



A dramatic sky with a bright blue patch and white clouds. The sky is filled with white, fluffy clouds, and a large, bright blue patch is visible in the upper right quadrant. The overall scene is bright and clear.

smart **energy** world

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





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edp

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MESSAGE TO SHAREHOLDERS

Dear Shareholders

Imagine for a moment the following.

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

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

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

A moment to celebrate the growth and the solid results

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

This strategy has been particularly important in a sector such as the utilities, capital intensive with a long time to market and where

demand destruction (without a similar precedent in the near past) occurred since 2008.

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

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

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

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

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

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

Leading the new paradigm in the energy sector

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

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

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

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

We have created opportunities to those that need the most. EDP Foundations, in Portugal, Spain and Brazil, are examples of social innovation, which, only in our country have touched the lives of

more than 1.7 million people. Besides further developing various initiatives in Portugal, in the refugee camp of Kakuma in Africa, EDP developed with UNHCR a second to none project in the world, that shows how we can be effective in the support to those that need the most.

The challenge continues

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

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

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

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

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

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

We imagine and contribute to building a better world.



António Mexia
Chairman of the Executive Board of Directors

Lisbon, 3 of March of 2011



edp

VISION, COMMITMENTS AND VALUES

values

Trust
Of shareholders, customers, suppliers and other stakeholders.

Excellence
In the way we implement.

Initiative
Demonstrated through behaviour and attitude of our people.

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

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



vision

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

commitments

Commitment with Persons

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

Commitment with Customer

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

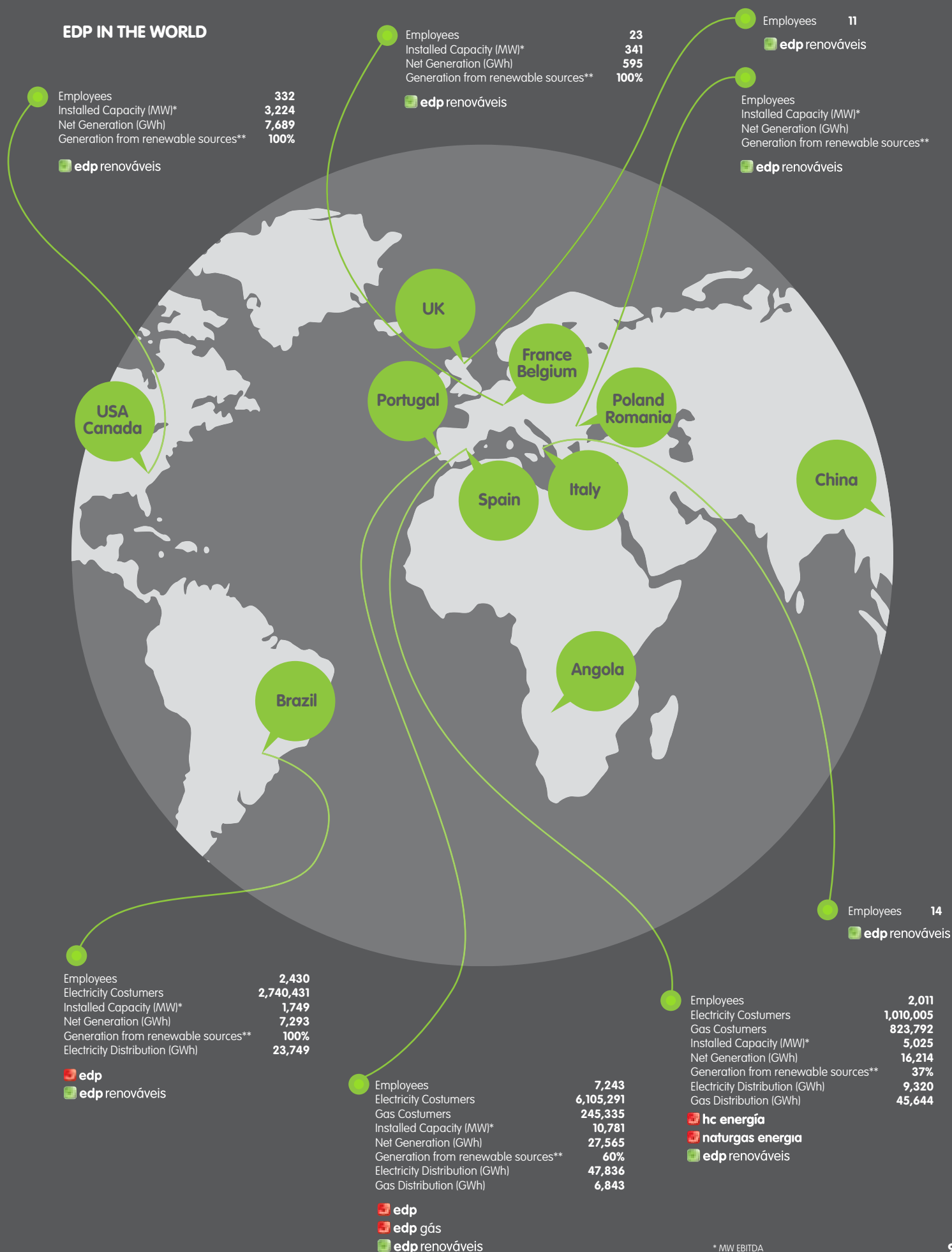
Commitment with Sustainability

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

Commitment with Results

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

EDP IN THE WORLD



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



edp

COMPANY HIGHLIGHTS

13 JAN – EDP signs construction contract for Venda Nova III 736 MW new hydro plant

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

26 JAN – EDP is “gold class SAM 2010”

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

27 JAN – EDP Renováveis enters the Italian wind market through the acquisition of 520 MW to be developed

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

10 FEB – Replacement of representative of Sonatrach in the General Supervisory Board -

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

06 APR – EDP presents InovCity’s

concept - Évora is the first city to feature energy smart grids, enhancing energy efficiency and micro electrical mobility.

16 APR – EDP’s Annual General Shareholders Meeting

- Approval of the 2009 individual and consolidated financial statements and approval of the proposed distribution of EDP’s 2009 net profit for the period.

23 APR – Appointment of representative of Senfora in the General Supervisory Board -

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

26 APR – EDP Renováveis awards Vestas a procurement contract to deliver up to 2.1 GW of wind capacity**15 JUN – Moody’s maintained EDP’s long term ‘A3’ stable credit rating****17 JUN – Fitch maintained EDP’s long term ‘A-’ stable credit rating**

jan

feb

apr

jun

mar

may

jul

09 MAR – EDP issues EUR1bn 5 year bond

EDP Finance BV issued and priced today a Eurobond in the total amount of EUR 1 billion maturing in March 2015 with a coupon of 3.25%.

13 MAY – Payment of gross dividend of EUR 0.155 per share for the 2009 financial year (net dividend of EUR 0.124)**28 JUL – EDP reinforces control over Naturgas**

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

EDP CORPORATE BODIES

BOARD OF THE GENERAL MEETING

Rui Eduardo Ferreira Rodrigues Pena, Chairmain
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

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

GENERAL SUPERVISORY BOARD

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

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

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

papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was designated Member of the EDP General and Supervisory Board on 15th April 2009.

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

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

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

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

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

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

José Maria Espírito Santo Silva Ricciardi He was born on 27th October 1954. He has a degree in Applied Economic Sciences by the Administration and Management Institute of the School of Economic, Political and Social Sciences of Université Catholique de

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

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

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

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

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

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

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

Vítor Fernando da Conceição Gonçalves He was born on 16th April 1955. He has a degree in Business Administration and Management from ISEG (1978) and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG (since 1994) as well as Vice-Rector at Universidade Técnica de Lisboa (since 2007). He is a Member of the Economic and Social Council (since 2007) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (since 2005). He served as Chairman of the ISEG Directive Council (2003-06) and Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programs for executives and was a guest lecturer at several universities in Portugal and abroad. He is a Member of the Assessment Committee for doctoral, post-

doctoral and research candidates at the Fundação para a Ciência e Tecnologia (since 1997). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-02). Member of the Executive Council of Economics and Business Management Specialization at the Portuguese Economists' Association (1999-2001) and member of the Professional Council. He is a non-executive Director of ZON Multimedia and Chairman of its Audit Committee (since 2007). He is currently Chairman of the Gaptec / UTL Department (since 2007) and was Director of Promindústria – Sociedade de Investimento SA (1994-96). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-07). From 2001 to 2002, he chaired the group of "high-level experts" at the European Commission that evaluated the program on European competitiveness – European Research Area. He is the author of several articles on management for national and international publications. He was designated for the first time Member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

EXECUTIVE BOARD OF DIRECTORS

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

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

António Martins da Costa He was born on December 13th, 1954. He holds a degree in Civil Engineering and an MBA from the University of Oporto (1976) and an MBA from the Escola de Gestão of OPorto, and has also completed executive education studies at INSEAD (Fontainebleau, França - 1995), PADE from AESE (Lisbon 2000) and the AMP of the Wharton School (Philadelphia, EUA - 2003). From 1976 until 1989 he lectured at the Superior Engineering Institute of Porto.

He joined hydraulic generation at EDP in 1981. From 1989 to 2003 he was General Manager of Millennium bcp Bank and Executive Board Member on several companies for insurance, pensions and asset management of BCP Group. He was also Director of Eureka BV (Netherlands), Chairman of Eureka Polska and Executive Vice-Chairman of PZU (Poland) between 1999 and 2002. From 2003 to 2007, he was the CEO and Vice-Chairman of the Board of Directors of Energias do Brazil. During this period he was also Vice-Chairman of Portuguese Chamber of Commerce in Brazil and Chairman of ABRADÉE. He is a member of the Executive Board of Directors of EDP since 2006. In 2007, he became Chairman and CEO of Horizon Wind Energy, in the USA, and a Member of the Executive Commission of EDP Renováveis since 2008. In 2009 he was appointed Chairman of the Board of Directors of EDP Internacional and EDP Soluções Comerciais. On the Executive Board of Directors of EDP he is responsible for the management area of distribution. He is a founding member of the Portuguese Institute of Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

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

João Manso Neto He was born on April 2nd, 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the master's degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1988 to 1995 he worked at Banco Português do Atlântico, occupying the positions of Supervisor for the International Credit Division, Head of the International Credit Division, Department Director, Deputy Central Director for International Management and Central Director of Financial Management and Retail Commerce South. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Director of Financial Management, General Manager of Large Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank

Gdansk. From 2002 to 2003, in Banco Português de Negócios, he was the Chairman of BPN Serviços ACE, Director of BPN SGPS, Director of Sociedade Lusa de Negócios and a member of the Board of Banco Efisa. He is still a voting Member of the OMEL Board of Directors. From 2003 to 2005 he worked at EDP as Director-General and Administrator of EDP Produção. In 2005 he was named Appointed Adviser at HC Energía, Chairman of Genesa and Director of Naturgas Energia and OMEL. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009.

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

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

SUMMARY OF KEY METRICS
FINANCIAL INDICATORS

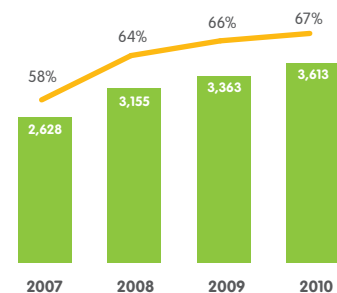
EUR thousands	2010	2009	2008	2007
EDP Group				
Turnover	14,170,742	12,198,183	13,894,063	11,010,778
EBITDA	3,612,810	3,362,948	3,154,936	2,628,275
Operating profit	2,062,509	1,969,567	1,929,994	1,560,329
Net profit *	1,078,925	1,023,845	1,091,529	907,252
Operating Cash-flow	1,852,312	3,921,669	1,744,507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

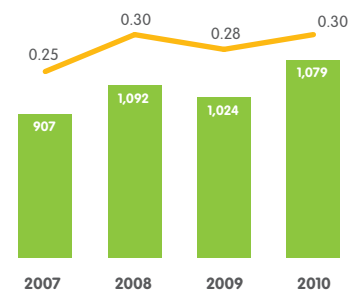
Note: 100% of the displayed figures are included under Operating Investment (Net of contributions).

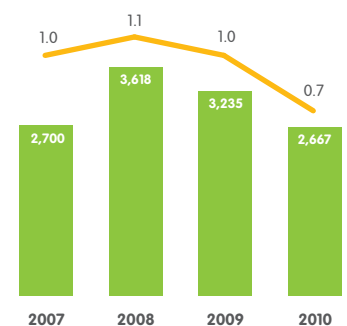
* Net Profit attributable to EDP Equity holders

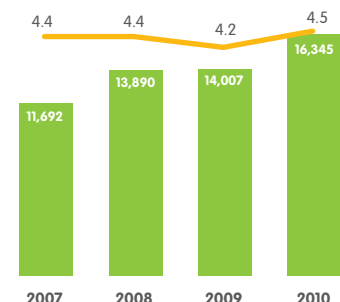
** Does not include Minority Interests

*** Includes Debt, Cash and cash equivalents and short-term assets at fair value

EBITDA (EUR millions)

 ■ EBITDA
 — EBITDA/Gross Margin

Net Profit* (EUR millions)

 ■ Net profit
 — Profit per share (EUR)

Operating Investment (EUR millions)

 ■ Operating investment
 — Operating investment/GOR (x)

Net debt (EUR million)

 ■ Net debt
 — Net debt/Gross operating profit

OPERATING INDICATORS

	2010	2009	2008	2007
Number of Employees *	12,096	12,096	12,245	13,097
Electricity business (excl. Brazil)	7,315	7,289	7,511	7,669
Electricity generation (excluding EDP Renováveis)	2,172	2,210	2,339	2,326
EDP Renováveis	833	721	627	532
Electricity distribution	4,056	4,163	4,378	4,647
Electricity supply	254	195	167	164
Gas business	519	537	422	411
Electricity business in Brazil	2,325	2,291	2,278	2,980
Generation	262	260	231	231
Distribution	2,040	2,014	2,033	2,734
Supply	23	17	14	15
Support services	1,346	1,383	1,450	1,562
Other	591	596	584	475

Electricity Generation - Iberia (excluding EDP Renováveis)**

	2010	2009	2008	2007
Installed Capacity (MW)	13,818	13,401	12,491	11,580
Portugal	9,943	9,974	9,091	9,015
Spain	3,875	3,427	3,401	2,565
Net electricity generation (GWh)	37,951	36,978	35,627	40,115
Portugal	26,093	24,736	22,511	25,625
Spain **	11,858	12,242	13,117	14,489

Electricity Generation - EDP Renováveis

	2010	2009	2008	2007
Installed Capacity (MW EBITDA)	6,437	5,490	4,400	2,900
Portugal	599	595	553	424
Spain	2,050	1,861	1,692	1,265
Rest of Europe	551	397	232	87
USA	3,224	2,624	1,923	1,124
Brazil	14	14	0	0
Net electricity generation (GWh)	14,352	10,907	7,807	3,777
Portugal	1,472	1,275	1,028	735
Spain	4,355	3,275	2,634	2,056
Rest of Europe	805	426	238	119
USA	7,689	5,905	3,907	866
Brazil	31	26	0	0

Electricity Distribution - Iberia

	2010	2009	2008	2007
Distribution outlets	6,800,047	6,764,329	6,716,520	6,670,452
Portugal	6,149,046	6,119,805	6,088,179	6,053,875
Spain	651,001	644,524	628,341	616,577
Electricity sales (GWh)	57,156	55,277	56,147	56,541
Portugal	47,836	46,146	46,468	46,919
Spain	9,320	9,131	9,679	9,622

Electricity Supply - Iberia***

	2010	2009	2008	2007
Number of costumers	7,115,296	7,055,525	6,754,151	6,705,615
Portugal	6,105,291	6,102,495	6,087,578	6,051,114
Spain	1,010,005	953,030	666,573	654,501
Electricity sales (GWh)	60,816	62,522	65,983	63,831
Portugal	39,375	43,154	46,236	44,556
Spain	21,441	19,367	19,747	19,275

Gas business

	2010	2009	2008	2007
Gas Distribution - Portugal				
Distribution outlets	245,347	221,388	200,988	179,802
Gas sales (GWh)	6,843	6,133	5,952	2,554
Gas Distribution - Spain				
Distribution outlets	983,873	963,837	690,032	665,092
Gas sales (GWh)	45,644	18,968	20,688	20,237
Gas supply - Spain				
Number of costumers	823,792	833,450	628,294	415,288
Gas sales (GWh)	29,809	21,261	24,750	18,203

Electricity business in Brazil

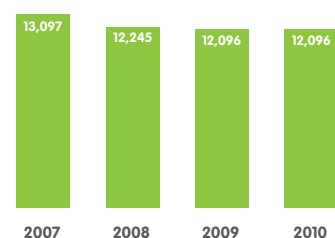
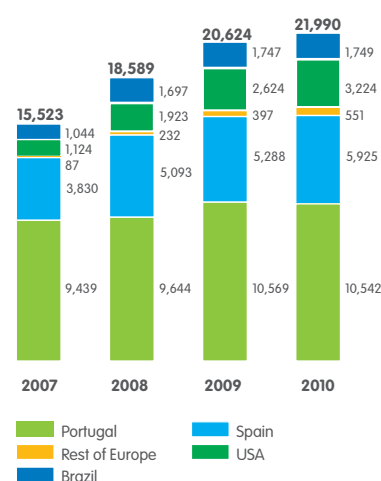
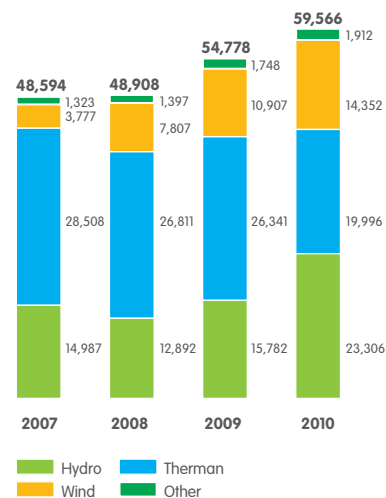
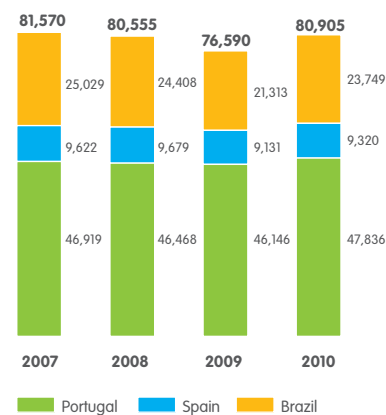
	2010	2009	2008	2007
Installed Capacity (MW)	1,735	1,733	1,697	1,044
Electricity sales (GWh)				
Generation	7,263	6,893	5,473	4,704
Distribution	23,749	21,313	24,408	25,029
Supply	8,061	8,586	7,282	7,188
Number of costumers	2,740,431	2,667,731	2,582,636	3,206,624

Note: 100% of the displayed figures for all companies are considered, regardless of the EDP Group shareholding.

