾ Values converted from escudos to euros are rounded to the third decimal place. The gross value per share referenced in the legal tender at the time of payment of the dividend was PTE 129.87 in 1997, PTE140.00 in 1998 and PTE 140.00 in 1999.

⁽²⁾ After a stock split in which each share was substituted by five shares each with a nominal value equal to one-fifth of the pre-stock split value.

With regard to 2007, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 10 April 2008 a proposal for the appropriation of EUR 502.2 million in net profits (POC), of which EUR 457.1 million was earmarked for distribution to shareholders in the form of dividends. The proposal was unanimously approved by the General Meeting, with a gross dividend of EUR 0.125 per share being paid out on 8 May 2008.

In keeping with the legal provisions in force, the EDP Articles of Association require that profits for a business year be appropriated in:

- Covering losses from previous years;
- Constituting or increasing legal reserves or other reserves determined by law;
- Constituting or increasing other reserves established by the General Meeting;
- Distributing dividends to shareholders;
- Awarding bonuses to company directors and employees as part of a profit-sharing scheme, in accordance with criteria defined by the General Meeting; and

- Making a donation to Fundação EDP to be used to sponsor worthy initiatives in accordance with a programme to be submitted to the General and Supervisory Board as part of the EDP Group corporate citizenship and sustainable development policy; the donation is to be the equivalent of up to 0.1% of the consolidated business volume.

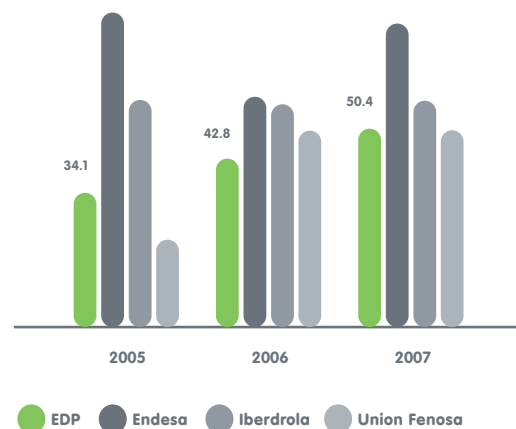
In accordance with the accounting principles generally accepted in Portugal, profits to be distributed in the form of dividends are those resulting after deduction of losses brought forward from previous years and a provision of 5% to increase the legal reserves until this amounts to one fifth of the share capital, taking into consideration all other applicable legal and statutory limitations.

“Dividend Payout”

EDP has followed a sustained policy of dividend distribution that seeks to reconcile, on the one hand, strict compliance with the relevant legal and statutory provisions and, on the other, the sharing with all its shareholders of a significant portion of the value created by the Group, in keeping with the specific situation of the company and the market conditions. The pursuit of this policy is intended to enable shareholders to obtain an adequate return on their investment without compromising the company’s value; it is supported by comparison with the dividend distribution carried out by similar Iberian companies:

Dividend Payout (%)

Distributed Dividend/Net Profit



Note: Net profit in accordance with the accounting principles generally accepted in each country.

As specified in the prospectus for the EDP capital increase in November 2004, the total amount of dividends distributed by the company for the year 2004 was adjusted to reflect the technical effect of the capital increase, taking into account the closing price for EDP shares in the NYSE Euronext Lisbon market on the last day of trading with subscription rights.

Accordingly, the total amount of dividends distributed by EDP and their future variations shall be determined on the basis of the proportion corresponding to the impact of the capital increase on EDP's market capitalisation before this operation took place,

The General Meeting of 10 April 2008 approved the proposal for the allocation of profits, which included the distribution of a gross dividend of EUR 0.125 per share for the business year 2007.

Outlook

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

To this end, at the last Investor Day held on 6 November 2008 with national and international investors and analysts, the objective of increasing the annual gross dividend per share by 1.5 euro cents in 2009 over the value paid out for the previous year was reconfirmed.



7. RELATIONS BETWEEN THE COMPANY AND THE MARKET

7.1. General information duties

Access to information on the company activities for investors and potential investors is one of the pillars of EDP policies and operations. Indeed, correct understanding of the strategy and financial, accounting and assets situation and the significant events in the life of the company is only possible through promotion of transparency and easy access to quality information.

In this context, EDP created a support department, the Investor Relations Department, with a view to guaranteeing appropriate relations between the company and the shareholders. The department guarantees permanent contact with the market, respecting the principle of shareholder equality and preventing imbalances in access to information by investors.

EDP thus aims to guarantee, in a permanent and transparent manner, a close relationship with all market agents, providing investors with information that can help them in making decisions on investments (or divestments) in an informed, clear and concrete fashion.

7.2. EDP Investor Relations Department

The primary function of the Investor Relations Department is to act as a liaison link between the EDP Executive Board of Directors and investors and the financial markets in general. As part of its normal activities, it is responsible for all information provided by the EDP, including privileged information and other market communications as well as the publication of regular financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information these request, while observing the applicable legal and regulatory provisions.

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

Praça Marquês de Pombal, n.º 12, 3º Piso
 1250-162 Lisbon
 Telephone: +351 21 001 2834
 Fax + 351 21 001 2899
 E-mail: ir@edp.pt
 Website: www.edp.pt

The table below shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	In Person ¹	www.edp.pt	E-mail	Investor Relations Phone Line ⁵	By Mail ²	www.cmvm.pt	Media
Elements required by law or regulation³							
Notice of meeting	✓	✓	✓	✓	✓	✓	✓
The Board of Directors' proposals	✓	✓	-	✓	-	-	-
Amendment of Articles of Association	✓	✓	-	✓	-	✓	-
Other proposals	✓	✓	-	✓	-	-	-
Annual Report and Accounts for the 2007 period ⁴	✓	✓	✓	-	✓	✓	✓
Management and supervisory positions held in other companies by company officers	✓	-	-	✓	-	-	-
Additional information provided by EDP							
Draft forms for voting by proxy	✓	✓	✓	✓	✓	-	-
Ballots for postal voting	✓	✓	✓	✓	✓	-	-
Draft forms for voting by e-mail	✓	-	✓	✓	✓	-	-
Clarification of any issues	✓	✓	✓	✓	✓	-	-
EDP Articles of Association and regulations	✓	✓	✓	✓	✓	✓	-
Results of voting on proposals	✓	-	-	✓	✓	✓	-

¹ At the EDP head office.

² Additionally, at EDP's initiative: Information from the Chairman of the Board of Directors relating to participation in the General Meetings of 2005, 2006, 2007 and 2008, communiqués from the Chairman of the Executive Board of Directors divulging information on the economic and financial activity and indicators at the end of each business year and communiqués whenever important developments in the life of the company take place.

³ Companies Code (Article 289) and CMVM Regulation n.º 7/2001, as CMVM Regulations nos. 10/2005 and 3/2006.

⁴ Annual report, individual and consolidated accounts, statutory auditing and opinion of the Statutory Auditor.

⁵ Investor Relations phone line: +351 21 001 28 34

7.3. Company information on the EDP website

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website (www.edp.pt) also provides all information on legal or corporate governance matters, updates on company activities and a complete set of financial and operational information with a view to facilitating access to and consultation of information by shareholders, financial analysts and other interested parties.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, documentation for preparing General Meetings, historical development in EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department, as well as other information on the Group of potential interest. The EDP website enables all interested parties to consult, or request, the financial statements and accounts for any accounting year since 1999.