*Includes Corporate Bodies (107 at YE2010)

** In 2010 include 284GWh generated during tests in Soto 5

***Includes last resort supply

Number of employees*

Installed capacity (MW)

Net Generation (GWh)***

Electricity Distributed (GWh)


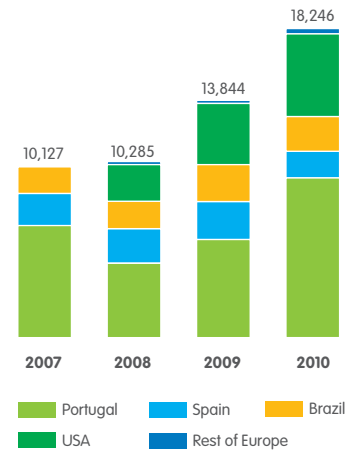


ENVIRONMENTAL INDICATORS

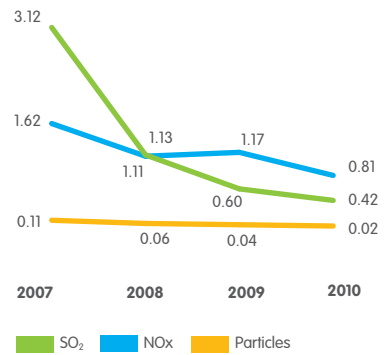
	2010	2009	2008	2007
Primary Energy Consumption (TJ)				
Total for generation	176,519	242,878	237,259	261,157
Coal	81,816	132,628	121,423	166,152
Fuel oil	1,566	6,105	11,292	15,117
Natural Gas	78,581	89,051	90,180	63,503
Other fuels	10,996	10,618	13,411	14,669
Forest waste	3,280	4,227	676	1,443
Fuel for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

(1) Does not include vehicle fleet

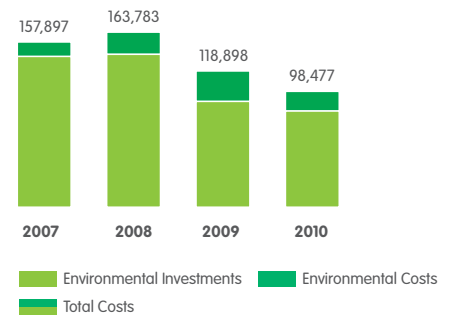
Avoided CO₂ of EDP Group (kt)



**Specific Emissions from thermal generation
NOx, SO₂ and particles (g/kWh)**



Environmental Costs (EUR thousands)



SOCIAL INDICATORS

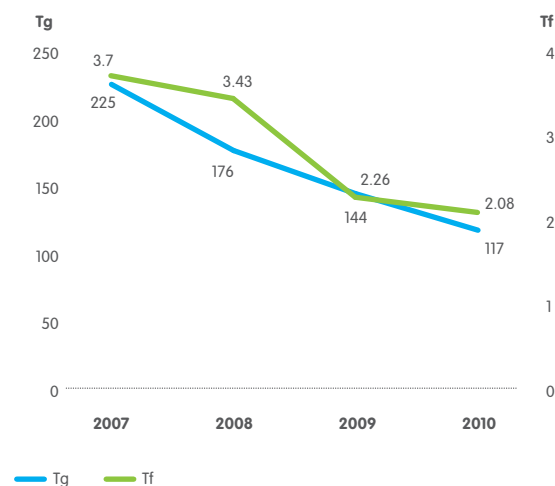
	2010	2009	2008	2007
Employment				
Employees (no.) ⁽¹⁾	11,989	12,009	12,166	13,013
Male employees (%)	79	79	80	80
Overall satisfaction rate	n/a ⁽²⁾	81	75	n/k
Turnover	5.76	5.51	6.00	5.00
Employees average age (years)	46	45	45	45
Absentee rate (%)	3.52	3.61	3.44	3.74
Personnel costs (EUR thousands)	575,408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

(1) The number of employees does not include corporate bodies (107).

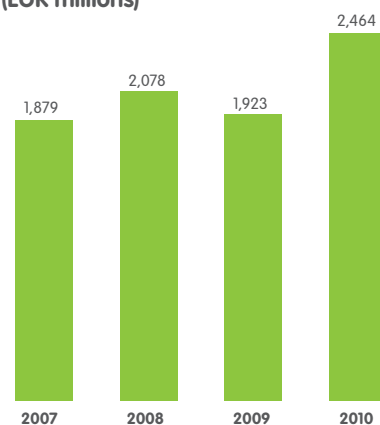
(2) The surveys of employee satisfaction is being performed with a periodicity of two years

(3) Includes only Portugal

(4) Em 2007, Tf_total includes only Portugal

EDP Frequency and Severity Rate

ECONOMIC INDICATORS

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

Accumulated economic value (EUR millions)


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



edp

STRATEGIC AGENDA

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

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

Controlled Risk:

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

Superior Efficiency:

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

Focused Growth:

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

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

Controlled Risk:

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

Superior Efficiency:

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

Focused Growth:

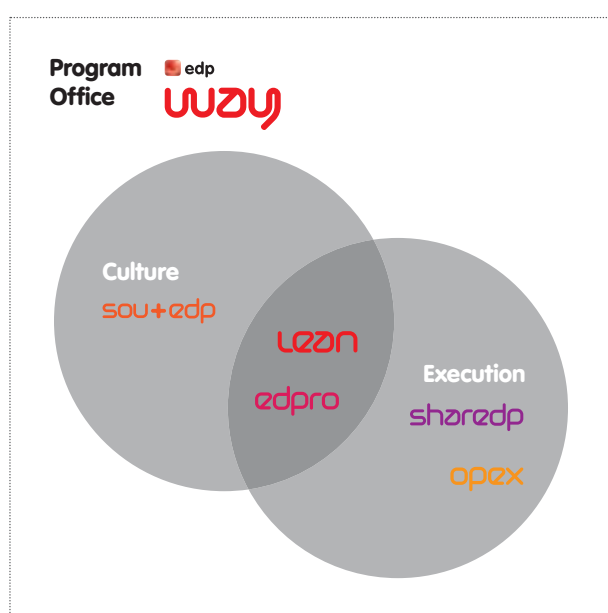
- Disciplined execution. In hydro, green light for construction of Fridão/Alvito hydro plant and started construction of Venda Nova III and Salamonde. Concerning the Gas business, the Bergara-Irún gas pipeline was concluded. In the wind, started the construction of Tramandai wind farm in Brazil.
- Strengthened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

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

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

Program Office EDP Way

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



- **Sou+EDP:** in this project, focused on leveraging the workforce potential to its fullest, a set of initiatives was implemented aiming at increasing the attractiveness of the EDP Group regarding recruiting; additionally, an internal mobility policy was approved for the Group and a single identity was created for use on all internal communication with the employees;
- **Lean:** the adoption of the Lean approach is currently underway in 10 of the Group's BUs, whereas the activities that were assigned to several of the work-teams launched in 2009 have already been concluded; additionally, other remaining BUs are currently progressing in the preliminary assessment or in the final preparation phase before launching their own Lean initiatives;
- **EDPro:** this project, focused on an effective management of the Group's key processes, is gradually evolving into a "process" itself, to be executed every year all across the Group, namely through what was designated as the "planning cycle for key processes optimization", which was launched this year for the first time and targets the implementation of optimization initiatives during the course of 2011;

- **Sharedp:** overall, the set of projects included in SharEDP was carried-out as planned; along the ShareCom (Commercial Shared Services) dimension it should be highlighted the launch of the new organization for the commercial support services in Spain; on the ShareCorp (Corporate Shared Services) dimension emphasis goes to the kick-off of the "Lince" project, concerning the implementation of the new SAP multi-geographies, surely one of the current EDP projects with the greatest Group-transformation potential;
- **OPEX:** this project, focused on the optimization of the EDP Group's cost base, has been systematically delivering results above the objectives that were established, actually finishing 2010 with total savings of €159M, corresponding to 132% of the annual goal of 120 M€ that had been set and the achievement of the target set to 2012 (€160M) two years in advance.



business

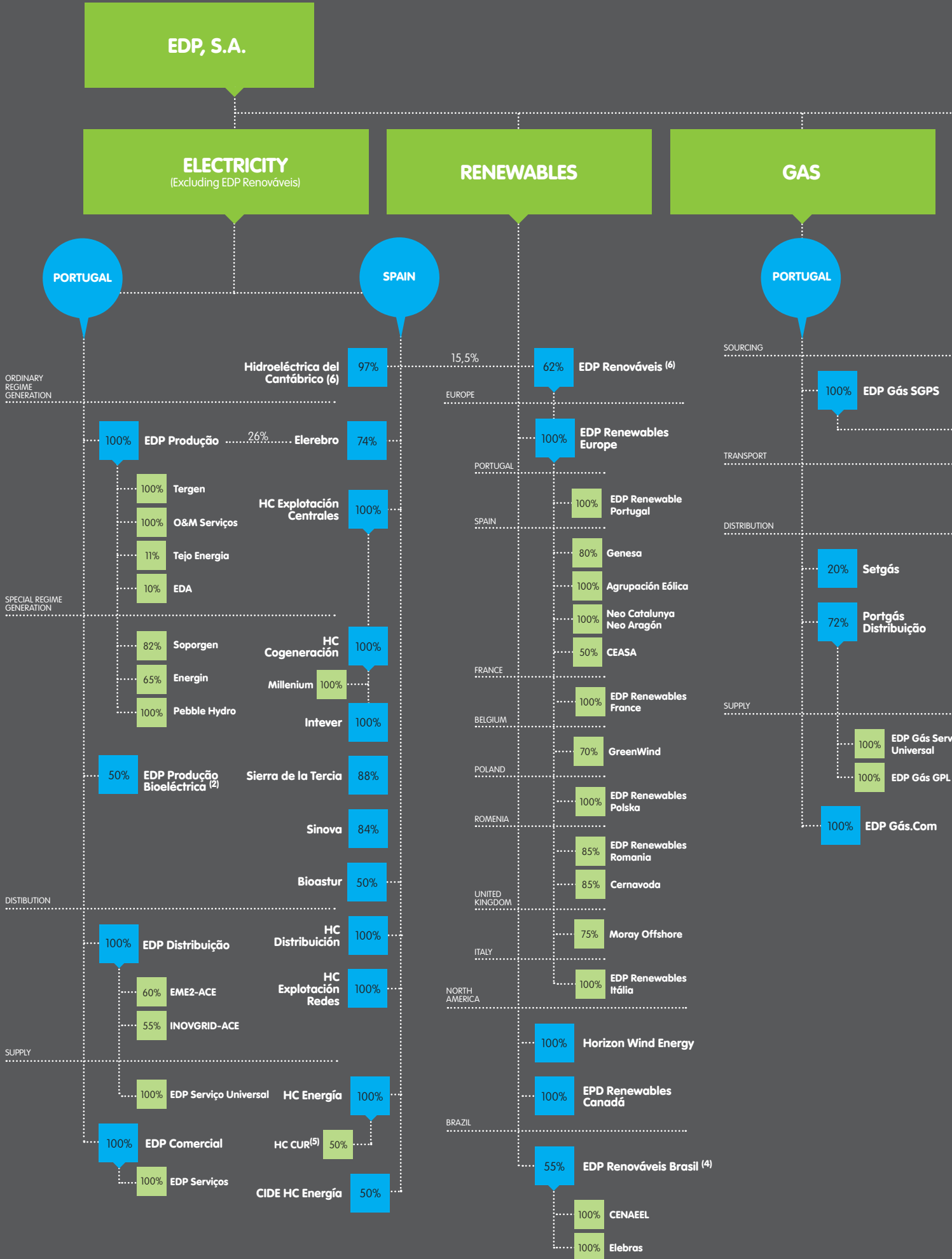
24	ORGANIZATIONAL STRUCTURE
26	BUSINESS FRAMEWORK
26	Macro-economic framework
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34	Electricity business (excluding Brazil)
42	EDP Renováveis
58	Electricity business in Brazil

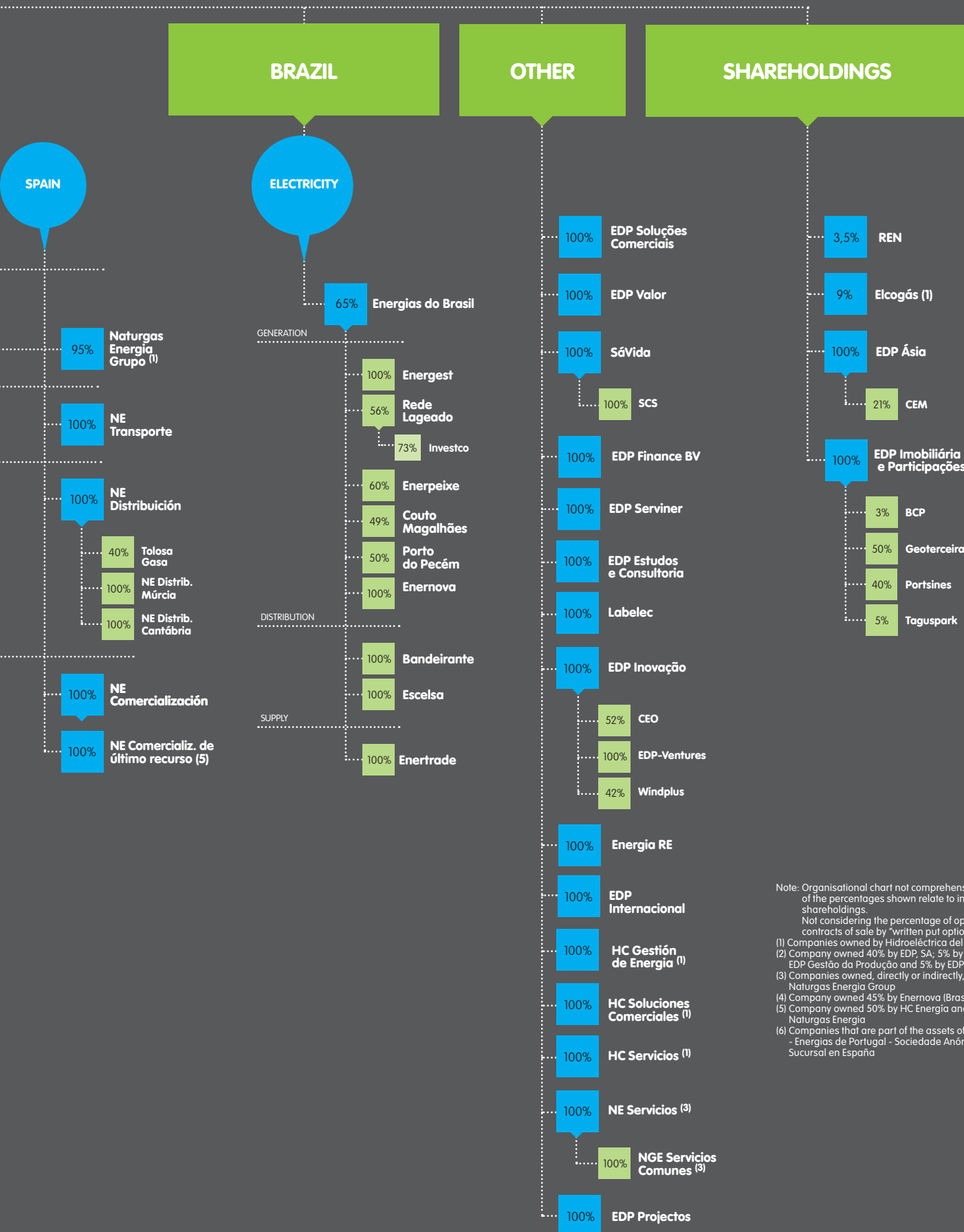




business

ORGANIZATIONAL STRUCTURE





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

(1) Companies owned by Hidroelétrica del Cantábria

(2) Company owned 40% by EDP, SA, 5% by EDP Gestão da Produção and 5% by EDP Imobiliária

(3) Companies owned, directly or indirectly, by Naturgas Energia Group

(4) Company owned 45% by Enernova (Brasil)

(5) Company owned 50% by HC Energia and 50% by Naturgas Energia

(6) Companies that are part of the assets of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España



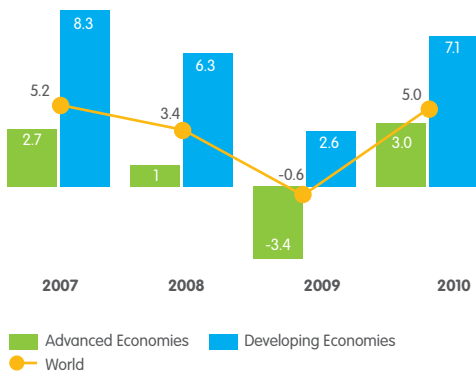
business

BUSINESS FRAMEWORK

MACRO-ECONOMIC FRAMEWORK

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

World Performance (Real GDP)



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

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

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

World economy recovers but faces complex challenges

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

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

Deflationary risks decrease and give room to inflationary pressures

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

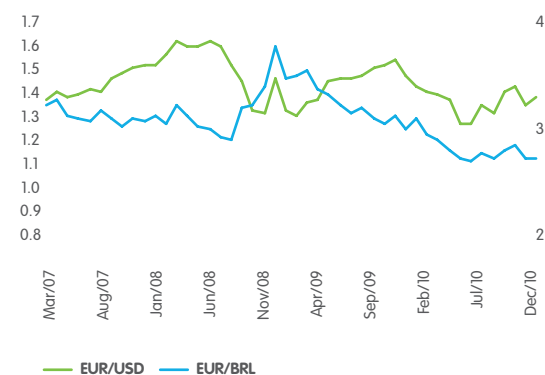
The intensified growth of the emerging economies facilitated the transmission of these cost rises into consumer prices, with greater relevance in developing countries, where the utilization of raw material resources is fundamental, as opposed to developed economies where this effect only became visible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

Risk adverse environment

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

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

Exchange rate relative to Euro



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

The repercussions of institutional instability on the Euro area financial markets

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

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

Portuguese Economy intensifies the external imbalance correction

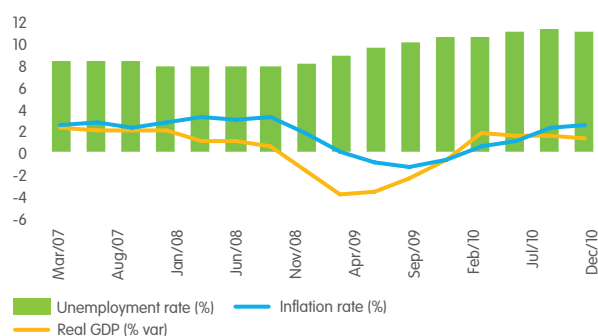
The Portuguese economy has benefited from the inflection in the global economic cycle. In 2010, it is expected an average GDP growth of 1,4%, with an increasing contribution of external demand. The significant worsening of the financial conditions faced and the difficulties in the budget execution during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

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

The unemployment rate has been increasing, reaching almost 11% at the end of 2010. Even in sectors where sales and orders recovered, there is a prudent evaluation of the conjuncture,

focusing on strategies for maximizing productivity and/or more intensive use of productive factors, maintaining flexibility to accommodate sudden changes in demand.