ANNUAL REPORT 2008
INSTITUTIONAL REPORT AND REPORT ON CORPORATE
GOVERNANCE AND SUSTAINABILITY



INDEX

FINANCIAL STATEMENTS	172
PROPOSAL FOR THE APPROPRIATION OF PROFITS	176
OUTLOOK FOR 2009	177
ACKNOWLEDGMENTS	179
ANNEXES (GRI EVALUATION AND OTHERS)	180
EXTERNAL CHECKS	184
EXTRACT FROM THE MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP	186



FINANCIAL STATEMENTS

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

	Notes	2008			2007
		Continuing Operations (Thousands of Euros)	Discontinued Operations (Thousands of Euros)	Total (Thousands of Euros)	Total (Thousands of Euros)
Turnover	6	13,671,204	222,859	13,894,063	11,010,778
Cost of consumed electricity	6	-6,558,250	-69,023	-6,627,273	-4,748,100
Cost of consumed gas	6	-823,200	-	-823,200	-585,227
Changes in inventories and cost of raw materials and consumables used	6	-1,544,024	-2,381	-1,546,405	-1,123,983
		4,745,730	151,455	4,897,185	4,553,468
Other Operating Income/(Expenses)					
Other operating income	7	226,242	2,431	228,673	160,397
Supplies and services	8	-707,783	-27,985	-735,768	-684,187
Personnel costs	9	-557,676	-15,998	-573,674	-576,963
Employee benefits	9	-159,400	-1,800	-161,200	-289,370
Other operating expenses	10	-454,918	-45,362	-500,280	-535,070
		-1,653,535	-88,714	-1,742,249	-1,925,193
		3,092,195	62,741	3,154,936	2,628,275
Provisions	11	-27,994	-4,077	-32,071	-42,095
Depreciation and amortisation expense	12	-1,276,581	-29,009	-1,305,590	-1,130,858
Compensation of amortisation and depreciation	12	110,712	2,885	113,597	105,007
		1,898,332	32,540	1,930,872	1,560,329
Gain from the sale of financial assets	13	481,732	-	481,732	262,561
Other financial income	14	1,175,092	11,005	1,186,097	623,602
Other financial expenses	14	-2,112,605	-16,194	-2,128,799	-1,169,421
Share of profit of associates	20	34,687	-	34,687	23,708
Profit/(loss) before tax		1,477,238	27,351	1,504,589	1,300,779
Income tax expense	15	-274,474	-9,325	-283,799	-280,848
Profit after taxes and before gains/(losses) from discontinued operations		1,202,764	18,026	1,220,790	1,019,931
Gains/(losses) on sale of discontinued operations	45	-	-8,448	-8,448	-
Net Profit/(Loss) for the Year		1,202,764	9,578	1,212,342	1,019,931
Attributable to:					
Equity holders of EDP		1,089,569	2,297	1,091,866	907,252
Minority interests	32	113,195	7,281	120,476	112,679
Net Profit/(Loss) for the Year		1,202,764	9,578	1,212,342	1,019,931
Earnings per Share (Basic and Diluted) – Euros	29	0.30	0.00	0.30	0.25

Consolidated Balance Sheet as at 31 December 2008 and 2007

	Notes	2008 (Thousands of Euros)	2007 (Thousands of Euros)
Assets			
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
Total Non-Current Assets		30,781,128	27,162,332
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
Total Current Assets		4,927,967	4,364,385
Total Assets		35,709,095	31,526,717
Equity			
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
Total Equity attributable to equity holders of the parent		6,365,180	6,264,146
Minority interests	32	2,181,729	1,014,612
Total Equity		8,546,909	7,278,758
Liabilities			
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
Total Non-Current Liabilities		18,792,769	17,480,446
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	-
Total Current Liabilities		8,369,417	6,767,513
Total Liabilities		27,162,186	24,247,959
Total Equity and Liabilities		35,709,095	31,526,717



FINANCIAL STATEMENTS

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

	Notes	2008 (Thousands of Euros)	2007 (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	-400,351	-249,214
		91,801	112,041
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	-11,447	-57,995
		-108,210	-154,774
		-16,409	-42,733
Provisions	11	-1,519	-12,026
Depreciation and amortisation expense	12	-5,805	-5,716
		-23,733	-60,475
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		-	113
Net Profit/(Loss) Before Tax		478,104	494,256
Income tax expense	15	72,874	7,902
Net Profit/(Loss) for the Year		550,978	502,158

Company Balance Sheet as at 31 December 2008 and 2007

	Notes	2008 (Thousands of Euros)	2007 (Thousands of Euros)
Assets			
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		15,769,292	14,635,399
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		3,155,655	1,938,705
Total Assets		18,924,947	16,574,104
Equity			
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		550,978	502,158
Total Equity		6,270,678	6,263,055
Liabilities			
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		5,578,307	6,645,352
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		7,075,962	3,665,697
Total Liabilities		12,654,269	10,311,049
Total Equity and Liabilities		18,924,947	16,574,104



PROPOSAL FOR THE APPROPRIATION OF PROFITS

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

APPROPRIATION OF PROFIT (EUR)	
Legal Reserve	27,548,881.70 €
Dividend	511,915,280.10 €
Donations to EDP Foundation (Patronage, Donations and Sponsorships)	6,000,000.00 €
Resultados Transitados	5,513,472.13 €
Net Profit	550,977,633.93 €

The dividend proposed is EUR 0.14 per share.

OUTLOOK FOR 2009

In terms of the outlook for the world economy, 2009 will continue to be a year of high uncertainty and volatility levels, resulting in a sharp economic slow-down, whilst the extent of its impact on global demand or inflation is left unclear. Despite the economic recovery programmes announced by various governments, the effects of the current crisis reach into various parts of the economy. In Portugal, according to Bank of Portugal estimates, GDP should shrink 0.8% in 2009 and inflation should settle at 1%. Legislative and governmental elections should take place in the latter half of 2009 in Portugal, at a date as yet unspecified. In Spain, GDP may shrink 2% in 2009, while inflation may settle at 0.6%, according to the EC forecast. In Brazil, GDP is expected to grow about 3% and inflation to be at 4.7%. The next Presidential elections in Brazil will take place in 2010.

In 2009, electricity and gas consumption is expected to record lower levels than that of 2008 in EDP Group's key markets, although these falls are expected to be of different sizes across the various markets. In Portugal, electricity consumption is expected to fall slightly, about 1%, as a result of the low proportion of heavy industry consuming Portuguese electricity, compared to other economies, and the lack of a steep decline in construction sector activity in Portugal, after several years of decreasing activity. In Spain, electricity and gas consumption in 2009 is expected to fall more sharply, not just as a result of the greater proportion of heavy industry consuming electricity and gas – such as the car and steel industries, which face very significant falls in activity – but also from the steep decline in construction activity, after several consecutive years of expansion. In Brazil, electricity consumption should also fall versus 2008, essentially due to lower consumption in the industrial sector, specifically in exports.

EDP Group's high proportion of regulated activities, with stable remuneration models based essentially on fixed rates of return on capital invested, and careful risk management in energy markets, both at consolidated level and with each of EDP Group's businesses, will doubtless be a critical factor of even greater importance in this time of instability and uncertainty, producing the right conditions for EDP Group to go on satisfying its customers, for their basic energy access needs.

Regarding risk management in energy markets, the prudent hedging policy adopted by EDP Group for its electricity and gas generation and supply activities in the liberalized market within the Iberian peninsula significantly reduces the degree of profitability risk in this area for 2009. During 2009, EDP will focus principally on defining its risk management strategy for energy markets in 2010.