Portuguese Economy Performance



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

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

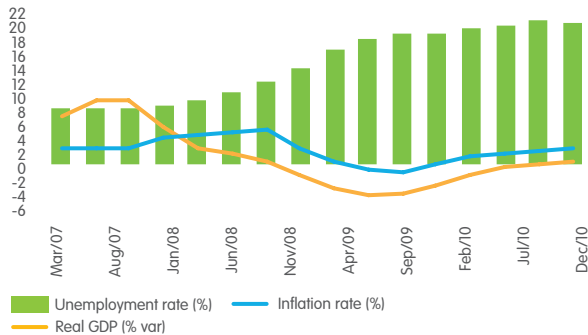
Spanish economy returns to a path of moderate growth

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

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

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Spanish Economy Performance



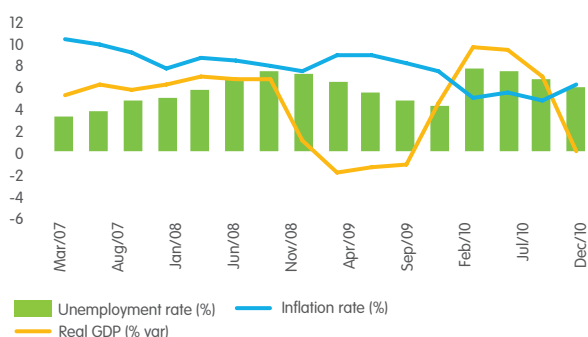
The activity decline and the uncertainty with second order effects on the real estate market and the European institutional framework is an environment that punishes the employment, which continues to shrink for nearly three years, although the pace of deterioration shows some moderation. The unemployment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

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

Brazil faces the challenge of sustainability in abundance

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

Brazilian Economy Performance



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

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

ENERGETIC FRAMEWORK

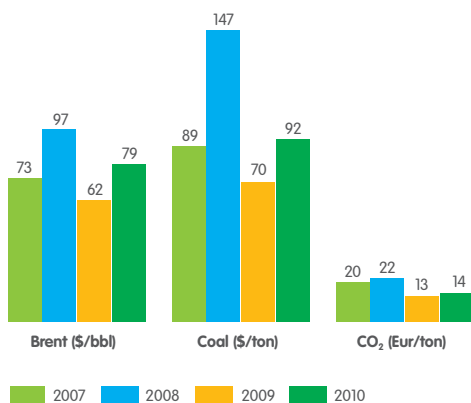
2010 was marked by the beginning of the recovery from the severe worldwide energy demand drop occurred in 2009. Both power and gas consumption presented significant growth not only in Europe and the United States but especially in emerging countries (China, India, Brazil).

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

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

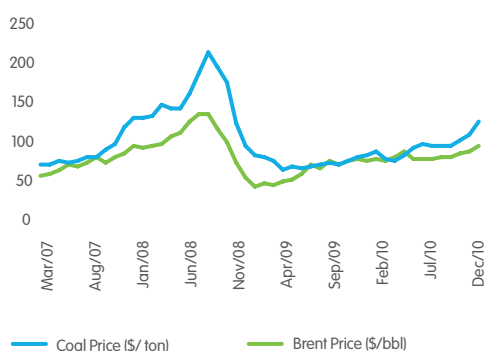
Regarding the CO₂ emission allowances market, the CO₂ price of ETS (Emissions Trade Scheme) increased from 13.1 Eur/ton (2009 average) to 14.3 Eur/ton (2010 average). Given the possibility of banking CO₂ allowances throughout the regulatory period up to 2020, this price reflects the balance of supply and demand for allowances not only for 2010 but for the whole period.

Brent, coal and CO₂ average price evolution

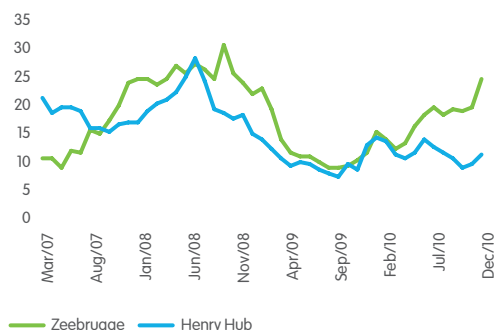


Regarding natural gas, in Europe the Zeebrugge hub price grew throughout the year regaining the traditional oil price indexation lost in 2009, reaching prices closer to the ones seen at the end of 2008. In the United States, Henry Hub prices did not follow this trend. In fact, recent discoveries of abundant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

Brent and Coal Prices

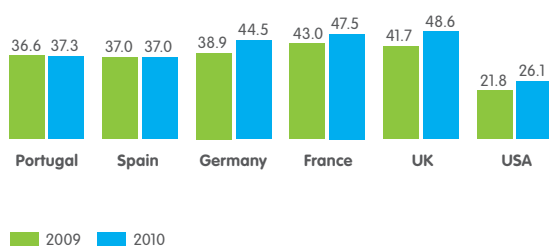


Natural Gas Prices (Zeebrugge and HH, €/MWhth)



As a result of the evolution of fuel prices, wholesale electricity market prices (“pool”) increased in 2010 compared with 2009 both in Europe and in the United States. This increase did not occur in the Iberian Peninsula. This is explained, on the one hand, by the higher overcapacity situation when compared with other European markets, aggravated by the existence of “Take or Pay” clauses forcing gas generation even with low pool prices. On the other hand, the high hydro and wind production in the first quarter of 2010 reduced residual thermal demand, pushing pool prices down. As in 2009, Portugal and Spain maintained very low pool price differentials, due to the increasing integration of the Iberian market as a result of the implementation of MIBEL, combined with the growing similarity of the marginal generation portfolio of both countries. The lower US pool price compared to European prices is explained by lower gas prices, marginal technology in many markets and inexistence of CO₂ emissions cost.

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



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

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

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

Marginal costs of combined cycle gas plants (CCGT) were higher than those of coal during 2010, mainly due to the high price of gas contracts indexed to oil, and moderate CO₂ price. However, coal had very low operating regimes, due to the pressure of forced gas flow into the pool, caused by the already mentioned “Take or Pay” clauses, which absorbed much of the residual thermal demand.

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

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

In the United States, during 2010, new proposals to establish a “cap-and-trade” system for CO₂ emissions and a federal target for the incorporation of renewables in electricity generation were presented. However, discussion on these proposals was repeatedly deferred, and there is no expected date for their approval. The most relevant occurrence in the renewable sector was the 1-year extension of cash grants, as part of the broader tax cuts extension.

REGULATORY FRAMEWORK

DEVELOPMENTS IN THE EUROPEAN UNION

European energy policy

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

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

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

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- Leadership in technology and innovation: smart grids and electricity storage, second-generation biofuels and «smart cities»;
- Security of supply at good prices to active consumers and transparency.

Completing the Internal Market

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

ELECTRIC SECTOR

Iberian Electricity Market (MIBEL)

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

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

REGULATORY DEVELOPMENTS FOR THE FRAMEWORK OF THE ELECTRICITY SECTOR IN PORTUGAL

Social tariff

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

Hydrological Correction Account

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

Elimination of End-User Tariffs

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

Interruptibility service

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

Capacity Payments

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

- Investment incentives: power plants operating after January 1, 2011, or beginning less than 10 years before, as well as capacity increases in reversible hydro power plants; for 10 years; determined as the Coverage Index (CI) of the electric system, to be approved - until the effective adoption, the value is 20,000 €/MW.
- Power availability service: management under the system operator responsibility, to be contracted with the power plant holders, within an aggregate fixed annually; it is expected to auctions if the CI is less than 1.1 or threat the supply safety.

Cogeneration

Towards the promotion of efficient generation based on the heat consumption, through high efficiency cogeneration and aware of the potential primary energy savings and CO₂ reduction, as well as the reduction of losses in the grid, the legal and remunerative cogeneration regime was revamped, now based on market trends to remuneration of thermal and electric energy (with a temporary bonus and a depreciation factor of the reference tariff, values to be fixed) for cogeneration plants up to 100 MW; the electricity generated in cogeneration plants up to 100 MW is delivered to the grid receiving a temporary reference tariff.

Mini-hydro

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

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

Micro and mini generation

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

Energy Efficiency

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

Electric Mobility

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

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE ELECTRICITY SECTOR IN SPAIN

Tariff Deficit

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

This is the timetable settled for eliminating the tariff deficit:

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

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

For the period 2011-2013, the remuneration of photovoltaic generation will limit the equivalent hours of operation entitled to subsidy. However, the grant for this technology was extended from 25 to 28 years. Also as a result of concern about the tariff deficit,

the Royal Decree 1202/2010 establishes the possibility of quarterly reviews of the regulated access and last resort tariffs.

Domestic Coal

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

Industry’s steel gas

Law 40/2010 concerning the geological storage of CO₂, includes a provision that permits the use of biomass or industrial waste gas with energy recovery as a secondary fuel. The HC power plant of Aboño may qualify for this facility by using the Arcelor’s steel gas.

Charging of electric vehicles

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

TARIFF TRENDS IN PORTUGAL AND SPAIN

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

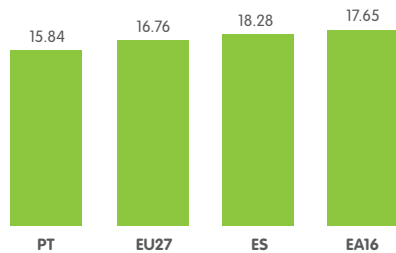
Nominal and real average electricity Price variations in Portugal (%)



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

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**Average Electricity Prices
(Euro Cent./KWh)**



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

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

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE ELECTRICITY SECTOR IN BRAZIL

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

GAS SECTOR

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE GAS SECTOR IN PORTUGAL

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

DEVELOPMENT OF REGULATORY FRAMEWORK OF THE GAS SECTOR IN SPAIN

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

RENEWABLE ENERGY

GLOBAL REGULATORY REVIEW

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

REGULATORY REVIEW AT EUROPEAN LEVEL

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

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

Portugal

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

Spain

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

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

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

France

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

Belgium

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

Poland

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

Romania

Strengthening support for the renewable energy sector, was extended from 2015 to 2017, the producers' right to receive two green certificates per MWh. Moreover, the share of green certificates for 2012 rose from 8.3% to 12%, and will increase 1pp every year (except in 2019, which will only grow by 0.5 pp) up to 20% in 2020. It has also established the minimum value for trading of

green certificates from 27 €/MWh and a maximum of 55 €/MWh. And increased the penalty from 70 € to 110 € per green certificate if the suppliers do not achieve their objectives. Finally, in order to instill greater confidence among investors and greater visibility to the wind power market, the green certificates regime was extended from 2014 to 2025. The double green certificate scheme, under Law 220/2008, has no practical application yet, because the European Commission has not been notified.

United Kingdom

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

Brazil

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

United States of America

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

business / summary of activities

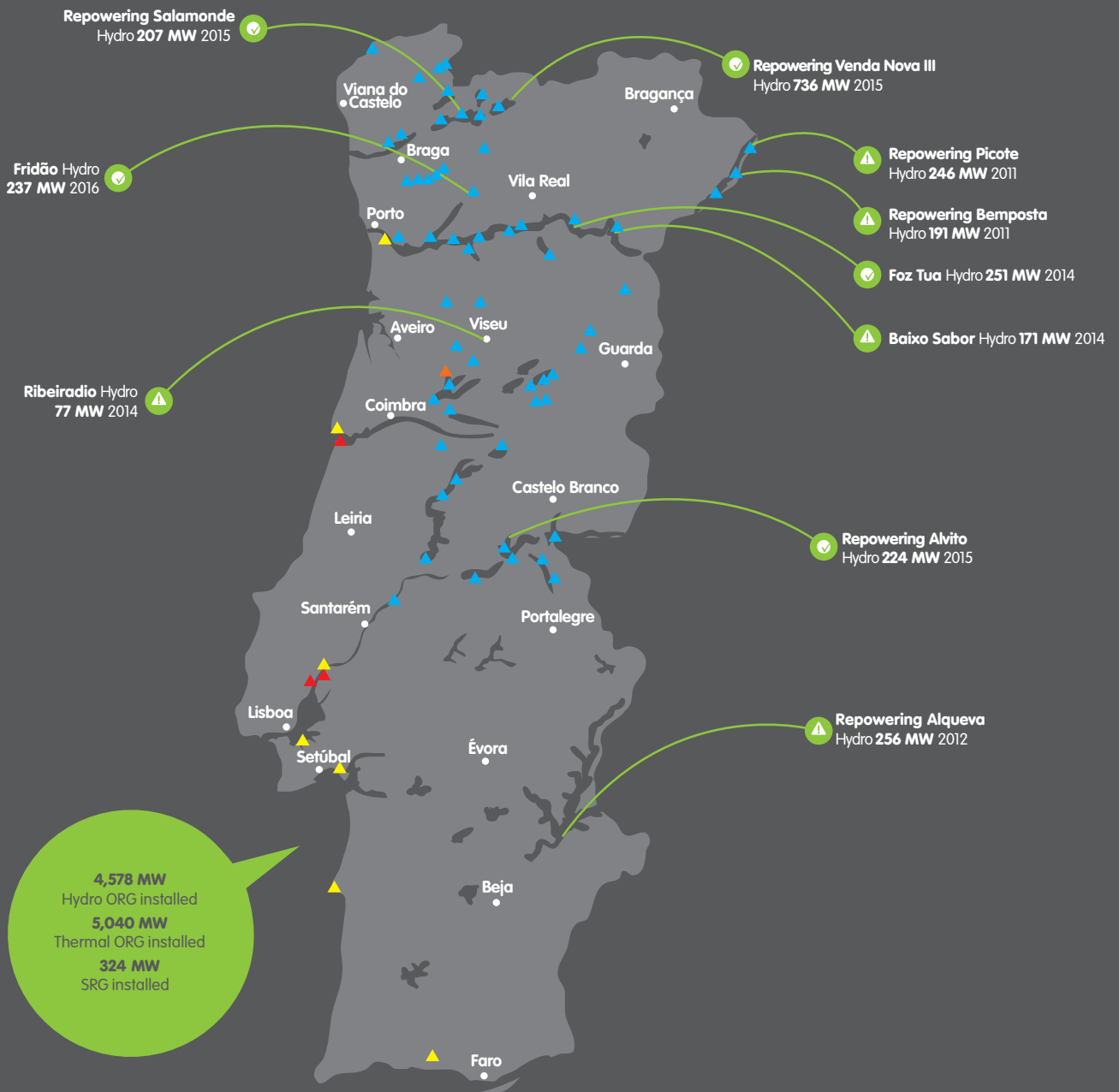
ELECTRICITY BUSINESS (EXCLUDING BRAZIL)

GENERATION IN IBERIA - PORTUGAL

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

*Excludes wind power

- ▲ Hydroelectric power plants
- ▲ Cogeneration and natural gas power plants
- ▲ Thermoelectric power plants
- ▲ Biomass power plants
- ⚙ Start of operation
- ⚠ Under construction
- Ⓞ Under licensing process



2010 MAIN EVENTS OF THE ELECTRICITY GENERATION ACTIVITY IN PORTUGAL

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

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

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

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

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

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

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

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

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

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

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

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

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



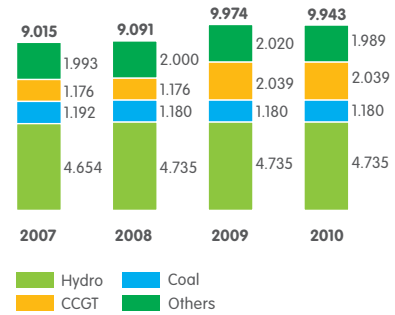
business / summary of activities

GENERATION IN IBERIA - PORTUGAL

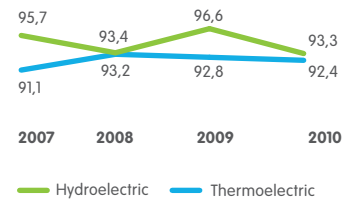
	Unid	2010	2009	2008	2007
Installed Capacity in Portugal *	MW	14,215	13,304	12,262	12,147
EDP's Installed Capacity *	MW	9,943	9,974	9,091	9,015
EDP's market share *	%	69.9	75.0	74.1	74.2
Source: REN Technical data					
Number of Generating Groups*	#	190	190	186	160
Ordinary Regime Generation	#	114	116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

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

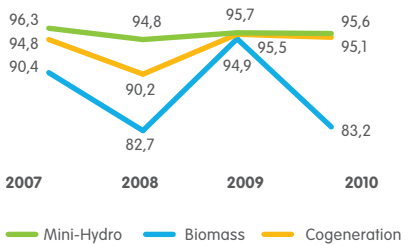
Generation portfolio (MW)



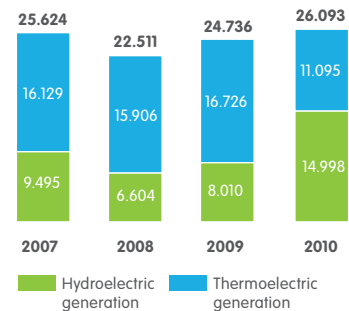
Ordinary Regime Generation - Availability (%)



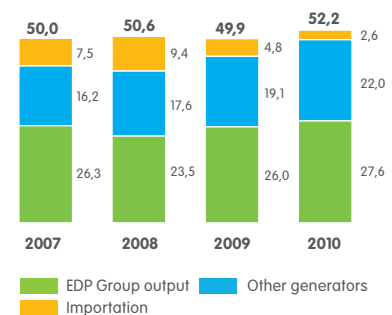
Special Regime Generation - Availability (%)



Net Generation (GWh)



Energy Balance 2010 (TWh)





Alqueva Hydroelectric Power Plant

Sines Thermolectric Power Plant



business / summary of activities

GENERATION IN IBERIA - SPAIN

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

*Excludes wind power

- ▲ Hydroelectric power plants
- ▲ Cogeneration power plants
- ▲ Thermoelectric power plants
- ▲ CCGT power plants
- ▲ Nuclear



2010 MAIN EVENTS OF THE ELECTRICITY GENERATION IN SPAIN

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

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

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

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

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

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



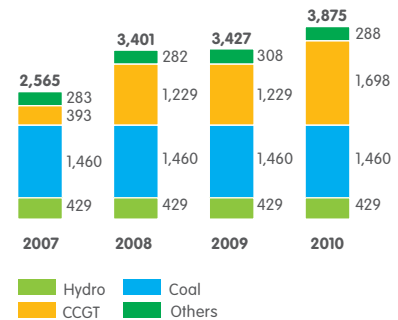
business / summary of activities

GENERATION IN IBERIA - SPAIN

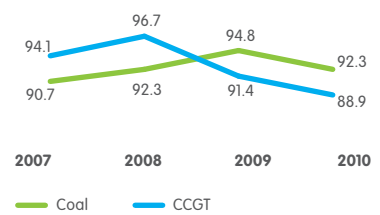
	Unid	2010	2009	2008	2007
Installed Capacity in Spain *	MW	77,634	75,010	75,004	71,789
EDP's Installed Capacity *	MW	3,875	3,427	3,401	2,565
EDP's market share *	%	5.0	4.6	4.5	3.6
* Source: Informe Anual REE					
Number of Generating Groups*	#	38	40	38	39
Ordinary Regime Generation	#	21	20	20	18
Hydroelectric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

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

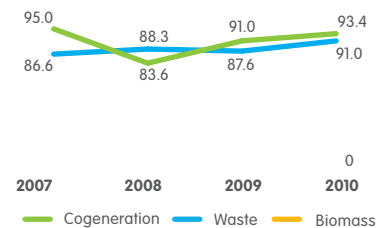
Generation portfolio (MW)



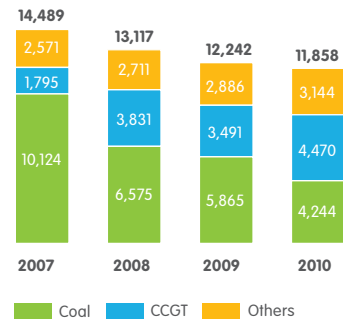
Ordinary Regime Generation - Availability (%)



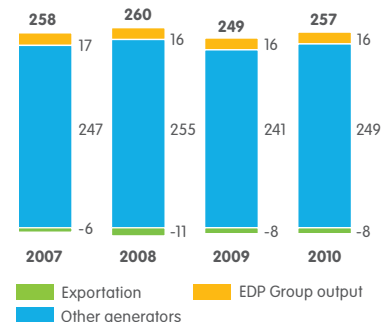
Special Regime Generation - Availability (%)



Net Generation (GWh)



Energy Balance 2010 (TWh)