The regulated tariff increases introduced at the start of 2009 for supplying power to final customers in Portugal and Spain will not be sufficient for the tariff deficits

accumulated by electricity companies over previous years, as a result of stable or slightly increasing tariffs over the last few years, even in periods where generation costs increased steeply. In Portugal, the tariff deficit situation only became severe in 2008, as a result of the combination of an extremely dry year and a period of fossil fuel costs reaching record highs. In Portugal, ERSE announced that the tariff deficit of EUR 1.27bn created in 2007 and 2008 will start to be paid by Portuguese consumers only after January 2010, spread across a period of 15 years. In Spain, the Government and electricity sector operators are currently studying a solution for putting an end to the recurring tariff deficits, which is expected to be complete by 1 July 2009, the date forecast for the end of the option for residential and large industrial consumers segments (G4) to have regulated electricity tariffs, thus providing a boost to the electricity volume supplied on the free market.

In terms of regulatory reviews, the year is not expected to see major changes, since electricity distribution in Portugal began a three-year regulatory period in January 2009 and in Brazil the suppliers Escelsa and Bandeirante are subject to new revisions only in 2010 and 2011 respectively.

EDP Group's investment plan includes average annual investment of EUR 3 bn for the 2009-2012 period, in step with the maintenance commitment for an 'A' rating in the region. About 80% of the investment planned for 2009-2010 is committed, both through construction work already under way, and through wind turbine orders already placed with suppliers. In Portugal, EDP Group should start operations in two new combined cycle power stations – Lares 1 and 2 – with 862 MW of installed capacity, contributing also to an improvement in the country's reserve margin. Also, works will proceed on repowering 3 dams (Bemposta II, Picote II and Alqueva II) as well as construction of the new Baixo Sabor dam. These projects bring capacity increases of 862 MW, expected to come online in 2011 and 2013. In Brazil, Energias do Brasil will proceed with construction of the coal power station at Pecém (720 MW, owned 50% by Energias do Brasil and 50% by MPX), which is scheduled to start up in December 2011 and whose PPA is already under contract. Over 60% of EDP Group's investment plan for 2009-2012 relates to wind power generation. In December 2008, EDP Renováveis had 762 MW of new wind installations under construction in Europe and the USA, having contracted 1.8GW of wind turbines to its suppliers for installation in the markets where EDP will operate during 2009-2011. To clarify the profitability outlook and investment risk presented by new wind farms, it is fundamental to monitor the performance of two key factors: the speed of implementation, size and stability of the incentives for new wind generation capacity construction in the USA, which makes up an integral part of the economic recovery programme announced by President Obama, and the performance of wind turbines' market price, the main generation cost in this sector.



OUTLOOK FOR 2009

Despite the more demanding current environment, EDP Group is confident that its strong financial position and low risk profile will allow it to access the credit markets under competitive conditions, thereby meeting its need for financing in 2009.

To conclude, in a year which will be marked by volatility and uncertainty, EDP Group will continue to focus its strategy into three pillars: Controlled risk, Greater efficiency and Guided growth. This strategy, together with low risk activities comprising 85% of the business portfolio, should prepare EDP for confronting the demanding challenges of 2009 successfully.

ACKNOWLEDGMENTS

The Executive Board of Directors would like to acknowledge the contribution and assistance EDP Group has enjoyed from many sources during 2008.

First of all we would like to thank the shareholders for the interest and confidence they placed in the current Executive Board of Directors, and with particular regard to our role of executing the EDP Group strategy for growth and value creation.

Thanks also go to the Company Bodies who look after the auditing and supervision of the Group, for the work they have done during the year.

In particular here we would like to mention the support and guidance the Executive Board of Directors received from the General and Supervisory Board. Firmly establishing this governance model has been a key part of the management team's efficient working and effectiveness, in overseeing the team's activity and defending the interests of the Group's stakeholders.

A word of thanks must also go to the members of the governmental bodies of countries in which EDP is present and who assisted EDP in its activities for the economic and social development of their respective nations.

It is also important to mention, as in previous years, the constructive and collaborative relationship EDP has enjoyed with the energy sector regulators. In particular, we would like to mention the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as the regulators in countries where EDP has its strongest presence, specifically CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors' thanks are also offered to all those bodies who interacted with EDP during 2008, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese association of Electricity Sector Companies – ELECPOR;
- Asociación Española de la Industria Eléctrica – UNESA;
- The European Wind Energy Association – EWEA and the American Wind Energy Association – AWEA;

- The National Association of Portuguese Municipalities and Town Councils;

- Environmental and social non-governmental organisations.

Special thanks go to all EDP Group companies' customers. Fully meeting their needs, through our diligence and commitment to offering an excellent, high quality service, is a constant priority for us.

The Board thanks the various media bodies that closely followed the company during 2008. The rigorous and impartial coverage of the various EDP Group events inspire us to continue to raise our standards in professionalism and management transparency.

Finally a special word to all EDP staff. The Executive Board of Directors thanks them for their professionalism, commitment and skill in performing their duties and the contribution to making EDP increasingly dynamic, competitive and global.

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Presidente)

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



ANNEXES (GRI EVALUATION AND OTHERS)

1. GRI EVALUATION

The contents of the 2009 EDP Annual Report and Accounts have been prepared in compliance with the guidelines of the Global Reporting Initiative. The GRI table below summarises the GRI indicators. The complete table is available on www.edp.pt > Sustainability > Reports

EDP GRI TABLE		Source of Information	Global Compact Principles reported
1.	STRATEGY AND ANALYSIS	Pages 7-9, 41-42 ⁽¹⁾	
2.	ORGANIZATIONAL PERFILE	Pages 12, 13, 24, 25, 28, 29, 76, 77, 120,183, 190	
3.	REPORT PARAMETER		
	Report Profile	Page 183; www.edp.pt > Sustainability > Reports	
	Report Scope and Boundary	Page 183; www.edp.pt > Sustainability > Reports	
	Check	Page 183; www.edp.pt > Sustainability > Reports	
4.	GOVERNANCE	Page 120-167; www.edp.pt > Corporate Governance	
	Commitments to External Initiatives	Pages 143-148; www.edp.pt > Comunidade > Participações	
	Stakeholder Engagement	www.edp.pt > Sustainability > Dialogue with Stakeholders	
ECONOMIC PERFORMANCE			
PERFORMANCE			
EC1		Page 15	
EC2		Pages 100-102 and Carbon Disclosures Project Report. Financial Report, Note 4	
EC3		Page 44; Financial Report, Accounting Policies, Note 2, point n)	
EC4		Page 15	
MARKET PRESENCE			
EC5		Page 78	
EC6		Page 94	
EC7		Pages 96-97; 95%	
INDIRECT ECONOMIC IMPACTS			
EC8		Page 96-99	
EC9		n.a.	
ENVIRONMENTAL PERFORMANCE			
MATERIALS			
EN1		Pages 100,104	7;8
EN2		No	
ENERGY			
EN3		Page 100	
EN4		Page 100	
EN5		Pages 100,102	7;9
EN6		Pages 90-91	
EN7		www.eco.edp.pt	