Soto Ribera – Soto 5 combined cycle gas turbine

Proaza Hydroelectric Power Plant



Tanes Hydroelectric Power Plant





business / summary of activities

EDP RENOVÁVEIS

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

 MW Installed Capacity
 MW under construction

(1) Includes 239 MW from ENEOP2



2010 MAIN EVENTS OF THE EDP RENOVÁVEIS ACTIVITY

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

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

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

EDPR - EUROPE (EDPR EU)

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

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

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

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

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

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

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

EDPR - NORTH AMERICA (EDPR NA)

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

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

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

EDPR - BRAZIL (EDPR SA)

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

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



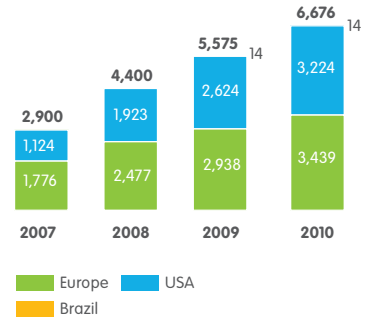
business / summary of activities

EDP RENOVÁVEIS

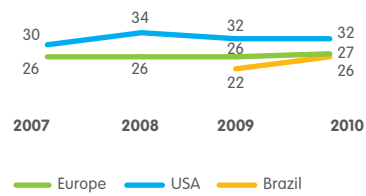
	Unid	2010	2009	2008	2007
Wind Installed Capacity	GW	194.4	157.9	120.8	93.9
EDP Renováveis Installed Capacity	GW	6.7	5.6	4.4	2.9
Source: Global Wind Report 2010, GWEC: Wind Installed Capacity					
Installed capacity at 31 December*					
Europe**	MW EBITDA	3,439	2,938	2,477	1,776
Portugal**	MW EBITDA	838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

*Excludes mini-hydro
** Includes ENEOP2

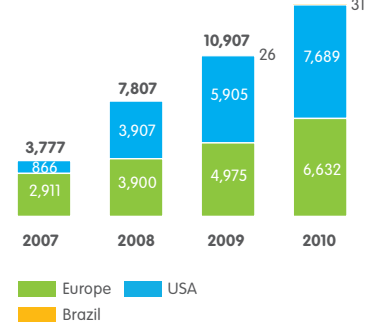
Generation portfolio (MW)



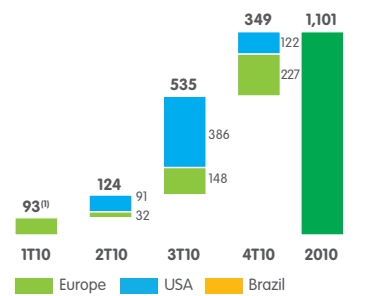
Load Factor (%)



Net generation (GWh)

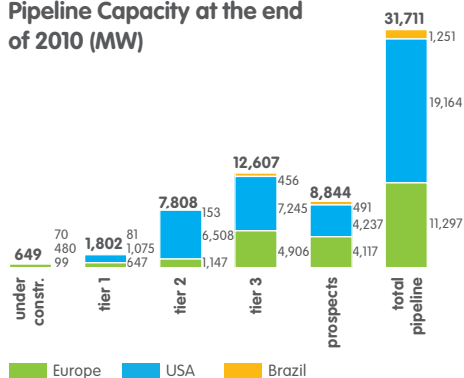


Entry into service in 2010 (MW)



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

Pipeline Capacity at the end of 2010 (MW)



EDP Renováveis Share Price (€)





Cabeça da Rainha Wind Farm – Portugal

Cerros de Radona – Soria Wind Farm – Spain



Marple Ridge Wind Farm – United States of America



business / summary of activities

DISTRIBUTION IN IBERIA

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



2010 MAIN EVENTS OF THE ELECTRICITY DISTRIBUTION IN IBERIA

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

PORTUGAL

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

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

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

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

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

SPAIN

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

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

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

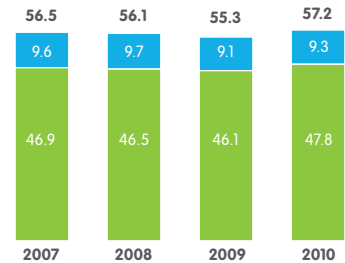


business / summary of activities

DISTRIBUTION IN IBERIA

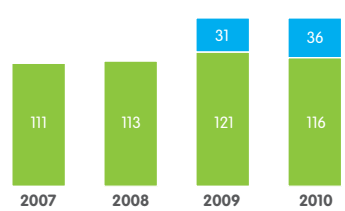
	Unid	2010	2009	2008	2007
PORTUGAL					
Energy Input in the Distribution Grid					
For the regulated market	GWh	33,484	40,452	48,796	43,779
For the free market	GWh	18,130	8,971	1,306	5,731
Total	GWh	51,614	49,422	50,102	49,510
Note: does not include VHV consumptions					
Outgoing Energy from the Grid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

Energy distributed (TWh)



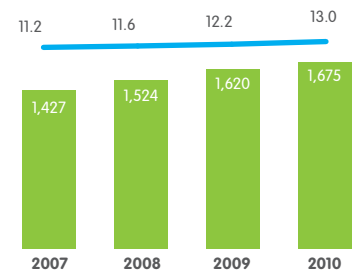
Portugal Spain

Installed Capacity Equivalent Interruption Time in Portugal (minutes)



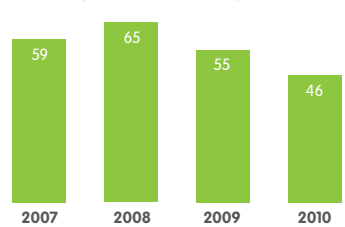
ICEIT Extraordinary events

Operational efficiency in Portugal

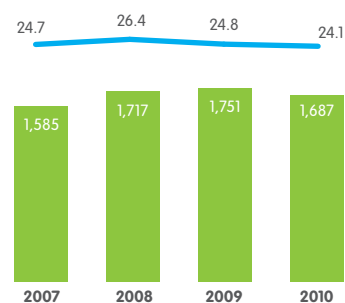


Points of Supply/Employee Energy/Employee

Installed Capacity Equivalent Interruption Time in Spain (min)



Operational Efficiency in Spain



Points of Supply/Employee Energy/Employee



Desterro Substation

S. Francisco Substation



Distribution Grid





business / summary of activities

SUPPLY IN IBERIA

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



2010 MAIN EVENTS OF THE ELECTRICITY SUPPLY IN IBERIA

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

PORTUGAL

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

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

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

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

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

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

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

SPAIN

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

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

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

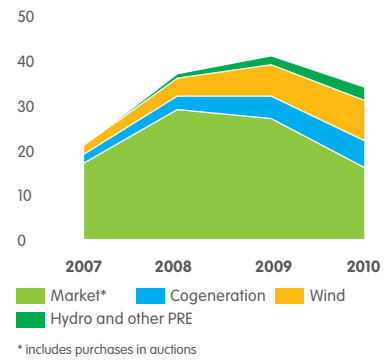


business / summary of activities

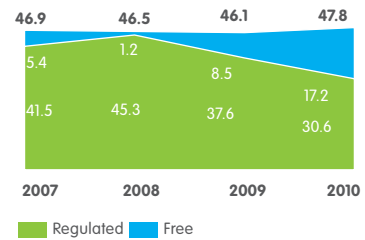
SUPPLY IN IBERIA

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

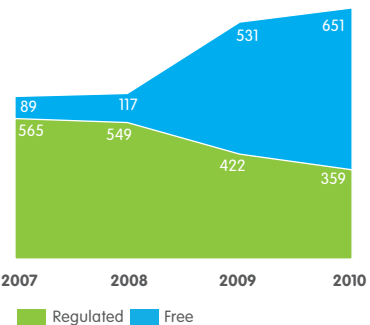
Purchase of energy in Portugal (TWh)



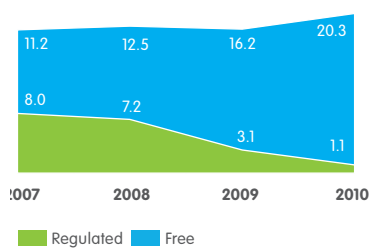
Energy supply in Portugal (TWh)



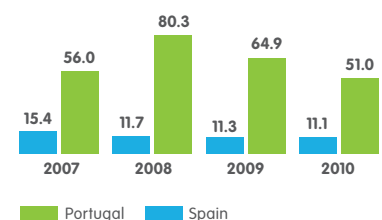
Number of supply costumers in Spain (thousands of costumers)



Electricity Supply in Spain (TWh)



Market Share - Liberalised Market (%)





Contact Center

EDP Store



business / summary of activities

GAS BUSINESS IN IBERIA

PRESENCE OF EDP GROUP IN GAS ACTIVITY
IN THE IBERIAN PENINSULA



2010 MAIN EVENTS OF THE GAS ACTIVITY IN THE IBERIAN PENINSULA

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

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

PORTUGAL

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

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

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

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

SPAIN

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

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

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



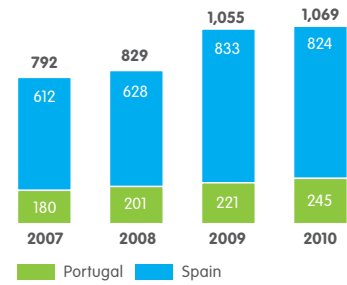
business / summary of activities

GAS BUSINESS IN IBERIA

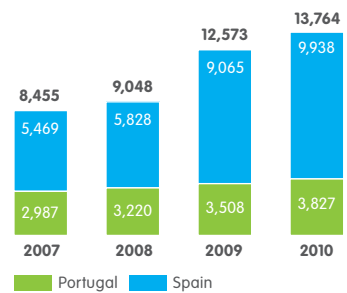
	Unid	2010	2009	2008	2007
Iberia					
Number of costumers (thousands)	#	1,069,127	1,054,806	829,282	791,695
Regulated	#	244,721	221,266	200,988	376,407
Last Resort	#	140,766	214,059	122,000	0
Liberalised	#	683,640	619,481	506,294	415,288
Points of Supply					
Distribution	#	1,229,220	1,185,225	891,020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

* In 2008 includes last resource

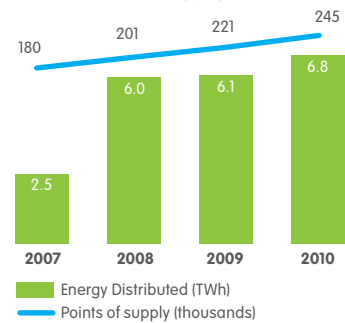
Number of costumers (thousands)



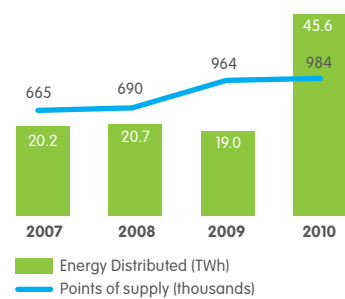
Grid Length (Kms)



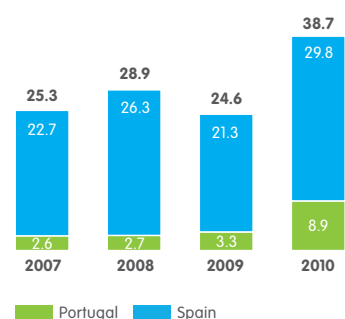
Gas in Portugal - Energy distributed and Points of Supply



Gas Spain - Energy distributed and Points of Supply



Gas Spain - Energy Supplied (TWh)





Bergara-Irún Gas Pipeline

Bergara-Irún Gas Pipeline

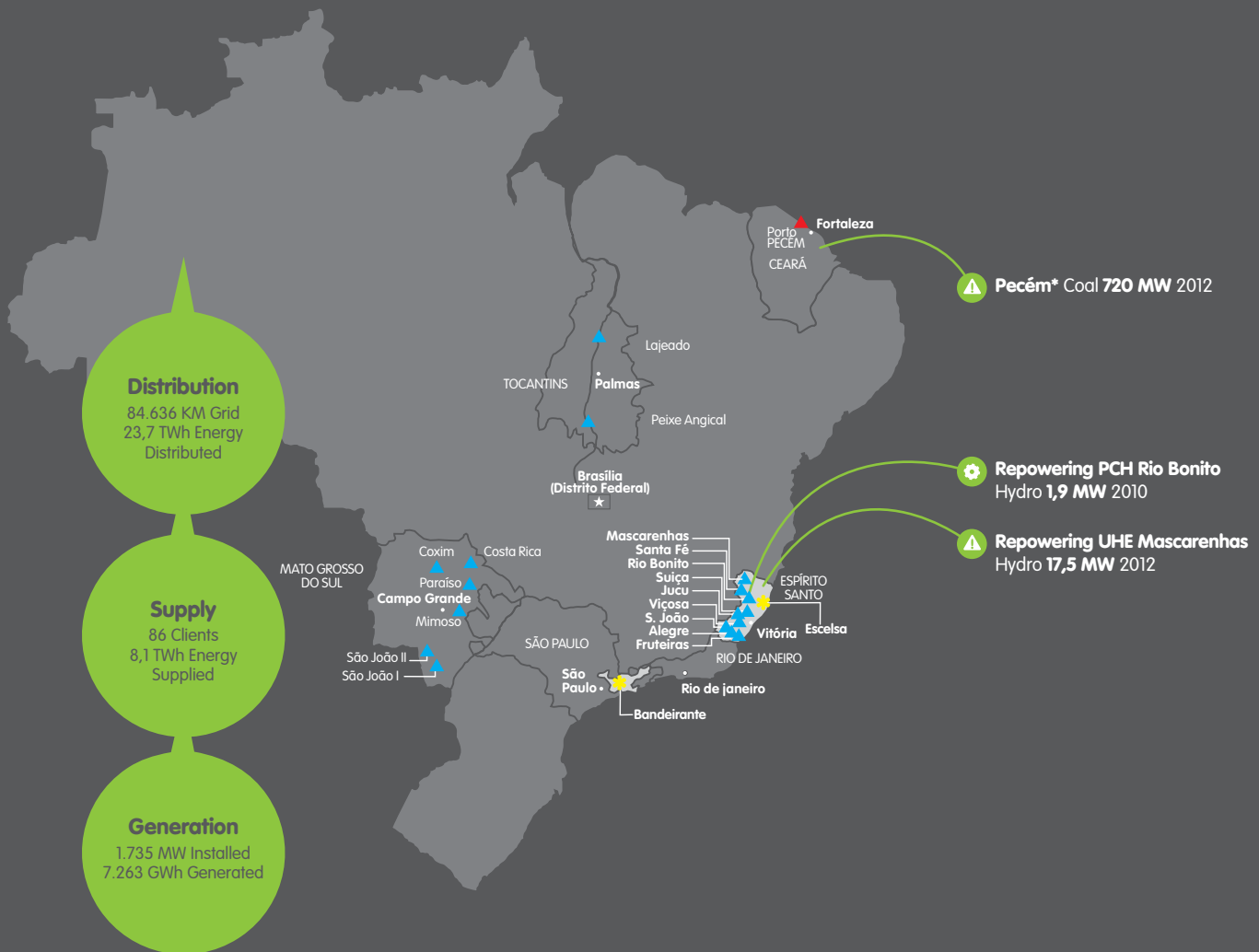


business / summary of activities

ELECTRICITY BUSINESS IN BRAZIL

PRESENCE OF EDP GROUP IN BRAZIL

- ▲ Hydroelectric power plants in operation
 - ▲ Termoelectric power plants under construction
 - ✱ Distributors
 - Concession areas of distribution
 - ⚙ Start of Operation
 - ⚠ Under construction
- * EDP Energias do Brasil holds 50% of this power plants



MAIN EVENTS IN THE ACTIVITY IN BRAZIL

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

GENERATION

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

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

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

SUPPLY

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

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

DISTRIBUTION

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

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

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

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



business / summary of activities

ELECTRICITY BUSINESS IN BRAZIL

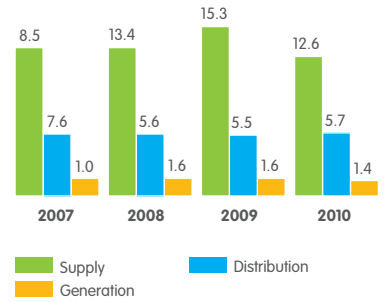
Unid	2010	2009	2008	2007
Generation				
Number of Generating Groups	# 39	39	37	32
Hydroelectric power plants (UHE)	# 14	14	14	9
Small Hydroelectric power plants	# 25	25	23	23
Installed Capacity at 31 December*				
Lajeado	MW 903	903	903	250
Peixe Angical	MW 452	452	452	452
Mascarenhas	MW 181	181	181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

* Excludes wind

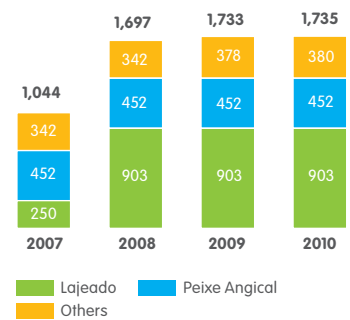
ENBR3 (BRL)



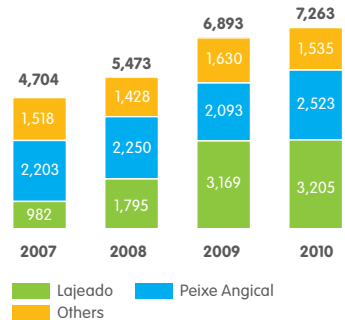
Market Share (%)



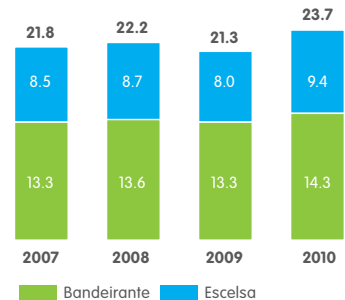
Generation portfolio (MW)



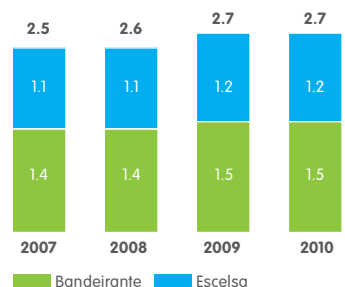
Net Generation (GWh)



Distributed Electricity (TWh)



Number of Costumers (millions)





Lajeado Hydroelectric Power Plant

Rio Bonito Mini Hydroelectric Power Plant



contribution to sustainability

64	RECOGNITION
64	Corporate
64	Portugal
65	Spain
65	Brazil
65	Edp Renováveis
66	CORPORATE APPROACH
66	Strategy and commitments
68	Dialogue with stakeholders
69	I&D AND INNOVATION
69	Energy Efficiency
69	Distribution Technologies
70	Renewable Energies
70	Advanced production technologies
70	Other Innovation initiatives
71	COMMUNICATION
71	Institutional communication
71	The edp brand
71	EDP in the media
72	Institutional campaigns
73	EMPLOYEES
74	Human resource policies
74	Description
75	Attracting and recruiting
75	Value and develop
76	Assessment of potential and performance
76	Health systems and other social benefits
77	Employee satisfaction
77	Communication and change management
77	Labour relations
77	Occupational health and safety
78	Important activities in 2010
79	Accidents and near-misses
79	Occupational diseases
79	CUSTOMERS
79	Customers' Voice
80	Improving access to energy
81	Service quality
81	Product safety
81	Customer Ombudsman
82	Access to services and communication
82	Privacy
82	Energy efficiency
83	Value added products and services
84	SUPPLIERS
84	Description
84	Dialogue
85	Good practices
86	Environment and Safety
86	Contractors and subcontractors
87	COMMUNITY
87	Society
88	NGO
89	Local communities
90	Support to development
91	Other support for the community
94	ENVIRONMENTAL PERFORMANCE
96	Reducing Environmental Impacts
98	Climate change
100	Biodiversity



contribution to sustainability

1. RECOGNITION

CORPORATE

EDP in the Forbes rankings

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

António Mexia, Best European CEO

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

EDP wins the Business Internationalisation Award

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

Best financial reporting in the world

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

DJSI - EDP 2010/2011 world leader in electricity sector

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



KAKUMA is official partner of the Sustainable Energy Europe Campaign

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

EDP is "gold class SAM 2010"