	Source of Information	Global Compact Principles reported
WATER		
EN8	Page 100	
EN9	n.a.	7;8
EN10	0%	
BIODIVERSITY		
EN11	Page 103	
EN12	Page 103, www.edp.pt > Sustainability > Biodiversity	
EN13	Page 103	7;8
EN14	Page 103, www.edp.pt > Sustainability > Biodiversity	
EN15	n.a.	
EMISSIONS, EFFLUENTS AND WASTE		
EN16	Pages 14, 100 and Carbon Disclosure Project Report	
EN17	Page 100	
EN18	Page 102	
EN19	⁽²⁾	
EN20	Page 100	
EN21	www.edp.pt > Sustainability > Environmental > Management System	8
EN22	Pages 100, 104	
EN23	There were no significant spills	
EN24	n.a.	
EN25	n.a.	
PRODUCTS AND SERVICES		
EN26	www.eco.edp.pt ; www.edp.pt > Sustainability > Environment > Impact Assessment	7
EN27	n.a. ⁽³⁾	
COMPLIANCE		
EN28	Page 100	8
TRANSPORT		
EN29	www.edp.pt > Sustainability > Environment > Impact Assessment	7
ENVIRONMENTAL INVESTMENTS		
EN30	Page 105, Finance Report, note 50	7;8;9
SOCIAL PERFORMANCE		
EMPLOYMENT		
LA1	Page 78	
LA2	Page 78	6
LA3	n.a.	
LABOR/MANAGEMENT RELATIONS		
LA4	Page 78	
LA5	Page 80	1;3
OCCUPATIONAL HEALTH AND SAFETY		
LA6	Page 85	
LA7	Page 78	
LA8	Pages 78, 84, 85	1
LA9	n.a.	
TRAINING AND EDUCATION		
LA10	Page 78	
LA11	Pages 81, 82	6
LA12	Pages 80	
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	Page 78	
LA14	Pages 78, 79	2;6
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	100%, described in general terms of purchase of the EDP Group, Pages 94, 95	
HR2	10% ⁽⁴⁾	1
HR3	0% ⁽⁴⁾	



ANNEXES (GRI EVALUATION AND OTHERS)

	Source of Information	Global Compact Principles reported
NON-DISCRIMINATION		
HR4	Page 136	1,6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	www.edp.pt > Corporate Governance > Code of Ethics (article 2.2.2 and 3.1.1)	1,3
CHILD LABOR		
HR6	www.edp.pt > Corporate Governance > Code of Ethics (article 3.1.2)	1,5
FORCED AND COMPULSORY LABOR		
HR7	www.edp.pt > Corporate Governance > Code of Ethics (article 3.1.2)	1,4
SECURITY PRACTICES		
HR8	n.a.	1
HR9	0	
COMMUNITY		
SO1	www.edp.pt > Sustainability > Environment > Impact Assessment, Page 96-97	
CORRUPTION		
SO2	Page 136. % given by region	10
SO3	0%	
SO4	Page 136	
PUBLIC POLITIC		
SO5	Page 97, www.edp.pt > Sustainability > Reports	
SO6	www.edp.pt > Corporate Governance > Code of Ethics (article 4.1.2)	
ANTICOMPETITIVE BEHAVIOUR		
SO7	n.a.	10
COMPLIANCE		
SO8	⁽⁵⁾	
CUSTOMER HEALTH AND SAFETY		
PR1	Page 105-106	
PR2	0	
PRODUCT AND SERVICES LABELING		
PR3	Not implemented ⁽⁷⁾	
PR4	n.a.	
PR5	Pages 86-87	
MARKETING COMMUNICATIONS		
PR6	No	
PR7	No	
PR8	n.a.	
PR9	⁽⁵⁾	

⁽¹⁾ More detailed information can be obtained in chapter Business Climate, pages 30-40
⁽²⁾ The only source of emission of ozone-depleting substances identified by the company is older air-conditioning systems in office buildings. The company is currently replacing these systems, of which there already only left in the Group.
⁽³⁾ The products sold by the company (electricity and gas) are not packed.
⁽⁴⁾ If we exclude accident prevention and safety awareness campaigns.
⁽⁵⁾ The monetary value of the EDP Group's fine is negligible and so it is not worthwhile breaking it down into categories.
⁽⁶⁾ Value corresponding to the Iberian market.
⁽⁷⁾ Although there are EU directives and national legislation on the subject (published in 2007), the process is still in the implementation phase on a national scale. When marketing green energy, EDP voluntarily provide its customers with information on the energy source used involving CO₂ emission. The same applies to the liberalised market component in Portugal.

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

Level of Implementation		A+	A+	A+	
Standard Distribution	Distribution of G3 Profile	Reported in: 1.1-1.2 2.1-2.10 3.1-3.13 4.1-4.17			
	Distribution of the G3 Management Approach	Management approach distributed by each indicator category			
	G3 Performance Indicators and Sectoral Supplement Performance Indicators	Response to all essential G3 indicators and the sector supplement, based on the principle of materiality. Always justify the omission of any one of these indicators.	EDP self-declaration	Report checked externally by PwC (3rd party)	Verification of the execution level by GRI

1.1. Contents and organisation of the report

This is the first year in which EDP has published a report including the institutional, sustainability and corporate governance components in a single volume, thereby breaking the tradition of a separate sustainability report. Additional information is available in the Financial Report published jointly.

This section reports on the company's performance between 1 January and 31 December 2008 and also mentions significant events for the company in the first quarter of 2009. In addition to this Annual Report, EDP publishes online sustainability indicators considered important to the company.

This section is divided into three parts, including a summary of activities describing the different EDP Group businesses organised by country.

Additional information is available in www.edp.pt > Sustainability > Reports

1.1.1. Corporate consolidation criteria

The consolidation criteria used are the same as in 2007. The following account consolidation methods were used:

Full consolidation – reporting the performance of 100% owned companies or whose management control is held by EDP.

Proportional control – consolidating only the percentage it owns in the company, such as

- a. 50%: EDP Produção Bioelétrica, COGENERACION Y MATENIMIENTO AIE-2, PROENERCAM, S.L.-2, BIOASTUR AIE-2, TEBAR EOLICA, S.A and Compañía Eólica Aragonesa, all at 50% and EVOLUCIÓN 2000 S.L.;
- b. 40% Desarrollos Energeticos Canarias S.A.; Evolución 2000, S.L.; Horta Nedioambiente S.A.; Ibersol E. Solar Ibérica, S.A.; Murciasol-1 Solar Térmica, S.L.; TEBAR EÓLICA, S.A.

1.1.2. Glossary

For a better understanding of the report, our online glossary includes definitions of the quantitative indicators given at www.edp.pt > Sustainability



EXTERNAL CHECKS



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ASSURANCE REPORT

*(This Report is a free translation in English from the Portuguese version.
 In case of doubt or misinterpretation the Portuguese version will prevail)*

Introduction

- 1 We have been engaged by the Executive Board of Directors of EDP - Energias de Portugal, S.A. ("EDP") to provide independent assurance on information related to the economic, environmental and social indicators included in the Institutional Report on Corporate Governance and Sustainability for the year ended 31 December, 2008. Our work was restricted to the review of documental evidence and verification of the consistency with the audited consolidated financial statements of EDP, as described in paragraph 5 below.

Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for preparing the Institutional Report on Corporate Governance and Sustainability, maintaining an adequate internal control system, as well as defining, implementing and executing adequate processes, procedures and criteria for collecting, processing and validating the reported information. Our responsibility is to issue an independent assurance report about the adequacy of the above mentioned information, based on our limited assurance procedures.

Our work was performed solely with the purpose of reporting on information related to economical, environmental and social indicators included in the Report. Hence, we do not accept or assume any responsibility to any person or legal entity other than EDP, for our work, for this report or for our conclusions.

Scope

- 3 The scope of the work includes the information concerning economic, environmental and social indicators related to EDP activity, in Portugal, Spain, Brazil and United States of America, for the year ended 31 December, 2008 included in the Appendix "Evaluation GRI" excluding the data referring to technical and commercial service quality. The scope of companies considered by the Executive Board of Directors is described in chapter "Contents and organization of the report" of the Institutional Report on Corporate Governance and Sustainability of the 2008 Annual Report. The Institutional Report on Corporate Governance and Sustainability of the 2008 Annual Report should be read in conjunction with the audited consolidated financial statements of EDP for the year ended 31 December, 2008, to obtain a thorough understanding of EDP Performance.

Methodology and Criteria

- 4 Our review was conducted in accordance with the International Standard on Assurance Engagements "ISAE 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of International Federation of Accountants. According to this standard, our work was planned and performed to obtain a limited assurance as to whether the quantitative information subject to our work is free of material misstatements.

The purpose of our work was not to perform an audit and, accordingly, we do not express an audit opinion.

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Atividade de Contabilidade de auditoria inscrita no G.R.C.C. nº 126 de 2004 - 22



Considering that there are no generally accepted standards applicable to the preparation of Sustainability reports, EDP applies its own internal criteria, defined by the Executive Board of Directors, and external criteria, derived from the AA1000AS Standard and the Sustainability Reporting Guidelines of the Global Reporting Initiative ("GRI") according to the application level selected by EDP (level of application GRI A+) as detailed in chapter "GRI Evaluation" of the Report.

Work Undertaken

- 5 Our assurance work consisted of the following procedure:
- Development of interviews with staff and responsible, at operational and corporate level, for the collection and aggregation of quantitative and qualitative data, with the purpose of obtaining a reasonable level of knowledge of the processes used to aggregate and prepare the information;
 - Verification on a test basis of the documental evidence supporting the economical, environmental and social indicators;
 - Verification of the consistency of the quantitative data related to the economical indicators is consistent with the audited consolidated financial statements of EDP for the year ended 31 December, 2008;
 - Visits to significant operational sites in Portugal, Spain and Brazil for the verification of the processes used to aggregate and prepare the information, as well as to verify their quality;
 - Comparison of the Institutional Report on Corporate Governance and Sustainability content and indicators with the GRI Guidelines.

Conclusion

- 6 Based on the work described above, which was performed with the objective of obtaining a limited level of assurance, nothing has come to our attention that causes us to believe that the economical, environmental and social information, included in the Institutional Report on Corporate Governance and Sustainability of the 2008 Annual Report, is not free of material misstatements that affects its reliability in conformity with the criteria adopted by EDP.

Other Matters

- 7 Without qualifying our conclusion expressed above, we draw our attention to the fact that the 2007 quantitative data related to economical, environmental and social indicators subject matter of our work, were verified by another entity that issued an opinion dated 25 March, 2008.

Lisbon, 18 March, 2009



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



EXTRACT FROM THE MINUTES
OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP

----- Extract of Minute no. 1/2009 of the EDP's General Shareholders' Meeting -----

On the fifteenth of April of two thousand and nine, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Auditório I of Centro de Reuniões de FIL, at Rua do Bojador, Parque das Nações, in Lisbon. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating.

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started the meeting by explaining the participation procedures in the present General Shareholders' Meeting and the respective functioning, having, afterwards, expressed its appreciation to the "Orquestra Geração", sponsored by EDP Foundation and by Gulbenkian Foundation, for the pleasant musical moment made possible before the beginning of the General Shareholders' Meeting.

--- Afterwards, the Chairman of the General Shareholders' Meeting, assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. António Bernardo de Menezes e Lorena de Sêves, and by the Company Secretary, Ms. Maria Teresa Isabel Pereira, verified the regularity of the notice to convene the meeting through the mandatory publications made at the Ministry of Justice's, CMVM's, NYSE Euronext Lisbon's and EDP's websites (apart from the publications made in the Euronext's Official Listing Bulletin of 19th of March of 2009, in Jornal Correio da Manhã of 16th of March of 2009 and in Jornal de Notícias of the same date).

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the participants list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present.

The Chairman of the General Shareholders' Meeting and the Company Secretary then verified the percentage of the share capital present or represented at the General Shareholder's Meeting – which corresponded to 64,4713% of the share capital and 65,0781% of the voting rights attached to the share capital –, based upon the shares' registry and blocking statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. The Chairman of the General Shareholders' Meeting stated that the required meeting quorum and resolution quorum for this General Shareholder's Meeting were met.

The Chairman of the General Shareholders' Meeting also stated that, according to article 14, no. 3 of EDP's By-laws, votes from a shareholder owning category A shares issued on its own account or on behalf of another shareholder would not be cast in the event that they exceeded 5% of the total votes, as well as, since such restriction does not apply to category B shares, the shareholders Parpública – Participações Públicas, SGPS, S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., could vote with more than 5% of the voting rights attached to the share capital.

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were complied with, namely, that the proposals and other information in relation to the items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law.

(...)

--- Mr. Rui Pena, initiated the works of the General Shareholders' Meeting's by submitting to discussion Item One in the agenda, with the following content:

"Considering that:

a) In accordance with article 21, no. 4 of EDP's By-laws "the majority of the elected members of the General and Supervisory Board must be independent and must also meet the remaining requirements, notably concerning academic training and competence, set forth in legal and regulatory provisions applicable, at each relevant moment, to EDP";

b) Since there are no substitutes, the only legal mechanism for the substitution of the General and Supervisory Board members consists of election by the general Shareholders' Meeting;

c) Professor Vítor Domingos Seabra Franco, an independent member of the General and Supervisory Board, resigned to his office, which, in the legal terms, produced effect from 4th of March;

d) Therefore, the General and Supervisory Board has lost its majority of independent members, since out of the 16 members in functions, only eight are considered to be independent members;

e) The present General Shareholder's Meeting shall elect the members of the corporate bodies for the three year period 2009-2011, and, from a functional point of view and in the interest of the Company, it would not be reasonable to proceed to convene a specific General Shareholders' Meeting to elect a substitute member for such a short time period;

f) On the 5th of March of 2009, a General and Supervisory Board Meeting took place, in which several resolutions were taken namely with a view to prepare the General Shareholders' Meeting;

g) The Company interest justifies the removal of any doubt which eventually could be raised concerning the validity of the decisions which were taken on the referred meeting, and for this reason the General and Supervisory Board has considered useful to submit those resolutions for ratification by the General Shareholders' Meeting;

The General and Supervisory Board proposes to the General Shareholders' Meeting the ratification of the resolutions taken in its 5th of March of 2009 meeting, which were the following:

1. Issue of favourable opinion on EDP's Annual Accounts, on individual and consolidated basis in relation to the 2008 financial year;
2. Issue of favourable opinion on EDP's Annual Sole Management Report in relation to the 2008 financial year;-----
3. Issue of favourable opinion on an endowment for Foundation EDP in the amount of 6 million euros;-----
4. Assessment of the absence of incompatibilities and verification of the independence of the General and Supervisory Board's members with such status;-----
5. Approval of the 2008 General and Supervisory Board's Annual Report;-----
6. Approval of the General and Supervisory Board's Annual plan of activities and budget for 2009;-----
7. Approval of the mandate in favour of the Chairman of the General and Supervisory Board, the Chairman of the Audit Committee and Mr. Vasco de Mello to define the proposal to be presented at the General Shareholders' Meeting in relation to the election of the Statutory Auditor."-----

After reading the proposal, the Chairman of the General Shareholders' Meeting allowed the Chairman of the General and Supervisory Board, Mr. António de Almeida, to speak, who (...) presented a brief explanation on the grounds of the content of the proposal made within Item One of the agenda.-----

(...)

With the conclusion of the discussion and since no person asked to speak, The Chairman of the General Shareholders' Meeting submitted to vote the proposal referred in Item One of the agenda, which was approved by the majority of the votes cast (with 8,0929% of votes against and 0,1624% of abstentions).-----

--- The Chairman of the General Shareholders' Meeting continued with the works and read Item Two of the agenda with the following content: "Resolve on the individual and consolidated accounts' reporting documents for the 2008 financial year, including the sole management report (which includes a chapter regarding corporate governance), the individual accounts and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of individual and consolidated accounts".-----

The Chairman of the General Shareholders' Meeting requested to the Chairman of the Executive Board of Directors and to the Chairman of the General and Supervisory Board to present the accounts' reporting documents, and started by giving permission to speak to Mr. António Luís Guerra Nunes Mexia.-----

(...)