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

EDP is featured in Carbon Disclosure Leadership Index

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

EDP in the "climate responsibility of companies" ranking

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

PORTUGAL

EDP receives award for the most valuable Portuguese brand

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

Nº. 1 in the Iberian Peninsula in Engagement Rating 2010

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

Award for Best Overall Investor Relations Strategy

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

Contact Centre EDP wins first place in APCC Awards

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

Highly Protected Risk (HPR) award

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

EDP wins Marketeer Awards

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



Citizenship Award for Companies and Organisations 2010

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

EDP wins awards in four categories of the APCE 2010 Awards

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

EDP Communication distinguished in FEIEA awards

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

InovGrid was awarded with the Optimus Innovation Awards

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

SPAIN

HC Energía is the company most valued by Spanish customers

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

HC Energía receives 2010 Customer Experience Award

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

HC Energía among the 100 best companies to work

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

BRAZIL

EDP in Brazil is a model sustainability company

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



EDP in Brazil highlighted in "As Melhores da Dinheiro"

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

The best companies for shareholders 2010

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

EDP in Brazil in the Corporate Sustainability Index

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

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

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

Gold in Espírito Santo Quality Award

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

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

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

Instituto EDP gets gold at Tenth ABT Awards

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

EDP RENOVÁVEIS

EDPR Company of the Year

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



Best Project Developer in the United States

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

EDPR awarded in excellence

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

Houston Chronicle's 2010 top 100 workplaces

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



contribution to sustainability

2. CORPORATE APPROACH

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

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

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

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



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

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

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

2.1 STRATEGY AND COMMITMENTS

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

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

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

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

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

contribution to sustainability

2.2 DIALOGUE WITH STAKEHOLDERS

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

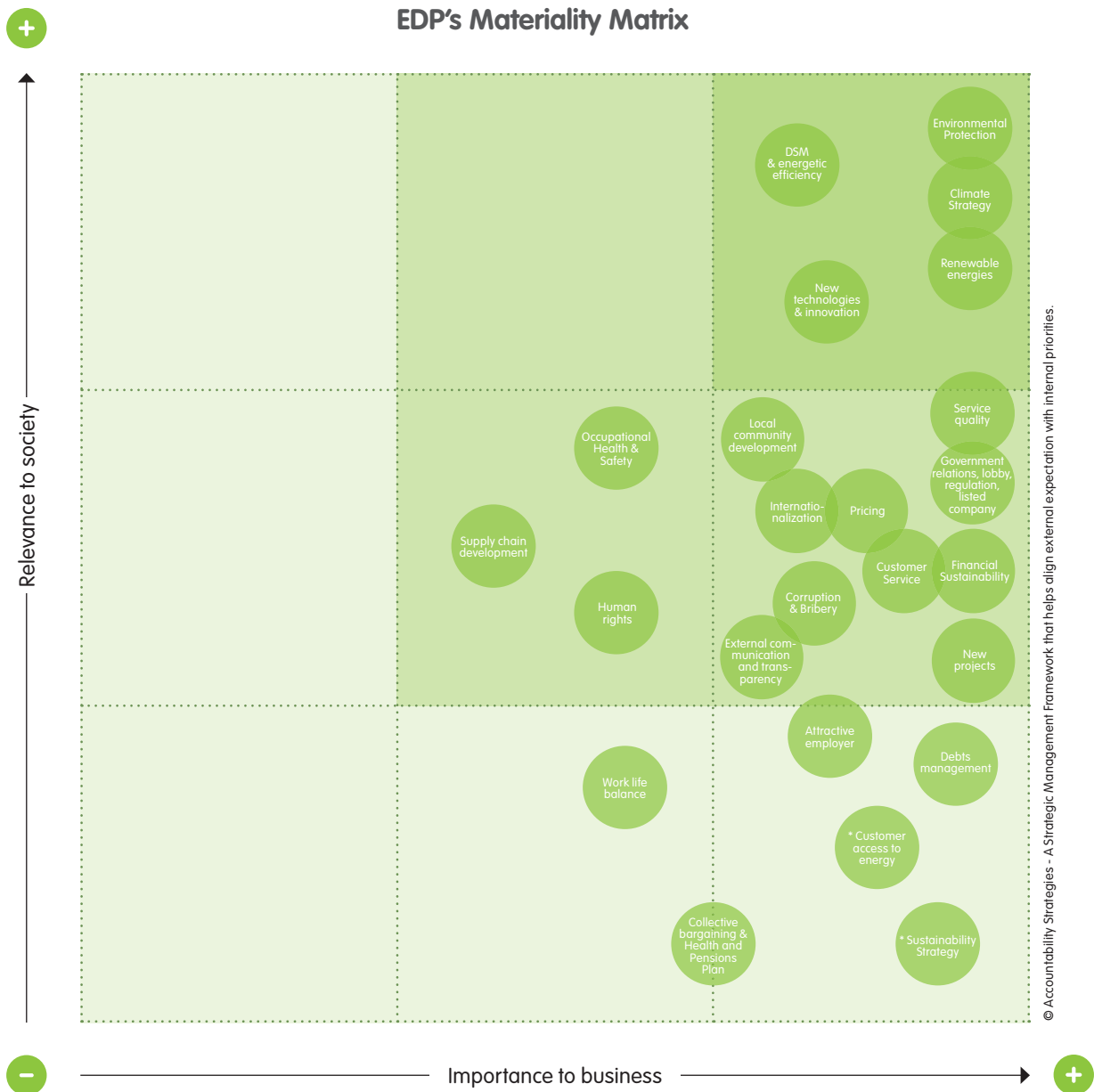
- Strengthening channels of communication;
- Integrating stakeholder expectations into its decision-making processes;
- Reporting objectively and credibly on its performance vis-à-vis the three pillars of sustainability.

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

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

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

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



3. I&D AND INNOVATION

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

The main strategic objectives set in this domain, are:

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

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

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

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

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

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

3.1 ENERGY EFFICIENCY

Electrical Mobility:

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

Energy Efficiency in Buildings:

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

3.2 DISTRIBUTION TECHNOLOGIES

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

contribution to sustainability

INOVACITY

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

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

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

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

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

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

3.3 RENEWABLE ENERGIES

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

3.4 ADVANCED PRODUCTION TECHNOLOGIES

- **Project that predicts the occurrence of atypical rains** - Partnership agreement between Enerpeixe, in Brazil, and the Brazilian National Institute for Space Research (INPE) developed to receive, a month in advance, with a 90% level of accuracy, information on the occurrence of atypical rains in the region. This predictability makes it possible to prepare the water flow in advance, thereby preventing the flooding of new areas, and to draw up emergency plans for these locations together with the civil defence authorities.
- **Alternative Circuit to the Cooling System for Generator Groups at the Ribatejo Power Station** - Improvement of energy efficiency by installing pumping systems that reduce consumption by about 1.6 GWh.
- **Carbon Capture and Storage** - In 2010 EDP Produção's R&D activities were mainly focused on the following projects: NanoGLOWA, DECARBit, FLEXI BURN CFB and COMET, the last two were started in 2010:
 - * **FLEXI BURN CFB** - This is aimed at developing and demonstrating oxycombustion technology on a circulating fluidised bed (CFB). The trial and demonstration are to take place on a 30MWt pilot unit being constructed by CIUDEN (www.ciuden.es/) in Compostilla, in addition to the development of a pre-project for an installation of this type on an industrial scale (300 - 500 MWe).
 - * **COMET** - This project is a technical, economic and environmental study for optimising an integrated transport and geological storage infrastructure for Iberia and north-west Africa (comprising Spain, Portugal and Morocco), connecting the emitting sources that capture CO₂ to the geological storage sites.

3.5 OTHER INNOVATION INITIATIVES

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

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

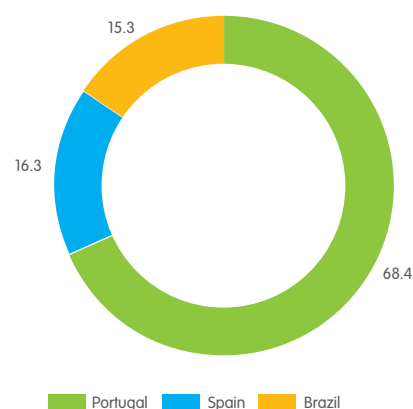


- **Technological Observatory** – The aim of this technological intelligence body, founded in 2010, in Portugal, is to anticipate trends and carry out more detailed technological analysis, thus helping to create options for the EDP Group.
- **CO₂ National Platform** – EDP’s participation, in Portugal, in the launch of bases for establishing a platform to bring together the institutions and industries with greater CO₂ emissions, so that they can share knowledge and experience which may lead to less burdensome solutions for mitigating these emissions and the corresponding consequences of the regulatory restrictions.
- **Innovation Exchange** – This pioneering initiative, launched by EDP in Brazil, seeks new concepts from participants. In general, the assessment of the ideas works in a similar way to a stock exchange. Responding to challenges posed by the Innovation Committee, participants can analyse and invest in their colleagues’ suggestions by “buying” the ideas. At the end of 2010 the Innovation Exchange had approximately 250 participants.
- **Venture Capital – Risk Capital Fund - EDP VENTURES** – Set up in 2008, this is aimed at investments in clean technologies in the solar, offshore (wind and wave), smart grids, energy efficiency and electrical mobility areas, with the aim of guaranteeing access to a portfolio of innovative technologies and creating growth options for EDP. During 2010, the relationship was consolidated through the two investments made in funds in the Energy Related Cleantech area (US and UK) and the first direct investment was made through the acquisition of 40% of the share capital of Arquiled (a Portuguese company that develops lighting solutions based on LED technology).

EDP has promoted and sponsored various innovation awards, including:

- **MIT Innovation Prize: Clean Energy Prize** – for the second consecutive year, EDP sponsored the MIT Innovation Prize in the Renewables category, awarded in Boston. The prize was contended by 62 teams from 35 American universities who competed in 5 categories. In 2010, the winning team in the Renewables category was C3Nano, which developed a transparent conductor film that will increase the efficiency of photovoltaic panels by more than 1%.
- **The Lisbon MBA: Business Case Competition** – for the third consecutive year EDP sponsored this strategy competition, whereby students have to provide a solution to a real situation by applying all the concepts they have learned during the MBA course and at the same time produce solutions that offer added value to the sponsoring company.

Research and Development (%)



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

4. COMMUNICATION

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

4.1 INSTITUTIONAL COMMUNICATION

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

4.2 THE EDP BRAND

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

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

4.3 EDP IN THE MEDIA

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

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

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

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

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

contribution to sustainability

4.4 INSTITUTIONAL CAMPAIGNS

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

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



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



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



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



5. EMPLOYEES

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

(1) The number of employees does not include corporate bodies (I07).

(2) In 2010 the EDP had 80 employees in other geographies (France: 2; Belgium: 2; Italy: 14; UK: 8; Poland: 19; Romania: 16)
Occupational diseases rate: (No. of diseases/no. of worked hours) / 1 000 000

contribution to sustainability

5.1 HUMAN RESOURCE POLICIES

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

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

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

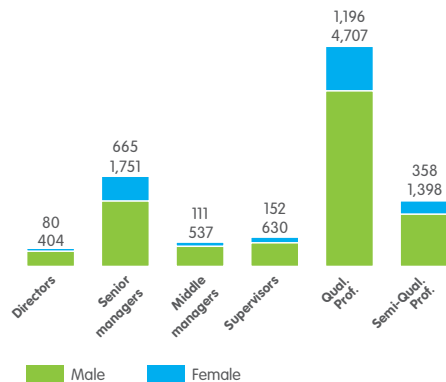
The growing importance of internal human resource management and companies' relations with society resulted in EDP publishing an annual social report describing the initiatives underway during the year in more detail. We give only a summary here. Our social report is on www.edp.pt>Sustainability>Publications.

5.2 DESCRIPTION

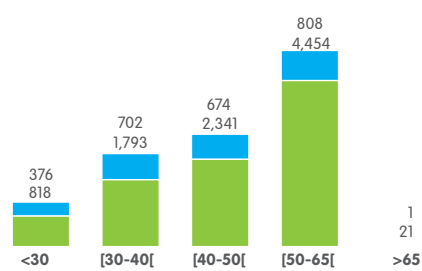
In 2010, the total number of employees remained at 11,989, much the same as in 2009. Where gender segmentation was concerned, men made up the majority of employees at 79% of the total. In 2010, the number of women rose 0.4%, concerning 2009.

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

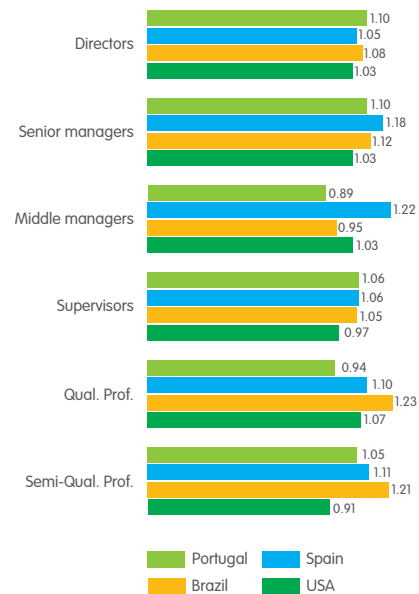
Distribution of employees by professional category and age group (no.)



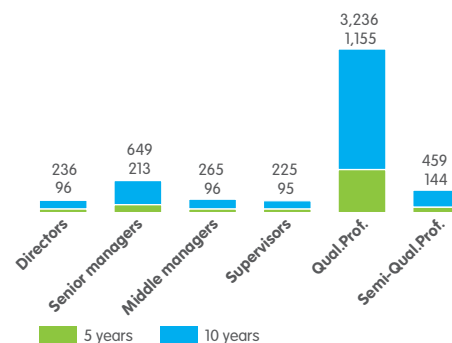
Distribution of employees by professional category and age group (no.)



Salary ratio (M/F) by pay category



Employees eligible for retirement (no.)



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

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

5.3 ATTRACTING AND RECRUITING

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

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

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



5.3.1 INTERNSHIPS

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

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

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

5.3.2 INDUCTION AND INTEGRATION

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

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

5.4 VALUE AND DEVELOP

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

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

It is based on five main overall goals:

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

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

VALUING EXPERIENCE

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

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

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

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

contribution to sustainability

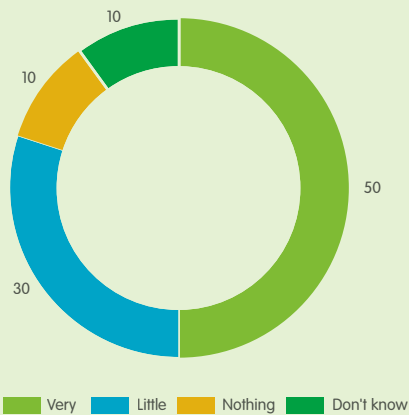
ÉTICAEDP PROGRAMME

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

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

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

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



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

António Mexia
Chairman of the Executive Board of Directors

5.4.1 EDP UNIVERSITY

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

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

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

5.4.2 LEADER TRAINING AND AWARENESS

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

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

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

5.5 ASSESSMENT OF POTENTIAL AND PERFORMANCE

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

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

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

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

5.6 HEALTH SYSTEMS AND OTHER SOCIAL BENEFITS

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

5.6.1 LIFE-WORK BALANCE

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



5.7 EMPLOYEE SATISFACTION

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

5.8 COMMUNICATION AND CHANGE MANAGEMENT

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

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

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

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

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



5.9 LABOUR RELATIONS

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

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

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

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

5.10 OCCUPATIONAL HEALTH AND SAFETY

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

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

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

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

contribution to sustainability

5.10.1 EDP'S RESPONSIBILITIES

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

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

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

5.10.2 EMPLOYEE PARTICIPATION

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

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

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

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

5.11 IMPORTANT ACTIVITIES IN 2010

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

5.11.1 TRAINING OF EMPLOYEES AND EXTERNAL SERVICE PROVIDERS

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

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

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

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



5.11.2 INVOLVEMENT IN SOCIETY

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

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

5.11.3 EMERGENCY RESPONSE PREPARATION

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

5.11.4 SWINE FLU CONTINGENCY PLAN

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

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

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

5.12 ACCIDENTS AND NEAR-MISSES

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

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

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

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

5.13 OCCUPATIONAL DISEASES

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

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

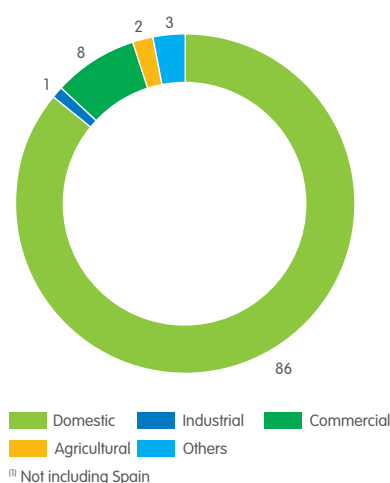
6. CUSTOMERS

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

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

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

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



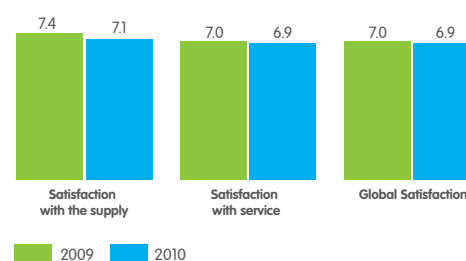
6.1 CUSTOMERS' VOICE

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

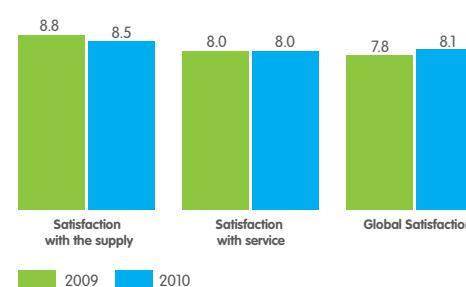
Customers' experience is reflected in macro-indicators that include overall satisfaction, satisfaction with the energy supply (electricity and/or gas) and satisfaction with service.

Trend of main satisfaction indicators of domestic customers in Portugal

Electricity



Natural Gas

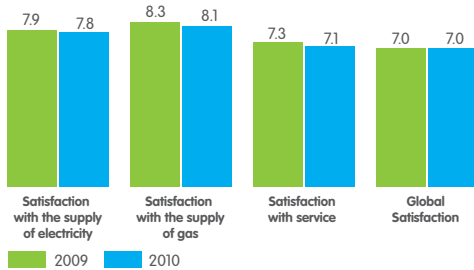


In 2010, EDP reinforced the system for collecting, analysing and reporting information in Portugal. Integrated analysis of operating and Customers' Voice indicators proved to be a powerful tool for improving procedures. Modernising customer relations means stepping up the proximity and simplicity.

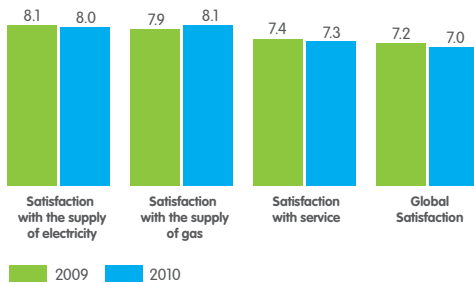
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Trend of main satisfaction indicators of domestic customers in Spain

HC Energía



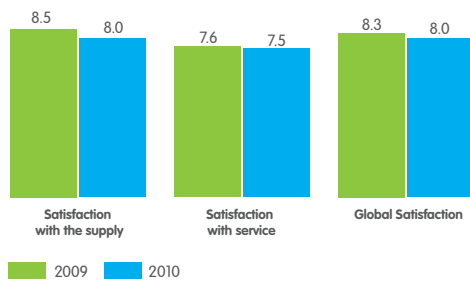
Naturgas



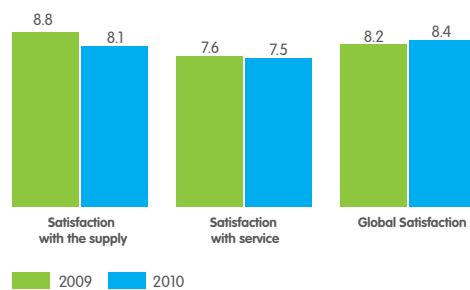
Scale: 0-10

Trend of main satisfaction indicators of electricity domestic customers in Brazil

EDP Bandeirante



EDP Escelsa



Scale: 0-10

6.2 IMPROVING ACCESS TO ENERGY

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

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

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

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

6.2.1 TARIFFS

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

Customers with social tariff and special needs (no.)

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

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

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

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

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

6.3 SERVICE QUALITY

6.3.1 TECHNICAL SERVICE

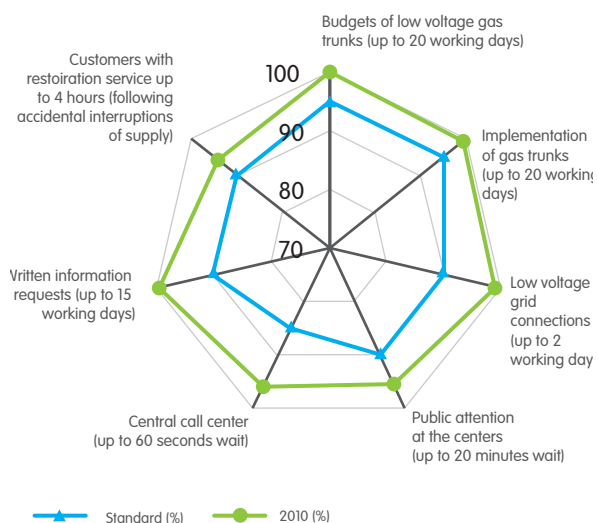
In 2010, the average equivalent interruption time of installed capacity in the Iberian distribution activity was 179.5 minutes, with Portugal reaching 115.8 minutes and Spain 63.7. In Brazil, the equivalent duration per consumer was 12.2 hours for EDP Bandeirante and 9 hours for EDP Escelsa. For more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

6.3.2 COMMERCIAL SERVICE

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

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

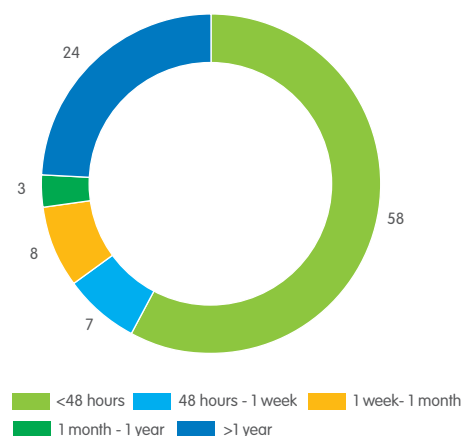
General indicators of service quality – Portugal (%)



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

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

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



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

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

6.4 PRODUCT SAFETY

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

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

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

6.5 CUSTOMER OMBUDSMAN

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

contribution to sustainability

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

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

6.6 ACCESS TO SERVICES AND COMMUNICATION

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

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

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

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

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

6.7 PRIVACY

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

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

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

6.8 ENERGY EFFICIENCY

ENERGY EFFICIENCY BAROMETER IN PORTUGAL

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

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

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

The study also showed that:

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

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

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

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

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

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

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

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

* Taking account of the useful life of equipment

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

The following programmes with different focuses are also under way:

- **Efficient traffic lights** – Promoted by EDP Bandeirante, this project consists of the use of LED lighting in traffic lights to replace the incandescent bulbs normally used. In the four years of the project, electricity use has been reduced by up to 90%.
- **Reluz** – Launched in 2007, this project is designed to modernise street lighting, thereby increasing the public's safety. A total of 69,000 light bulbs were replaced and the programme is scheduled to end in 2012 with the replacement of another 98,000 light bulbs.

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

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

6.9 VALUE ADDED PRODUCTS AND SERVICES

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

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

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

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

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

contribution to sustainability

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

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

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

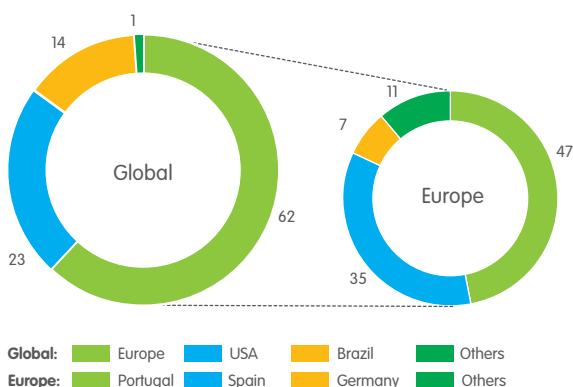
7. SUPPLIERS

7.1 DESCRIPTION

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

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

Geographical distribution of procurement (except energy) (%)



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

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

7.2 DIALOGUE

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

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

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

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

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

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

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

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

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

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

7.3 GOOD PRACTICES

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

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

COMBATING SLAVE LABOUR

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

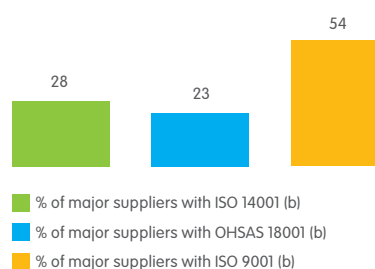
In order to be listed in the database, suppliers have to access the supplier area on the EDP website (www.edp.pt/suppliers) and complete a pre-registration questionnaire in which they have to provide information on their quality, environment and safety systems and corporate social responsibility systems,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

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

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

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

Certified Suppliers (%)



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

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

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

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

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

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

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

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

7.4 ENVIRONMENT AND SAFETY

Regardless of the type and size of the work required, using third-party suppliers necessarily involves strict controls on service

quality at every stage, as part of a strategy based on the following principles:

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

7.5 CONTRACTORS AND SUBCONTRACTORS

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

MATRIX OF SUSTAINABLE DEVELOPMENT RISKS IN SUPPLY CHAIN MANAGEMENT

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

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

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

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

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

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

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

8. COMMUNITY

8.1 SOCIETY

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

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

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

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

MEASURING IMPACT ON THE COMMUNITY



The LBG model is used:

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

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

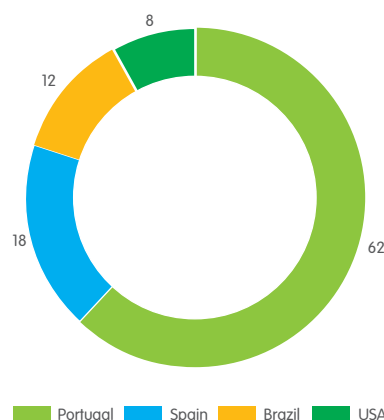
Thanks to the success of this model, the EDP Foundation has set up a partnership with Universidade Católica do Porto to conduct studies to assess the social impacts achieved by its social investments in some projects in the EDP Solidária programme. In 2011, the partnership will be extended to Universidade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

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

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

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

EDP contributions by country (%)



Note: provisional figures not validated by Corporate Citizenship

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

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CONTRIBUTIONS ^(a) TO THE COMMUNITY IN 2009 AND 2010

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

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

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

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

8.2 NGO

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

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

- The most important issues for the ENGOS, where EDP's activity was concerned were efficient energy consumption (75%), the promotion of renewable energy (75%) and efficient generation and distribution of energy (71%)

- The most important issues in the relationship between EDP and the ENGOS were the promotion of renewable energy (74%), protection of biodiversity (70%), a reduction in air pollution and efficient energy consumption (both at 65%).

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

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

Environment:

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

- **Conservation of the great bustard, little bustard and lesser kestrel in the Baixo Alentejo grain fields, Life + project**

This project is designed to help preserve these species and considers the minimisation of disturbances, such as electricity lines.

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

Social:

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

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

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

8.3 LOCAL COMMUNITIES

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

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

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

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

- **Prémio EDP Empreendedor Sustentável Sabor 2010** – This includes a number of training and guidance services and a cash prize for the best projects aimed at creating jobs and new companies in the municipalities in which the Sabor, Picote and Bemposta dams are located. Glocal EIG – European Economic

Interest Grouping is responsible for implementing the programme and has recognised experience in promoting entrepreneurship in the Trás-os-Montes region.



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

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



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



contribution to sustainability

- **EDP lights up Cova da Moura** – Over a period of five days, EDP distributed 5,000 efficient light bulbs door to door to residents in the Cova da Moura neighbourhood in Amadora. Each household was given four free light bulbs and information about energy efficiency. This distribution was part a campaign to hand out 800,000 energy- saving light bulbs to residents in housing estates and historical neighbourhoods.
- **Quilombola Project** – The EDP Institute at EDP no Brasil sponsors the ethnic, cultural and environmental strengthening of the Quilombola community in Retiro de Mangaraí in Espírito Santo.
- **Celebration of Global Wind Day at two wind farms** – The Los Altos del Voltoya and Cerros de Radona wind farms received visits from Fundación Síndrome de Down de Madrid and engineering students from Universidad Nacional de Educación a Distancia. Global Wind Day is an initiative organised by the European Union, the Wind Energy Association and the Spanish Wind Energy Association.



- **Open day at Antelope Ridge Wind Farm** – The aim of the open day was to answer the local community's questions about the new wind farm in Union County (United States). More than 200 people attended the meeting at the Blue Mountain Conference Center in Oregon, where the main issues addressed were biodiversity, noise and health, landscapes and property, tourism, construction and job opportunities.
- **Annual celebration of Earth Day** – The Blue Canyon Wind Farm in Oklahoma (United States) received a visit from over 500 students and teachers from the region during the two-day celebration of Earth Day. In addition to a tour of the wind farm, there were also activities related to the subject of energy.



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

8.4 SUPPORT TO DEVELOPMENT

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

KAKUMA REFUGEE CAMP



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

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

The following projects were also worthy of note:

- **Support for earthquake victims in Haiti** – EDP started a campaign to collect funds from its employees in Portugal, Spain and Brazil, who were able to contribute through the Social Value Exchange. EDP Foundation doubled the amount of the contributions and donated them to the Red Cross (which is coordinating humanitarian support for Haiti worldwide). At the same time, in partnership with Fundação Benfica and the United Nations Development Programme, EDP joined the international solidarity movement by sponsoring the Match against Poverty and the takings went towards aid for the population of Haiti.
- **Photovoltaic panels at a health centre in Benin** – This was an initiative by Fundación Hidrocarbónico in partnership with Energía sin Fronteras and involved all HC employees. The aim was to supply power to a health centre in Benin, in Africa by installing photovoltaic panels. For each euro donated by an employee, the foundation donated two. The target was €60,900 (€20,300 from the employees and €40.600 from the foundation). The amount donated exceeded expectations, however, and went towards the purchase of vaccines and medications for the health centre.

Detailed information on the Group's Social Report in [www.edp.pt/sustainability/publications and reports](http://www.edp.pt/sustainability/publications-and-reports).

8.5 OTHER SUPPORT FOR THE COMMUNITY

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

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

Here are some of the projects undertaken in 2010:

EDUCATION, SCIENCE AND YOUNG PEOPLE

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



- **Olimpíadas da Física 2010** – These Physics Olympics were undertaken by Sociedade Portuguesa de Física and the EDP Foundation and challenge schoolchildren all over the country to demonstrate their knowledge of physics in theoretic and practical exercises.
- **University Challenge 2010** – This project for university students took place in Portugal and Spain (EDP Renováveis). It is an annual competition to encourage students to use their academic knowledge in an assignment or on a subject in the field of strategy and marketing. The winning group receives a study grant of €10,000 and three-month internships at EDP (Portugal, Spain or Brazil). The lecturer monitoring the project wins €3,500.



- **Arte com Energia** – This EDP competition in Brazil is for students at the 27 schools in the EDP nas Escolas Programme (1st to 5th grade or 1st to 4th series of elementary school). The idea is to encourage pupils to create art on the subject of energy. In 2010, the pupils drafted a newspaper on the subject "Biodiversity, so much different life!" Their creativity in writing, drawing and painting was assessed and the three best works won prizes.
- **Los Regeneracionistas como Formadores de Opinión** – This lecture was delivered by the historian Santos Julia, winner of the National History Award and Chaired Professor in Historia Social y Pensamiento Político, as part of a series of lectures on "La España de los tres primeros decenios del siglo XX: De la Monarquía a la República" in Spain.
- **MIT Clean Energy Prize** - EDP Inovação sponsored the event organised by MIT in the United States, in which a number of teams of young entrepreneurs participated with the idea of contributing to a better world.

ENVIRONMENT

- **"Sai para a Rua" campaign** – This campaign is part of the International Year of Biodiversity and encouraged everyone to participate in B Day in order to further knowledge of biodiversity in Portugal. Some employees in the environment area acted as hosts all over the country and accompanied some observation groups. Photographs were posted on www.biodiversity4all.org as part of a national database.
- **Fundo EDP para a biodiversidade** – In order to further scientific knowledge on biodiversity, the optimisation of conservation and improvement of the dynamics of ecosystems, EDP has been sponsoring projects in Portugal with this fund since 2007. In 2010, the four winning projects will share €500,000 and will address the habits of migratory birds (SPEA), sea-bottom forests (Centro de Ciência do Mar Algarve), riverside trees (Instituto Superior de Agronomia – UTL) and customs and know-how associated with species in Douro Internacional Nature Park (Fragua).
- **Replacement of plastic bags by 100% biodegradable bags** HC Energía now uses reusable bags made from potato starch and water-based paints and ensures that they are biodegraded and composted. It has thus brought forward its actions under the National Integrated Waste Plan promoted by the Spanish Ministry of the Environment.



contribution to sustainability

HEALTH AND SOLIDARITY

- **Do Something.pt** - This portal was developed in partnership with TESE - Associação para o Desenvolvimento and arises from the need to increase civic participation. Its aim is to encourage young people aged from 15 to 30 to volunteer. It uses street campaigns, the internet and social networks. The Do Something project believes that young people in Portugal can be a driving force for social change and can contribute to issues related to the environment, poverty, inequality, discrimination, citizenship and human rights.
- **Manual for living with people with disabilities** - In line with its diversity valuation policy, EDP no Brasil released a companionship manual of recommendations for improving culture and relations between people.

ART AND CULTURE

- **World Press Photo 10** - World Press Photo is an exhibition in Portugal consisting of winning photographs in this photojournalism award, one of the most important in the world. This year, the judges in the 53rd edition chose 167 photographs by 62 photographers of 22 different nationalities. The winning shots were selected from among more than 100,000 entries, which was a record for the competition. The exhibition had more than 12,400 visitors over two weeks.
- **Ilustrarte - Internacional Biennial of illustration for children** This project is designed to create an international meeting place and forum for the best children's illustrations and places Portugal on the route of the most important events in this area. There were 1,400 illustrators from 61 countries competing in this year's event. In addition to the 150 illustrations selected, the exhibition included two other sections: a retrospective of the work of the German illustrator Wolf Erlbruch and a look at the work of the writer Luísa Ducla Soares, at the time of publication of her 100th book.
- **EDP Teatro a Bordo open circuit** - The project was opened in the state of Espírito Santo in Brazil and included workshops with recyclable materials and the making of toys and other items. Children from municipal schools and the local population participated. At the event, the issues addressed included safety and preservation of the environment and short films and documentaries were also screened.



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

- **Series of Christmas concerts in Camerata Revillagigedo** - The concerts were held in the cloister at Casa Miranda del Palacio de Valdecarzana, Grado, in Spain.
- **Los cuadros del Bellas Artes en el Campo** - In order to promote Oviedo, European Capital of Culture, an exhibition of paintings was organised in El Campo de San Francisco Garden in Spain, in which 24 reproductions of Goya, El Greco, Sorolla and Picasso were hung on trees.



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

SOCIAL WELLBEING

- **Turma do Bem - OSCIP - Civil Organization with Public Interest** - This entailed the implementation of the "Dentistas do Bem/Brasil" project in Portugal, in which volunteer dentists treat children and adolescents aged 11 to 17 with low incomes free of charge. The patients are selected in triage of pupils from the 5th to the 9th grade at state schools and associations and institutions all over the country.
- **EDP Goods Collection Campaign** - Although this goods collection campaign took place in all the geographical locations, the results achieved in Portugal are an example of everyone's commitment, not only in giving but also in volunteering to help in the campaign.



- **Recycling Together** – EDP Escelsa in Brazil sponsors this project in the city of Castelo in Espírito Santo, which converts the collection of recyclable waste into income for 26 families.
- **5S Program** – This campaign in the + Lean programme collected 2.3 tonnes of paper separated by EDP employees, which is equivalent to 23 trees and donated them to Associação de Pais e Amigos dos Excepcionais (APAE) in Tocantins and recycling companies in São Paulo, Espírito Santo and Mato Grosso do Sul in Brazil.
- **www.voluntariadoedp.com.br** – EDP no Brasil opened Portal do Voluntariado EDP. This volunteer portal encourages its employees to devote some of their time to charity work.