With the conclusion of the discussion and since no person asked to speak, The Chairman of the General Shareholders' Meeting submitted to vote the proposal, having, consequently, been approved by majority of the votes cast (with 3,7474% of against and 0,8419% of abstentions) the sole management report, the other accounts' reporting documents for the 2008 financial year and the opinion of the General and Supervisory Board.-----

--- The Chairman of the General Shareholders' Meeting continued with the works and read Item Three of the agenda with following content: "Resolve on the proposal for the allocation of profits in relation to the 2008 financial year" and granted permission for the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, to speak, who presented the proposal of the Executive Board of Directors, in the following terms:-----

"In accordance with number 1 of article 30 of the By-laws, the Executive Board of Directors proposes to Shareholders that the following allocation of profits:-----

Legal Reserve	€ 27,548,881.70
Dividends (the proposed dividend is)	€ 511,915,280.10
Endowment to EDP Foundation	€ 6,000,000.00
Profit forwarded	€ 5,513,472.13"

The Chairman of the General Shareholders' Meeting thanked the Chairman of the Executive Board of Directors and allowed the Chairman of the General and Supervisory Board to speak, who focused his speech on the endowment to the EDP Foundation, in relation to actions of patronage of recognized merit, which is included in the proposal of allocation of profits, having highlighted that the General and Supervisory Board, in its 5th of March of 2008 meeting, has issued favourable opinion on the endowment of 6 million euros, considering the present economic context and diversity of projects pursued by the EDP Foundation.-----

(...)

The Chairman of the General Shareholders' Meeting continued the works by submitting to vote Item Three of the agenda and the proposal for the allocation of profits was approved by the majority of the votes cast (with 3,7168% of votes against and 0,1468% of abstentions).-----

--- Initiating Item Four of the agenda, the Chairman of the General Shareholders' Meeting read the respective content "General appraisal of the management and supervision of the company, in accordance with article 455 of the Portuguese Companies Code". Afterwards, the Chairman of the General Shareholders' Meeting read the proposal presented by the shareholders Parpública – Participações Públicas, SGPS, S. A., Caixa Geral de Depósitos, S.A., Caja de Ahorros de Asturias, José de Mello, SGPS, S.A., Banco



EXTRACT FROM THE MINUTES
OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP

Comercial Português, S.A., Banco Espírito Santo, S.A. and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach"), with the following content: -----

"Pursuant to article 455 of the Portuguese Companies Code, -----
The Shareholders propose: -----

1. – A vote of confidence and praise to the Executive Board of Directors and to each of its members for the performance of their offices during 2008 financial year. -----

2. – A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2008 financial year. -----

3. – A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2008 financial year". -----

After reading the proposal, the Chairman of the Shareholders Meeting granted permission for the Chairman of the General and Supervisory Board to speak, who presented the opinion from this body on the management of the Company, having highlighted that the General and Supervisory Board, unanimously, approved to issue and to transmit to the shareholders its favourable opinion on a vote of confidence and praise to the Executive Board of Directors, to its Chairman, Mr. António Mexia, and to each of its members. –

Subsequently, the shareholders Mr. Domingos Sá and Mr. António França de Oliveira asked for permission to speak and stated their adherence to the proposal (...).-----

Since none of the persons attending the meeting asked to speak, the Chairman of General Shareholders' Meeting submitted to vote the proposal regarding Item Four of the agenda, which was approved by the majority of the votes cast (with 3,9308% of votes against and 0,7416% of abstentions).-----

--- Afterwards and regarding Item Five of the agenda, Mr. Rui Pena read its respective content, in the following terms, "Resolve on the election of the members of the corporate bodies for the three year period 2009/2011" and explained that have been presented three proposals concerning this item, which voting and appraisal would occur separately. -----

The Chairman of the General Shareholders' Meeting (...) read the proposal presented by shareholders Parpública – Participações Públicas, SGPS, S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A., which content is described below, having highlighted the necessary approval of such resolution by a majority of two thirds of the votes cast, pursuant to number 4 of article 10 of EDP's By-laws.-----

"Whereas:-----

a) On April 31st, 2007 EDP – Energias de Portugal, S.A. ("EDP") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach") entered certain agreements in order to create a business partnership for some business areas relating to natural gas and the generation of electric power ("Strategic Partnership"), as a sequence of the memorandum of understanding signed on April 11th of the same year;-----

b) There is a common understanding to maintain Sonatrach's designation as member of EDP's general and Supervisory Board, while it keeps a shareholding of, at least, 2% of EDP share capital and the Strategic Partnership is in force – events that currently are met;--

c) Sonatrach has been appointed by a group of shareholders to be elected as a member of the General and Supervisory Board, which will be submitted to a decision in this General Shareholders' Meeting, according to the present item of the agenda, in which case it is necessary to grant the authorization set forth in number 4 of article 10 of EDP's By-laws ("By-laws"); -----

Parpública – Participações Públicas, SGPS, S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A. propose the approval of the following resolution: -----

To authorize the resolution of election of Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach") as a member of the General and Supervisory Board, according to number 4 of article 10 of the By-laws, considering that, in accordance with paragraph a) number 1 of article 10 and number 7 of article 10 of the By-laws, Sonatrach is a legal person competing with EDP since it is involved in the commercialization of natural gas in Spain – due, namely, to the fact that it holds all of Sonatrach Gas Comercializadora, S.A.'s share capital and a participation of 30% in the share capital of Cepsa Gas Comercializadora, S.A., companies that develop activities of natural gas commercialization in the Spanish market, competing, in a limited way, with the natural gas business of EDP in that market -, and in addition it is expected that it will also operate in that field in Portugal, considering, specially, the need to assure future supply of natural gas to the Lares Power Plant according to the Strategic Partnership. Based upon the foregoing, it is herein expressly referred and identified the competing relationship, in order to comply with the provisions of number 4 of article 10 of the By-laws." -----

Since no person asked to speak about the first proposal presented in relation to Item Five of the agenda, the Chairman of the General Shareholders' Meeting submitted to vote such proposal (...) which was approved by the majority of the votes cast (with 8,3455% of votes against and 0,0069% of abstentions). With the conclusion of the vote, the Chairman of the General Shareholders' Meeting and the Company Secretary verified that a qualified majority of two thirds of the votes cast was obtained and accordingly the first proposal presented within the Item Five of the agenda was duly approved. -----

Subsequently, the Chairman of the General Shareholders' Meeting read the proposal presented by the shareholders Parpública – Participações Públicas, SGPS, S. A., Caixa Geral de Depósitos, S.A., Caja de Ahorros de Asturias, José de Mello, SGPS, S.A., Banco Comercial Português, S.A., Banco Espírito Santo, S.A. and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach") in relation to the election of the members of the corporate bodies for the three year period 2009/2011, with the following content:-----

“Considering that the mandate of the corporate bodies ended on December 31st, 2008, the subscribers, as EDP – Energias de Portugal, S.A. shareholders, present the following proposal for the three year period 2009/2011:-----

1. Board of the General Shareholders’ Meeting:-----

- Rui Eduardo Ferreira Rodrigues Pena, Chairman;-----
- António Bernardo de Menezes e Lorena de Sêves, Vice-Chairman.

2. Remuneration Committee-----

- José Manuel Archer Galvão Teles, Chairman;-----
- Parpública – Participações Públicas (SGPS), S.A.;-----
- Carlos Alberto Veiga Anjos.-----

3. General and Supervisory Board (GSB)-----

- António de Almeida, Chairman;-----
- Alberto João Coraceiro de Castro, Vice-Chairman;-----
- António Sarmento Gomes Mota;-----
- Cajastur Inversiones, S.A.;-----
- Carlos Jorge Ramalho dos Santos Ferreira;-----
- Diogo Campos Barradas de Lacerda Machado;-----
- Eduardo de Almeida Catroga;-----
- Fernando Manuel Barbosa Faria de Oliveira;-----
- José Maria Espírito Santo Silva Ricciardi;-----
- José Manuel dos Santos Fernandes;-----
- Khalifa Abdulla Khamis Al Romaiithi;-----
- Manuel Fernando de Macedo Alves Monteiro;-----
- Ricardo José Minotti da Cruz Filipe;-----
- Rui Eduardo Ferreira Rodrigues Pena (Chairman of the General Shareholders’ Meeting);-----
- Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach);-----
- Vasco Maria Guimarães José de Mello;-----
- Vítor Fernando da Conceição Gonçalves.-----

4. Executive Board of Directors (EBD)-----

- 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.-----

5. Environment and Sustainability Board-----

- João Martins Ferreira do Amaral, Chairman;-----
- Miguel Pedro Brito St. Aubyn;-----
- Maria Madalena Monteiro Garcia Presumido;-----
- Maria da Graça Madeira Martinho;-----
- José de Sousa Cunhal Sendim.”-----

Since none of the persons present asked to speak about the second proposal presented within Item Five of the agenda, the Chairman of the General Shareholders’ Meeting submitted to vote the proposal of election of the members of the corporate bodies for the three years period 2009/2011, which was approved by the majority of the votes cast (with 8,2937% of votes against and 0,1524% of abstentions).-----

Afterwards, the Chairman of the General Shareholders’ Meeting read the proposal presented by the General and Supervisory Board for the election of the Statutory Auditor and his Substitute for the three year period 2009/2011, with the following content:-----

“Considering that:-----

- a) In accordance with article 11, no. 2, paragraph b) and article 22, no. 1, paragraph c) of EDP’s By-laws, the General Shareholders’ Meeting is competent to elect the Statutory Auditor, following a proposal of the General and Supervisory Board;-----
- b) The mandate of the current Statutory Auditor reached its term on 31st of December, 2008;-----
- c) In its meeting of 5th of March, 2009, the General and Supervisory Board decided to mandate its Chairman, the Chairman of the Audit Committee and Mr. Vasco de Mello to define the proposal to be presented to the General Shareholders’ Meeting;-----
- d) On 19th of March, 2009, taking into consideration its mandate, the above mentioned “ad-hoc” commission has selected a candidate.-----

The General and Supervisory Board proposes to the General Shareholders’ Meeting to resolve on:-----



EXTRACT FROM THE MINUTES
OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP

1. The election of KPMG & Associados, SROC, S.A. (SROC no. 189), represented by Jean-éric Gaign (ROC no. 1013), as Statutory Auditor for the three year period 2009/2011;-----

2. The election of Vítor Manuel da Cunha Ribeirinho, ROC no. 1081, as the Substitute Statutory Auditor for the three year period 2009/2011.”-----

Since none of the persons present asked to speak about the third proposal presented within Item Five of the agenda, the Chairman of the General Shareholders' Meeting submitted to vote the proposal for the election of the Statutory Auditor for the three year period 2009/2011, which was approved by the majority of the votes cast (with 8,4964% of votes against and 0,1539% of abstentions). -----

(...) The Chairman of the General Shareholders' Meeting read the content of Item Six of the agenda - "Granting authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and its subsidiaries" and questioned shareholders to waive the reading of the proposal presented by the Executive Board of Directors (...). Since shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to the Executive Board of Directors for the presentation of such proposal. (...) -----

After the conclusion of the explanation and since no person present asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal contained in Item Six of the agenda, which was approved by the majority of the votes cast (with 4,3571% of votes against and 0,0011% of abstentions). -----

--- In relation to Item Seven of the agenda, the Chairman of the General Shareholders' Meeting read the referred Item - "Granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and its subsidiaries" - and, as it had already happened within the previous item, questioned the present shareholders on the waiver of the reading the proposal (...). The reading of the proposal was waived and since no person asked to speak the Chairman of the General Shareholders' Meeting submitted to vote the proposal, which was approved by the majority of the votes cast (with 0,5943% of votes against and 0,0013% of abstention). -----

--- The Chairman of the Shareholders' Meeting carried out with the works and moved to Item Eight of the agenda, with the following content "Resolve on the appraisal, with advisory nature, of the remuneration policy of the members of the corporate bodies", and highlighted to all the shareholders present the advisory nature of this item. -----

Afterwards, the Chairman of the Shareholders' Meeting allowed Mr. José Manuel Archer Galvão Teles, Chairman of the Remuneration Committee, to speak, who started by sending his regards to the shareholders present (...) having summarily described the main functions of the corporate body in which he has performed the office of Chairman, during the period between 30th of March 2006 and 30th of June 2006 and in the following period, as well as the general and specific criteria on which the activity of the Remuneration Committee was based upon, as described below:-----

" (...) the corporate bodies elected for the three year period 2006-2008 were subject, during the respective mandate, to 2 different corporate regimes, with direct consequences in relation to the attributions and competences of this Committee: since its election, on 30th of March of 2006, until 30th of June of that year, it continued to exist a Board of Directors, with its Executive Committee and a Single Auditor; since the 30th of June the management bodies changed to an Executive Board of Directors, a General and Supervisory Board and a Statutory Auditor.-----

Thus, considering the legal and statutory provisions applicable, for one period and the other, this Remuneration Committee had the following competence:-----

a) In relation to all the mandate of the corporate bodies (2006-2008):-----

- To fix the remuneration of the members of the Board of the General Shareholders' Meeting; -----

- To fix the remuneration of the Single Auditor/Statutory Auditor;-----

b) In relation to the period between 30th of March and 30th of June 2006:-----

- To fix the remuneration of the members of the Board of Directors and its Executive Committee;-----

c) In relation to the period which began on 30th of June 2006, date of entry into force of the new By-laws which will be extended until the term of the mandate:-----

- To fix the remuneration of the members of the General and Supervisory Board, considering the Committees to which they belong. -

On the other hand, the Remuneration Committee, designated in accordance with article 27 of the By-laws, which entered into force on 30th of June 2006, should fix the remuneration - fix and variable - of the members of the Executive Board of Directors, since its entry into functioning until the term of office.-----

Within the execution of its powers and considering the special circumstances described previously, this Committee has guided its activity by general and specific standards. -----

In relation to the general aspects, the following we mainly considered:-----

- The need of a remuneration policy based upon, as much as possible, the evaluation and stimulus of a rigorous management according to goals under which the merits are rewarded.-----

- Comparison with the national and international examples in terms of remunerations of the several members of the corporate bodies (benchmarking).-----

- EDP's relative position within the PSI-20 index and the evolution of the inflation and remaining economic indicators.-----

In particular in what concerns EDP, the Committee was particularly concerned in hearing the relevant shareholders of the Company and considered particularly the following aspects:-----

- The influence that the current situation of the EDP Group, which is evidently diversifying and expanding, as well as the economic situation of the country, would have on the remuneration policy; -----

- A natural and healthy moderation in the definition of the remuneration policy, without prejudice of a fair remuneration essentially based upon the merits; -----

- By virtue of the organizational modifications arising from the new corporate governance model adopted by EDP, it was pursued a clarification in relation to the effective functions performed by the several members of the GSN and, namely by the respective Chairman; -----