SPORT

- **School, Sport and Bicas** – This programme undertaken by the EDP Foundation and ANDEMMOT - Associação Nacional de Desporto para Deficientes Motores is designed to attract more athletes to play wheelchair basketball and raise public awareness society of the issues related to sports for people with motor disabilities.
- **European Green Mobility Tour** – This tour went to Berlin, Nuremberg, Munich, Freiburg and Stuttgart so that the participants could see innovative sustainable mobility and urban transport solutions adopted by these cities and the main German companies.
- **Lisbon, Oporto and Douro Marathons and cycling Biketour** These events attract thousands of athletes in Portugal. Biketour takes place in Portugal, Spain and Brazil.





contribution to sustainability

9. ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL INDICATORS	2010					2009				
	Group	Portugal	Spain ⁽¹⁾	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Primary Energy Consumption (TJ)	176,519	94,788	81,643	62	26	242,878	144,472	98,341	64	n/a
Coal	81,816	45,780	36,036	n/a	n/a	132,628	81,675	50,952	n/a	n/a
Fuel Oil	1,566	1,404	162	n/a	n/a	6,105	5,909	196	n/a	n/a
Natural Gas	78,581	44,042	34,539	n/a	n/a	89,051	52,472	36,579	n/a	n/a
Blast Furnace Gas	8,058	n/a	8,058	n/a	n/a	7,996	0	7,996	n/a	n/a
Coke Gas	1,353	n/a	1,353	n/a	n/a	1,483	0	1,483	n/a	n/a
Diesel Oil	205	111	94	n/a	n/a	109	16	93	n/a	n/a
Forest waste	3,280	3,280	n/a	n/a	n/a	4,227	4,227	0	n/a	n/a
Iron and Steel industry gas	1,380	n/a	1,380	n/a	n/a	1,030	0	1,030	n/a	n/a
Fuel for vehicle fleet	281	171	22	62	26	249	172	13	64	n/a
Electricity Consumption										
Generation internal consumption (MWh)	1,815,385	1,250,389	557,922	7,074	n/d	2,429,843	1,800,337	629,506	n/k	n/k
Administrative services (MWh)	36,370	15,158	7,378	12,837	997	33,256	18,590	942	7,463	6,261
Grid losses (%)	8.6	7.5	4.0	12.3	n/a	8.32	6.84	4.97	12.68	n/a
Environmental Certification (ISO 14001)										
Production facilities certified (no.)	106	55	47	4	0	79	52	26	1	0
Net maximum installed capacity certified (MW)	15,103	9,711	3,992	1,401	0	12,633	8,835	3,347	452	0
Net maximum installed capacity certified (%)	69	92	63	80	0	62	84	63	26	0
Substations certified (no.)	21	18	0	3	n/a	3	3	0	0	n/a
Installed capacity of substations certified (MVA)	792	617	0	175	n/a	60	60	0	0	n/a
Installed capacity of substations certified (%)	2.8	3.7	0.0	2.8	n/a	0.22	0.37	0	0	n/a
Gas distribution certified (%)	100	100	100	n/a	n/a	100	100	100	0	n/a
Atmospheric Emissions										
Total Emissions (kt)										
CO ₂ ⁽²⁾	14,699	6,990	7,708	n/a	n/a	20,007	11,075	8,932	n/a	n/a
SO ₂	9.5	3.4	6.2	n/a	n/a	17.07	8.24	8.84	n/a	n/a
NOx	18.3	10.8	7.4	n/a	n/a	33.31	21.49	11.83	n/a	n/a
Particles	0.6	0.3	0.3	n/a	n/a	1.05	0.55	0.50	n/a	n/a
Mercury (kg)	69.8	52.8	17	n/a	n/a	142	100	42	n/a	n/a
SF ₆ (kg)	363	256	83	24	n/a	280	227	5	48	n/a
Overall specific CO ₂ emissions (g/kWh)	244	242	497	n/a	n/a	362.3	411	594	n/a	n/a
Specific emissions from thermal facilities (g/kWh)										
CO ₂	654	565	763	n/a	n/a	705	632	821	n/a	n/a
SO ₂	0.42	0.27	0.61	n/a	n/a	0.60	0.47	0.74	n/a	n/a
NOx	0.81	0.88	0.74	n/a	n/a	1.17	1.23	0.99	n/a	n/a
Particles	0.02	0.02	0.03	n/a	n/a	0.04	0.03	0.04	n/a	n/a
GHG emissions ⁽³⁾										
Direct Emissions (scope 1) (ktCO ₂ eq)	14,744	7,015	7,722	5	2	20,039	11,100	8,933	6	n/k
Indirect emissions (scope 2) (ktCO ₂ eq)	1,027	866	68	92	1	1,274	1,122	109	40	4
Other emissions (scope 3) (ktCO ₂ eq) ⁽⁴⁾	25.0	15.1	6.1	1.7	2.1	8.9	3.7	3.7	1.5	n/k
Water collected by source (10³ x m³)										
Ocean	1,074,512	727,889	346,622	n/a	n/a	1,606,412	1,166,003	440,409	n/a	n/a
River or stream	77,592	66,548	11,035	9	n/a	119,170	104,887	14,283	n/a	n/a
Reservoir	154	154	0	n/a	n/a	316	316	0	n/a	n/a
Artesian well	227	227	0	n/a	n/a	1,086	745	341	n/a	n/a
Well	39	14	0	25	n/a	40	12	0	28	n/a
Municipal Services	5,078	3,101	1,877	63	37	5,641	3,257	2,324	59	n/k

ENVIRONMENTAL INDICATORS	2010					2009				
	Group	Portugal	Spain ⁽¹⁾	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Use of water (10³ x m³)										
Colling water	1,150,342	793,217	357,125	n/a	n/a	1,726,053	1,271,032	455,021	n/a	n/a
Row water	7,578	5,199	2,379	n/a	n/a	6,577	4,013	2,564	n/a	n/a
Potable water	302	168	15	83	35	245	134	24	86	n/a
Wastewater (m³)										
Wastewater from generation with treatment	3,705,478	1,591,911	2,113,567	n/a	n/a	3,624,412	1,368,573	2,255,839	n/a	n/a
Discharge into sea	1,076,223,280	728,292,687	347,930,593	n/a	n/a	1,608,305,923	1,166,689,787	441,616,136	n/a	n/a
Discharge into inland and estuary water	64,122,426	57,496,239	6,626,187	n/a	n/a	112,435,382	100,952,408	11,482,974	n/a	n/a
Waste sent to final disposal										
Total waste (t)	765,340	484,466	274,548	6,055	271	929,642	587,289	333,287	8,931	136
Total hazard waste (t)	4,741	3,896	675	58	113	3,012	1,776	1,129	91	22
Recoverd Waste (%) ⁽⁵⁾	92	88	99	99	58	94	98	86	99	98
Main waste categories (t)										
Fly ash recovered	318,118	171,187	146,931	n/a	n/a	580,062	333,303	246,759	n/a	n/a
Used oils	503	284	137	9	73	959	600	222	58	79
PCB	236	79	140	17	0	314	0	314	0	0
Metals	2,463	1,379	518	494	72	3,072	799	685	1,525	63
Gypsum	250,533	208,585	41,947	n/a	n/a	129,179	86,736	42,443	n/a	n/a
Biodiversity										
High voltage lines in protected areas (km)	946	843	39	64.6	n/a	948	844	39	65	n/a
Medium voltade lines in protected areas (km)	12,281	7,701	616	3,963	n/a	12,930	8,383	613	3,934	n/a
Substations in protected areas (no.)	40	18	11	11	n/a	42	19	11	12	n/a
Environmental Costs (EUR thousands)										
Investment cost	74,943	56,193	7,394	9,231	2,124	86,670	62,889	11,079	9,495	3,207
Current cost	23,534	9,530	12,632	1,328	44	32,228	10,804	16,714	1,933	2,777
Compliance										
Environmental fines and penalties (EUR thousands)	36	0	36	0	0	29	0	29	0	0
Environmental Complains (no.)	366	41	297	28	0	101	89	n/k	12	n/k

(1) Includes the results of the Rest of Europe

(2) Excludes fleet and consumption and loss of natural gas

(3) See detail in the climate change chapter

(4) The increase in value of scope 3 due to the increase in items reported and not the increase of absolute emissions.

(5) Excludes data of EDP Renewables Europe.

contribution to sustainability

9.1 REDUCING ENVIRONMENTAL IMPACTS

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

MORAY FIRTH – OFFSHORE WIND FARM



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

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

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

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

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

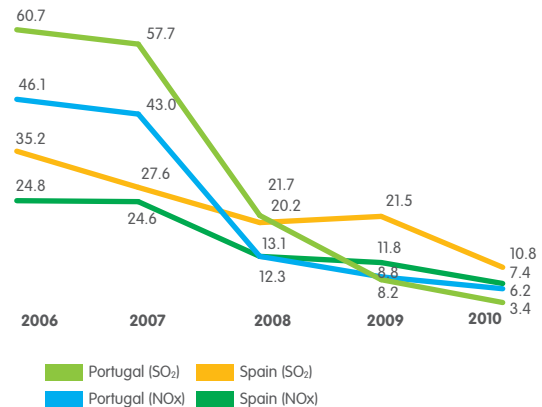
EDP has now certified environmental management systems in accordance with the ISO 14001:2004 standard; these cover 106 electricity generation facilities, corresponding to 69% of maximum net installed capacity, the maintenance of 21 substations corresponding to 2.8% of installed capacity, all gas distribution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

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

9.1.1 ATMOSPHERIC EMISSIONS

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

Trends of atmospheric emissions (kt)



Coal-fired power stations also have desulphurisation systems, which have reduced the specific emissions of SO₂ from thermal generation from 3.12 g/kWh, in 2007, to 0.42 g/kWh, in 2010.

9.1.2 WATER

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

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

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

9.1.3 WASTE AND BY-PRODUCTS

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

SINES POWERSTATION



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

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

Replacing cement with modified fly ash in the preparation of concrete reduces the amount of cement used, which in turn reduces CO₂ emissions by about 13,000 tonnes.

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

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

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

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

9.1.4 PREVENTION

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

ENVIRONMENTAL INCIDENTS

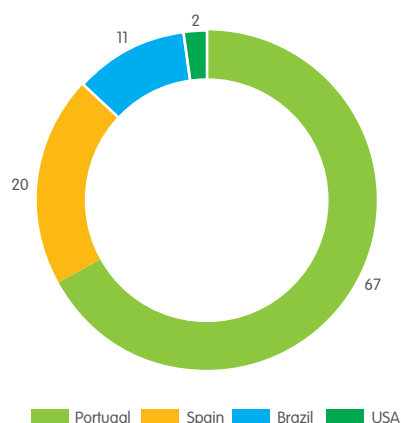
In the distribution business, there were around 245 small oil spills from transformers, amounting to an estimated total of 200 m³ of spilled oil. In EDP Renováveis, 12 small oil spills were registered, giving origin to around 15 m³ of spilled oil. In every case they were cleaned and its resulting waste was sent to be treated, without other environmental consequences.

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

9.1.5 ENVIRONMENTAL EXPENDITURE

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

Environmental costs (%)



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

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

contribution to sustainability

9.1.6 ELECTRIC AND MAGNETIC FIELDS

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

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

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

9.1.7 NEW PROJECTS

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

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

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

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

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

9.2 CLIMATE CHANGE

Climate change is certainly one of the major challenges currently facing EDP and energy sector companies in general. The reasons for this are twofold: first, EDP is a company that produces carbon dioxide (CO₂) emissions, one of the gases responsible for the increase in the greenhouse effect; second, the company's assets are subject to the risks that climate change, in particular extreme climatic phenomena, tends to accentuate.

In recent years EDP has been steadily reducing the overall emissions of greenhouse effect gases from its power stations. This reduction is based mainly on the strategy of diversifying energy sources by investing heavily in power stations using more efficient and less polluting energy sources (natural gas), decommissioning oil-fired power stations and making greater use of renewable (especially wind and water) energies. The objective of this strategy is to reduce CO₂ specific emissions by 70% from 2008 to 2020 in accordance with EDP's public commitment expressed at the Copenhagen Conference on Climate Change.

The European Union Emissions Trading Scheme (EU-ETS), which covers EDP's thermoelectric installations in Iberia, is also an important market mechanism for combating climate change. The process is at present in the so-called Kyoto period (2008-2012), under which emission licences in the region of 18 Mton of CO₂ were allocated to EDP – the National Plan for the Award of Emission Licences (PNALE II) in Portugal and Planes Nacionales de Asignación (PNA) in Spain.

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

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

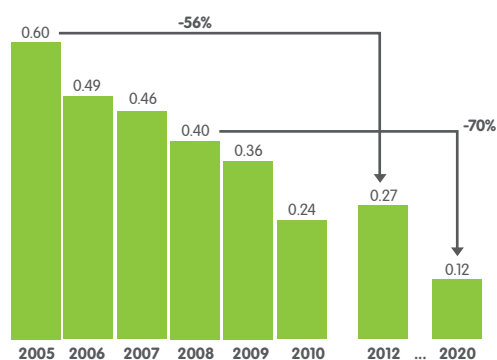
GROUP'S EMISSIONS OF CO₂ EQ

CO ₂ eq Emissions	2010				
	Group	Portugal	Spain	Brazil	USA
Scope 1 (ktCO₂ eq)	14,744.3	7,015.1	7,721.8	5.2	2.2
Stationary combustion	14,698.8	6,990.4	7,708.4	n/a	n/a
SF ₆ Emissions	8.2	5.8	1.9	0.5	n/a
Company fleet	20.7	12.6	1.6	4.6	1.8
Natural gas consumption	4.1	0.1	3.6	n/a	0.4
Natural gas losses (T&D)	12.5	6.2	6.3	n/a	n/a
Scope 2 (ktCO₂ eq)	1,027.1	866.0	68.5	92.0	0.6
Electricity consumption in office buildings	6.2	3.4	1.5	0.7	0.6
Electricity losses (T&D)	1,020.9	862.5	67.0	91.4	n/a
Scope 3 (ktCO₂ eq)	25.0	15.1	6.1	1.7	2.1
Business travel	8.6	1.7	3.0	1.7	2.1
Rented vehicles	0.8	0.3	0.5	n/k	n/k
Employee Commuting	2.0	0.1	1.9	n/k	n/k
Fuel and by-product transportation	3.3	2.6	0.7	n/k	n/k
Outsourcers	10.3	10.3	n/k	n/k	n/k

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

This situation had three immediate consequences:

- The global emission factor decreased to 0.244 t CO₂/MWh (0.362 in 2009), accentuating the downward trend seen in recent years, even exceeding the target for 2012 (0.27 t CO₂/MWh) and converging fast towards the goal for 2020 (-70% compared to 2008, or 0.12 t CO₂/MWh);
- The CO₂ licence portfolio awarded under EU-ETS resulted in a surplus of around 3.7 Mton CO₂;
- A value of CO₂ emissions avoided by the generation from renewable sources about 18 Mton CO₂, an increase of more than 30% compared to 2009.

Specific CO₂ emission reduction targets (t CO₂/MWh)

CO₂ EMISSION LICENCES GRANTED TO THE EDP GROUP IN 2010 (Kt)

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

Note:
 1. Emissions of biomass power stations (Ródão, Mortágua, Figueira da Foz e Constância são relatadas a 50%)
 2. Includes CO₂ emissions, from Sidergás, Aboño 1 and 2 power stations, which burn gas from iron and steel works. These are different from those presented in the financial information, note 46.

Regarding the management of the CO₂ portfolio, EDP used credits acquired from CDM (Clean Development Mechanism) projects in which it participates and sold on the market the surplus from the power stations in Portugal with CMEC (Costs for Maintenance of Contractual Equilibrium).

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

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

CDM PROJECTS IN BRAZIL

Project	Type	Annual reductions (tCO ₂ e/year)	Validity	Total reductions (tCO ₂ e/year)
Mascarenhas	Hydro	50,466	2015 (renewable)	353,262
Paraíso	Mini-hydro	30,310	2018	303,095
S.João	Mini-hydro	32,344	2015 (renewable)	226,408
Água Doce	Wind	13,704	2013 (renewable)	95,928
Horizonte	Wind	6,227	2011 (renewable)	43,587

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

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

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

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

9.3 BIODIVERSITY

EDP MANAGEMENT IN PROTECTED AREAS

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

(*) Not including Alqueva and Pedrógão

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

2010 INTERNATIONAL BIODIVERSITY YEAR



2010 Ano Internacional da Biodiversidade

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

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

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

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

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

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

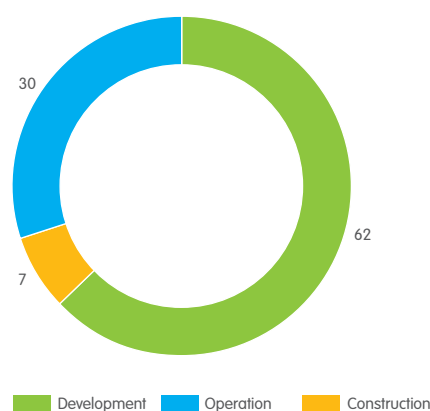
The corporate environmental certification strategy has led to the identification and systematisation of the impacts on the surrounding ecosystems through action plans for continuous improvement that include specific initiatives to minimise the impacts.

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

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

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

Environmental studies in wind activity (%)



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

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

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

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

- A project approved by ERSE (the Portuguese Energy Services Regulatory Authority) aimed at designing a manual for good practices in the management of the protection strips for high and low-voltage lines, focusing especially on regions with official environmental protection, in which there are currently 30 selected pilot cases;
- The Saflinet project for implementing a "System for Describing Good Management Practices for Fuel Management Strips related to Electricity Distribution Grids". This makes it possible, among other things, to identify the strips, predict intervention cycles and minimise the impacts on biodiversity caused by this obligatory intervention.

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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 January 2010 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”, approved in January 2010, with the exception of Recommendations I.3.3. and I.6.1. of said code, which are 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	Comments	Description in the Report
GENERAL MEETING OF SHAREHOLDERS			
I.1 BOARD OF THE GENERAL MEETING			
I.1.1 The Chairman of the Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistical support, taking the company's economic situation into consideration.	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 Report on Corporate Governance.	Adopted		5.2 5.4
I.2 PARTICIPATION IN THE GENERAL MEETING			
I.2.1 The antecedence imposed for the acceptance, by the Board, of share deposit or share block declarations for participation in the General Meeting, shall not exceed five working days.	Adopted	Article 14th of the Articles of Association	4.7
I.2.2 In case of the General Meeting being suspended, the company shall not oblige shareholders to block shares for the whole period in between until the session is resumed. The period required for the first session shall suffice.	Adopted	The Decree-Law 49/210 established the prohibition of the blocking of the shares during a certain period before the General Meetings	4.7
I.3 VOTING RIGHTS AND VOTING			
I.3.1 Companies should not impose any statutory restrictions on postal voting and, when adopted and admissible, on electronic voting.	Adopted	Article 14th of the Articles of Association	4.9
I.3.2 The statutory antecedence deadline for receiving postal vote declarations shall not exceed three working days.	Adopted	Article 14th of the Articles of Association	4.9
I.3.3 Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: i) have shares without voting rights; ii) establish that, above a certain threshold, voting rights cast by one single shareholder or shareholders related to him/her should not be accounted for.	Not adopted	It is EDP's understanding that with the provision of the principle of one vote per share adequate shareholder participation is ensured, although there may be limits on the number of shares with which each shareholder can vote. The principle of proportionality between shareholder participation and voting rights must be evaluated in relative and not absolute terms. The limit specified in Article 14(3) of EDP's Articles of Association embodies the expression of the will of shareholders in the protection of specific interests of the Company. In actual fact, the current Articles of Association that enshrine this limitation have been approved by the General Meeting with the participation or representation of 60.70% of the share capital. 95% of votes cast approved the motion. Thus, given the representation of shareholders achieved in the mentioned General Meeting, the characteristics of the company's shareholder structure even if the matter under consideration is exclusively for resolution by shareholders, it is deemed that their interests are properly respected in general.	4.8
I.4 QUORUM AND DECISIONS			
Companies shall not establish a quorum for deliberation greater than that laid down by law.	Adopted		4.10
I.5 MINUTES AND INFORMATION ON DECISIONS			
Extracts of the General Meeting's minutes or documents of equivalent content shall be made available to shareholders on the company's website within five days of the General Meeting, even if they are not inside information. The disclosed information shall contain the deliberations taken, the represented capital and voting results. This information shall be maintained on the company's website for at least three years.	Adopted		4.11