- Within this analysis, the Committee considered that it should dedicate special attention to fixing of the amount of remuneration to be attributed to the Chairman of the GSB, considering, on the one side, that it was a new office which had arose from the dual board model established, in the meanwhile, in the Company and considering, on the other side, the historical context regarding the remuneration position of each of the Executive Chairman and the Chairman. -----

Furthermore, it was the Committee's understanding that the major modifications which revealed to be necessary, by virtue of the new corporate governance model, should not be already established in full during the current mandate. -----

Within this context and established the criteria on which the remuneration policy is based upon and taking into consideration the several factors in stake, this Committee, passed on, in general terms, the following resolutions: -----

- To grant the remunerations of the members of the Board of Directors and its Executive Committee while the previous By-laws were still in force. -----

- To fix the remuneration of the Chairman of the General and Supervisory Board in amounts around but lower than the amounts fixed for the Chairman of the EBD, namely in relation to the absence of a variable remuneration. -----

- In relation to the Chairman of the General Shareholders Meeting it was decided that its remuneration as member of the General and Supervisory Board should also include the remuneration concerning the performance of that other office. -----

- It was also decided in relation to the remuneration of the Statutory Auditor to accept and to confirm the terms of the agreement entered into between the Company and the Statutory Auditor. -----

Finally, one should give thanks to the cooperation that the remaining corporate bodies and the Company Secretary always provided to the Committee and recognize that EDP has been complying, as an example to others, with its obligations in what concerns such a sensitive issue – and unfortunately so public – as this of the remuneration of the corporate bodies. -----

I should equally highlight that EDP has been giving public knowledge through its Report and Accounts of the remunerations attributed to its corporate bodies in a transparent manner, without a doubt an exception in the context of the Portuguese listed companies.”---

The Chairman of the General Shareholders' Meeting appreciated the intervention of Mr. José Manuel Archer Galvão Teles and since there are two Remuneration Committees in EDP, allowed Mr. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board, to speak, who after presenting its regards to the shareholders attending the meeting, mentioned that his intervention was going to be focused in two different parts, as follows: more relevant aspects related with the members of the Executive Board of Directors' remuneration policy and results associated with such policy. Mr. Alberto João Coraceiro de Castro started by highlighting that the Remuneration Committee, in which he is Chairman, was elected by the General and Supervisory Board and is composed of two independent members and a representative of the relevant shareholders. After its election and for the purpose of laying down the remuneration policy of the members of the Executive Board of Directors, the Remuneration Committee began its activity by performing a benchmarking exercise of strategic nature, with the purpose of alignment to the best international practices, and of operational nature, with a view to carry a comparison study of the relevant national companies (included in PSI-20) and the main competitors (utilities), in particular at the Iberian level. After accomplishing this exercise, it was established a scheme of compensation based upon three components, which are, fixed, annual and multiannual. Mr. Alberto João Coraceiro de Castro presented the general guidelines related with each one of these components. The Chairman of the Remuneration Committee of the General and Supervisory Board highlighted that, in relation, to the fixed component, a balance was reached which allowed the definition of a competitive remuneration that simultaneously assured the excellence and stability necessary for the exercise of the office by the members of the Executive Board of Directors. In relation to the variable component, besides the fact that the attribution of this component is related to several qualitative and quantitative elements, the fact that this remuneration has a similar importance than that of the fixed component, evidences an incentive driven policy which allowed to align the interests of the shareholders and the interests of the members of the Executive Board of Directors, regardless the fact that only one management team with high excellence and self-assurance would be able to accept a remuneration policy as the one established for the members of EDP's Executive Board of Directors. Mr. Alberto João Coraceiro de Castro highlighted, still within this subject, the total harmony of position between the Remuneration Committee of which it is the Chairman and the Executive Board of Directors to disclose the remuneration of the Chairman of the latter body, being understood that in Portugal only two companies disclose such information. -----

As main results and as a final note, the Chairman of the Remuneration Committee of the General and Supervisory Board has highlighted that the drawing of the incentives, to which accrues the merits and the competence of the members of the Executive Board of Directors, has allowed the obtaining of a high level of efficiency for the shareholders, since EDP presents the best results per euro paid as remuneration to its Directors (more than the double of the second best company in the PSI-20), which demonstrates that the current managing team is capable of delivering highly satisfactory results to the shareholders and to the Company itself. -----



EXTRACT FROM THE MINUTES
OF THE GENERAL MEETING OF SHAREHOLDERS OF EDP

(...)

--- Since none of the members present asked to speak about this item, and since the discussion and resolution in relation to all of the items in the agenda had been achieved, The Chairman of the General Shareholders' Meeting made the following speech: -----

"Ladies and Gentlemen Shareholders, -----

Our works have been concluded. I appreciate your cooperation, which was decisive for the good operation of this General Shareholders' Meeting. I appreciate the support of all of EDP's team, the services of BPI in the control of the voting and the kindness of the assistants. I believe that we all deserve congratulations. Once more it was demonstrated that EDP knows what it wants and where it is heading. EDP has a well defined path and appropriate leaders, which have used us to see the proposed targets and goals being achieved. The extensive confidence expressed by you in relation to the corporate bodies not only reinforces their legitimacy for the challenges that shall take place in the next three year period but also encourages and stimulates their performance. I think to interpret the feeling of all of their members when I thank to the Ladies and the Gentlemen Shareholders the confidence entrusted to them. -----

It is awkward – but unfortunately it does not surprise us – that EDP is criticised for the economic and financial results of the previous financial years. We are used to contradictory situations as this. We do not have to be ashamed but we should be proud of this success. I congratulate the Executive Board of Directors for the results accomplished and naturally its Chairman. With the solidarity of the General and Supervisory Board and of its Chairman, he knew how to draw up a winning strategy of diversification, innovation and internationalization. He knew how to create protection from and to anticipate in relation to the times of crisis. A very important part of the profits was obtained outside Portugal. Internally the objective discipline of regulation prevailed and it did not stopped to attend and to respond to the competitiveness of our economy and the economic weakness of families in these troubled time. Besides, EDP has also understood and knew how to perform a social function and conscious citizenship through its foundation – to which I take the opportunity to thank in the person of its directors – contributing for the development of arts and culture and also for a set of actions of social solidarity a little throughout the country, policy which will surely develop, in the future, in connection with the power plants. -----

I cannot help referring, at last, the corporate governance model of the company that in proper time was adopted by the Ladies and Gentlemen Shareholders, which transparency is never to much to highlight and that it reveals to be of high importance in the success reached. There is not only a division of powers, but a true institutional solidarity which has resulted in consensus and has avoided blockings. Notwithstanding, I must refer that the best guaranty of a good corporate governance is the activism of the Ladies and Gentlemen Shareholders. Today, this was well demonstrated in this General Shareholders' Meeting. But we must not forget the relevant part that the qualified shareholders have continuously performed in the General and Supervisory Board. -----

Looking to the future of our company with optimism, in these times of uncertainty and repeating my regards for the cooperation given to the Chairman of the General Shareholders' Meeting, I declare this General Shareholders' Meeting closed."-----

--- There being no further business, the meeting was closed at nineteen hours and forty minutes, in relation to which the present minute was drawn up and will be signed by the Chairman of the General Shareholders' Meeting, by the Vice-Chairman of the General Shareholders' Meeting and by the Company Secretary.-----

Lisbon, April 21st, 2009

The Company Secretary
Maria Teresa Isabel Pereira



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Customers

EDP Lines
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Leituras do contador 800 507 507
Assistência técnica 800 506 506
EDP conforto 800 501 501
online contact details: www.edp.pt/Customers

Customer care service

- EDP lines
- customer manager
- stores and agents
- grid areas
- complaints

EDP online help

- registration problems
- resend activation key
- inactive user
- I've forgotten my password

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Suppliers

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