Recommendation	Adoption Status	Comments	Description in the Report
I.6 COMPANY CONTROL MEASURES			
I.6.1 Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while 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 that statutory provision shall be put to deliberation 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 deliberation without that limitation.	Not adopted	Although one considers as good practice the non existence of measures that may unfairly interfere with the success of a takeover bid, one disagrees on the contents of the CMVM's recommendation, as it does not seem reasonable to link the referred principle with the issue of the existence of limitation mechanisms to the exercise of voting rights (which is, in fact, dealt with in another recommendation). Therefore, the interests of EDP's shareholders, reflected on the limitation in article 14th of the Articles of Association, justify the non adoption of the recommendation. In addition, in terms of company's control measures, one understands that: a) In face of a takeover bid, the Executive Board of Directors (EBD) and the General and Supervisory Board (GSB) shall assess the referred proposal in the light of the company's interest; b) the position to be taken by the EBD will be object of favourable prior opinion from the GSB and c) the EBD and the GSB shall avoid to take any measure or position that may unfairly constitute an obstacle to the proper weighting of the takeover bid by the shareholders.	4.12
I.6.2 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 assessment by shareholders of the performance of the members of the Board of Directors.	Adopted		4.12
II. MANAGEMENT AND SUPERVISORY BODIES			
II.1 General Matters			
II.1.1 Structure and Duties			
II.1.1.1 The Board of Directors shall assess, in its annual Corporate Governance Report, the adopted model identifying any constraints to its functioning and recommending the appropriate measures to overcome them.	Adopted		2.1
II.1.1.2 Companies shall set-up internal control and risk management systems, in order to safeguard their assets and ensure the transparency of their corporate governance, which allow them to identify and manage the risk. These systems shall include, at least, the following components: i) determination of the company's strategic objectives on risk-taking; ii) identification of the main risks linked to the specific activity being exercised and the events capable of originating risks; iii) analysis and measurement of the impact and the probability of occurrence of each one of the potential risks; iv) risk management in view of the alignment between the risks actually incurred and the society's strategic choice on risk-taking; v) control mechanisms of the execution of the risk management measures adopted and their effectiveness; vi) adoption of internal mechanisms of information and disclosure on the system's various components and risk alerts; vii) cyclic evaluation of the implemented system and adoption of any necessary modifications.	Adopted		3.6
II.1.1.3 Management and supervisory bodies shall ensure the creation and operation of internal control and risk management systems, lying with the supervisory body the responsibility for the assessment of these systems' operation and the proposal of any adjustments to the company's needs.	Adopted		3.6.
II.1.1.4 Companies shall, in the annual Corporate Governance Report: i) identify the main economic, financial and legal risks to which the company is exposed in the exercise of its activity; ii) describe the operation and effectiveness of the risk management system.	Adopted		3.6.2
II.1.1.5 Management and supervisory bodies shall have their own regulations, which shall be posted on the company's website.	Adopted		2.3.2 2.3.3
II.1.2 INCOMPATIBILITIES AND INDEPENDENCE			
II.1.2.1 The Board of Directors shall include a number of non-executive members to ensure an effective capacity to oversee, supervise and evaluate the executive members.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.2.2 Within the non-executive directors there shall be an appropriate number of independent directors, taking into account the company's size and its shareholder structure, which cannot, in any case be less than one quarter of the total number of directors.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.2.3 The evaluation of the independence of their non-executive directors by the management body shall take into account the legal rules and regulations in force on the requirements of independence and the regime of incompatibilities applicable to the members of other social bodies, assuring coherency systematically and throughout time in the application of independence criteria to the entire company. The director which, in other corporate body, would not be able to assume that quality under the applicable rules, shall not be considered independent.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.3 ELIGIBILITY AND APPOINTMENT			
II.1.3.1 Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee or Committee on Financial Matters shall be independent and have the appropriate competences to the performance of his/her duties.	Adopted		2.3.8.1
II.1.3.2 The selection process for non-executive directors' candidates shall be conceived in a way such as to impede the interference from the executive directors.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
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 elements: i) indication of the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) indication of the treatment to be given to the reports, including confidentiality if the whistleblower so requires.	Adopted		2.3.8.1



corporate governance

Recommendation	Adoption Status	Comments	Description in the Report
II.1.4.2 The general lines of this policy shall be disclosed in the Corporate Governance Report.	Adopted		2.3.8.1
II.1.5 REMUNERATION			
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure the alignment between their interests and the long-term interests of the company, be based on performance evaluation and discourage excessive risk-taking. To that effect, the remuneration shall be structured according to the following: (i) The remuneration of directors, who perform executive duties, shall integrate a variable component, which determination depends on a performance evaluation, by the company's competent bodies, according to pre-determined measurable criteria, which considers the real growth of the company and the wealth, in fact, generated for shareholders, its long-term sustainability and the assumed risks, as well as the compliance with rules applicable to the company's activity, (ii) The variable component of the remuneration shall be globally reasonable when compared to the fixed remuneration component, and maximum limits shall be determined for all components. (iii) A significant part of the variable remuneration shall be deferred for a period not inferior to three years, and its payment shall depend upon the continuation of the positive performance of the company during that period; (iv) The members of the management body shall not enter into contracts, either with the company, or with third parties, which have as effect, to mitigate the risk inherent to the remuneration variability that is determined by the company; (v) until the term of their mandate, the executive directors shall keep the company's shares, which they have accessed by way of variable remuneration schemes, until the limit of twice the value of their global annual remuneration, with the exception of those which need to be divested in order to pay taxes resulting from the capital gains regarding those shares; (vi) In cases where the variable remuneration includes the award of options, the beginning of the fiscal year shall be deferred for a period of no less than three years. (vii) Adequate legal instruments shall be established so that the determined compensation for any form of unjust dismissal of a director is not paid if the dismissal or termination by agreement is due to the director's inadequate performance; (viii) The remuneration of the non-executive members of the Board shall not include any component which value depends on the company's performance or the company's value.	Adopted		5.3
II.1.5.2 The statement on the remuneration policy of the managing and supervisory bodies set forth in article 2nd of Law n.º 28/2009, of 19th of June, shall contain, beyond the contents there referred, sufficient information: i) regarding which companies groups remuneration policy and practices were taken as a comparative element to the determination of the remuneration; ii) regarding payments related to the dismissal or termination by agreement of director's functions.	Adopted		5.1
II.1.5.3 The statement on remuneration policy set forth in article 2nd of Law n.º 28/2009 shall also include the remunerations of other managers, in the sense of number 3 of article 248th-B of the Securities Code, whose remuneration contains an important variable component. The statement shall be detailed and the policy presented shall take into account, namely, the company's long-term performance, the compliance with norms applicable to the company's activity and the contention in risk-taking.	Adopted		5.5
II.1.5.4 A proposal on the approval of share distribution and/or a share option plan based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248th of the Securities Code, shall be submitted to the General Meeting. The proposal shall contain all the information necessary for a proper assessment of the plan and shall be accompanied by the plan's regulation, or, in case this has yet to be drafted, by the general conditions that shall govern it. Likewise, the main features of the pension benefits system established in favour of members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248th of the Securities Code, shall be approved by the General Meeting.	Not applicable		
II.1.5.6 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.	Adopted		2.3.5 2.3.8.2
II.1.5.7 The amount of remuneration received, in aggregate and individual form, in other companies of the group and the pension rights acquired in the fiscal year in question shall be disclosed in the annual Corporate Governance Report.	Adopted		5.3 5.4
II.2. BOARD OF DIRECTORS			
II.2.1 Within the limits established by law for each management and supervisory structure, 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 described in the annual Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers, particularly, with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that should be considered strategic due to the amount or risks involved or their special characteristics.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
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 and informed decisions and shall duly explain those mechanisms to the shareholders in the Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.2.4 The company's annual management report shall include a description of the work done by the non-executive directors and mention any constraints encountered.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.2.5 The company must explain its policy on rotation of offices within the Board, particularly in what concerns the financial office, and give information regarding that policy in the Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.3 CEO, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS			
II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide all information required in a timely fashion and appropriate form.	Adopted		2.3.3
II.3.2 The chairman of the Executive Committee shall send respectively to the chairman of the Board of Directors and, as applicable, the chairman of the Supervisory Board or the Audit Committee the notices to and minutes of their meetings.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	

Recommendation	Adoption Status	Comments	Description in the Report
II.3.3 The chairman of the Executive board of Directors shall send to the chairman of the General and Supervisory Board and the chairman of the Committee on Financial Matters the notices to and minutes of their meetings.	Adopted		2.3.3
II.4. GENERAL AND SUPERVISORY BOARD, COMMITTEE ON FINANCIAL MATTERS, AUDIT COMMITTEE AND SUPERVISORY BOARD			
II.4.1 In addition to the exercise of 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 opinion include: i) the definition of the company's strategy and general policies; ii) the group's business structure; and iii) decisions that should be considered strategic due to the amounts or the risks involved or their special characteristics.	Adopted		2.3.2
II.4.2 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall be published on the company's website along with the respective financial statements.	Adopted		2.3.2
II.4.3 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall include a description of their supervisory activity and refer any constraints encountered.	Adopted		2.3.2
II.4.4 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall, for all purposes, represent the company in all dealings before the external auditor, and shall also make suggestions as to the providers of these services and their remuneration, and ensure that the right conditions exist within the company for the services to be performed as well as act as the company's interlocutor and first recipient of their reports.	Adopted		2.3.2 2.3.8.1
II.4.5 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and shall propose their dismissal to the General Meeting whenever just cause is given to that effect.	Adopted		2.3.2 2.3.8.1
II.4.6 The internal audit services and those who ensure the compliance of the norms applied to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or, in case of companies that adopt the Latin model, to an independent director or the Supervisory Board, regardless the hierarchical relation that those services have with the executive administration of the company.	Adopted		3.6.1
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) ensuring a competent and independent assessment of the executive directors' performance as well as for the evaluation of 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; iii) identifying in a timely fashion, potential candidates with the necessary high profile for the performance of director's functions.	Adopted		2.1 2.3.8.3
II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors and include, at least one member with knowledge and experience in remuneration policy matters.	Adopted		2.3.8.2
II.5.3 Any individual or legal person that provides or has provided, in the past three years, services to any structure in the dependency of the Board of Directors, the Board of Directors itself or that has a present relation with the company's consultant, shall not be hired to support the Remunerations Committee in the performance of its duties. This recommendation is also applicable to any individual or legal person that is connected to those referred to above by an employment or service contract.	Adopted		2.3.8.2
II.5.4 All the committees must keep minutes of their meetings.	Adopted		2.3.8
III. DISCLOSURE AND AUDITS			
III.1 GENERAL DISCLOSURE OBLIGATIONS			
III.1.1 Companies shall ensure a permanent contact with the market, in respect of the principle of shareholders' equality of and in prevention of imbalances in the access to information by investors. In order to achieve this, the company shall have an investor relations office.	Adopted		7.1 7.2 7.3
III.1.2 The following information on the company's website must be published in English: a) The company's name, status as public limited company, registered office and all other elements mentioned in Article 171st of the Companies Code; b) The Articles of Association; c) The names of the members of the corporate bodies and market liaison officer; d) The Investor Relations Office, its functions and contact information; e) The financial statements; f) Half-yearly calendar of company events; g) Motions submitted for discussion and voting at general meetings; h) Notices to general meetings	Adopted		7.4
III.1.3 The companies shall promote the rotation of the auditor at the end of two or three terms, according to them being of four or three years respectively. Their maintenance after this period shall be reasoned in a specific opinion from the supervisory body which consider expressly the conditions of the auditor's independence and the advantages and costs of his/her substitution.	Adopted		2.7
III.1.4 The external auditor shall, within its competencies, verify the application of remuneration policies and systems, the efficiency and the functioning of internal control mechanisms and report any deficiencies to the company's supervisory body.	Adopted		2.7
III.1.5 The company shall not give to the external auditor, or any other entities in a relation of participation with that auditor or that are part of the same network, any services other than auditing. If the engagement of such services is required – which must be approved by the supervisory body and explained in its annual report on Corporate Governance – they should not account for more than 30% of the total value of services provided to the company.	Adopted		2.7

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Recommendation	Adoption Status	Comments	Description in the Report
IV. CONFLICTS OF INTEREST			
IV.1 RELATIONS WITH SHAREHOLDERS			
IV.1. The company's businesses with shareholders with a qualified stake, or with entities with any relation with those shareholders shall be performed in normal market conditions, as set forth in article 20th of the Securities Code.	Adopted		2.4
IV.1.2. The business of significant relevance with shareholders of a qualified stake, or with entities with any relation to those shareholders, shall be submitted to prior opinion of the Supervisory Board, as set forth in article 20th of the Securities Code. This body shall establish the necessary procedures and criteria for the definition of the relevant level of significance of these businesses and the further terms of their intervention.	Adopted		2.4

1.1. STATUTORY FRAMEWORK IN RESPECT OF INDEPENDENCE AND INCOMPATIBILITIES

The Articles of Association of EDP, which are available for consultation on its Website (www.edp.pt), contain rules on independence and incompatibilities for office in any body of the Company.

The independence criteria provided for in Article 414 5) of the Companies Code are in line with those stipulated in the Articles of Association, determining that the independence corresponds to the absence of 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 hold or act on behalf of holders of qualifying of 2% or more of the share capital or have been re-elected for more than two terms, either continuous or interspersed.

The assessment of the independence of members of corporate bodies should be promoted by each corporate body for its members, complying with applicable laws and regulations at all times and must be expressly justified when it diverges from criteria resulting from non mandatory recommendations which EDP should take into account.

Beyond the legal rules applicable and in matters of incompatibility and as a way of safeguarding the interests of the company and its shareholders, it was established by the Articles of Association that the holding of office in any of the EDP corporate bodies is not compatible 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 office, a work contract or a service contract – in a legal person competing 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.

In this context, in accordance with the Articles of Association:

- 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.

- A person associated with an EDP competing legal person is: (i) 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; (ii) 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.
- A person that indirectly carries out a business activity in competition with EDP is the one 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.

Incompatibility for office in any body of EDP is not applicable to EDP competing legal persons in which EDP holds 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 EDP representing no more than 10% (ten per cent) of its share capital.

1.2. STATEMENTS REGARDING THE INDEPENDENCE AND INCOMPATIBILITIES

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% (two per cent) 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.

The members of the Executive Board of Directors also undertakes

to inform the Chairman (and the Chairman himself undertakes to inform the Executive Board of Directors) of the occurrence of any circumstance that could eventually cause a situation of incompatibility with the status of member of the Executive Board of Directors or of loss of the status of independent member.

Pursuant to its Internal Regulation, the General and Supervisory Board has set a specific procedure to assess the fulfillment of the large set of rules on incompatibility and independence requirements applicable to the exercise of office in the same body. The procedure includes the following features:

- The acceptance of the appointment as General and Supervisory Board member occurs with a written statement in which the member specifically declares: (i); (ii) the absence of any incompatibility situation under the law or EDP'S Articles of Association with the exercise of the office; (iii) the fulfillment of the independence requirements set out in the Internal Regulation, if elected as a General and Supervisory Board independent member; and (iii) the duty to inform the Chairman of the General and Supervisory Board or, in case of the Chairman, the Board itself directly, of the subsequent occurrence of any circumstance that may constitute a situation of incompatibility or loss of independence status.
- The members of the General and Supervisory Board must confirm annually in writing the absence of incompatibility and compliance with the requirements of independence, if applicable.
- Also annually, the General and Supervisory Board conducts a general assessment on the fulfillment of the incompatibilities and independence requirements by its members.

At the same time, the General and Supervisory Board's regulations regarding the independence criteria applicable to its members were extended beyond the provisions in Article 414 5) of the Companies Code and Article 9 of the Articles of Association, with the result that persons who, either directly or in relation to their spouse or relative by direct line or affinity, and up to and including the third degree in the collateral line, may not have the status of independent if they are in any of the following situations:

- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of a qualified holding of 2% or more of the voting rights in EDP, or the same percentage in a company that it controls.
- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of, a qualified holding of 2% or more of the share capital or voting rights in a company that is a competitor of EDP.
- They gain any remuneration, albeit suspended, from EDP or a subsidiary company or from non-profit institutions economically dependent on them, except for compensation for their duties as a member of the General and Supervisory Board.
- They have been re-elected for more than two terms, whether consecutively or not.

The regime of independence applicable to the members of the General and Supervisory Board is particularly important with regard to the following requirements:

- The body must be composed of a majority of independent members (Article 434(4) of the Companies Code and Article 21(4) of the Articles of Association).
- The Committee for Financial Matters and the Remuneration Committee of the General and Supervisory Board must be composed of a majority of independent members (Article 444(6) of the Companies Code and Article 27(1) of the Articles of Association).

In accordance with the above-mentioned procedure, the members of the General and Supervisory Board declared at the start of their term that they were not in any situation of legal incompatibility (Article 414-A(1)(a) to e), g) and h) (ex vi Article 434(4)) and Article 437(1) of the Companies Code) and furthermore that, in the applicable cases, they were in statutory compliance with the requirements of independence set forth in the General and Supervisory Board's internal regulations.

It should be mentioned in this regard that the General Meeting on 15 April 2009 authorised the election of Sonatrach as a member of the General and Supervisory Board pursuant to the terms of Article 10(4) of the Articles of Association as, under the terms of Article 10(1) and 10(7) of the Articles of Association, Sonatrach is a legal person that is a competitor of EDP.

At the beginning of 2011, the members of the General and Supervisory Board renewed their declarations regarding incompatibilities and independence, and on 27 January 2011 the General and Supervisory Board assessed the application to its members of the rules on incompatibilities and independence.

The same declarations of compliance with the independence and incompatibility checking criteria for the exercise of their duties, set forth in Article 414(5) and Article 414-A(1) of the Companies Code and in Articles 9 and 10 of the Articles of Association, were made by the Chairman and Vice-Chairman of the General Meeting.

The statements, above mentioned, are publicly available on the website of EDP in www.edp.pt.

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board see section 2.1.1 of the Annual Report issued by that body.

2. CORPORATE GOVERNANCE STRUCTURE

2.1. CORPORATE GOVERNANCE MODEL

EDP has adopted, since 2006, a dual corporate governance model.

The definition of EDP corporate governance model essential purpose was to ensure separation of functions and specialization of supervision with rigor and transparency, and to align the interests of the EDP with the interests of its shareholders. The EDP management and supervision structure is made up of four bodies:

- The General Meeting
- The Executive Board of Directors;
- The General and Supervisory Board; and
- The Statutory Auditor.

The EDP General Meeting of Shareholders appoints and dismisses



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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 Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors, whose remuneration is fixed by the Remuneration Committee appointed by the General and Supervisory Board.

Separation of the functions of management and supervision is ensured by the existence of a Executive Board of Directors, which is responsible for the management of the business, and by the General and Supervisory Board, which is the maximum corporate authority in matters of supervision.

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.

Additionally, in November 2010, the General and Supervisory Board and the Executive Board of Directors approved the "Guidelines on Corporate Governance of EDP" (Manual), which is available to shareholders and the general public in the "Website" (www.edp.pt). The primary goal of the Manual is to record and share an understanding of the two bodies with respect to recommendations of good corporate governance practices applicable to the EDP, as well as guidelines which are deemed appropriate before adopting them.

Given the requirement of EDP and ambition in terms of quality of its corporate governance practices, we tried to go beyond legal requirements and regulations in this area, particularly regarding the reporting of information. Thus, the realization of that fundamental objective, the elaboration of the Manual sought to meet the following purposes:

- Reflect critically on the recommendations of best practices defined in the Code of Corporate Governance of CMVM, to contribute actively to the improvement of the practices of EDP.
- Select the recommendations are deemed appropriate to governance model of EDP, highlighting and pointing out potential measures to implement measures towards the full adoption of best practices.
- Identify recommendations that are deemed appropriate to the interests of EDP, the reasons justifying this position, as well as pointing to other practices to achieve differently the same objectives of the recommendations of the Government Code of CMVM.
- Support the recommendations addressed in their discussions on the best governance practices to be adopted in EDP.
- Formalize a document that can assist compliance with the reporting requirements on corporate governance practices, including the annual report required by law.
- Give information about the governance practices of EDP that although not reflected in the Code of Corporate Governance, materialize the goal, shared by the General and Supervisory

Board and the Executive Board of Directors, to develop and deepen the quality of governance processes in EDP.

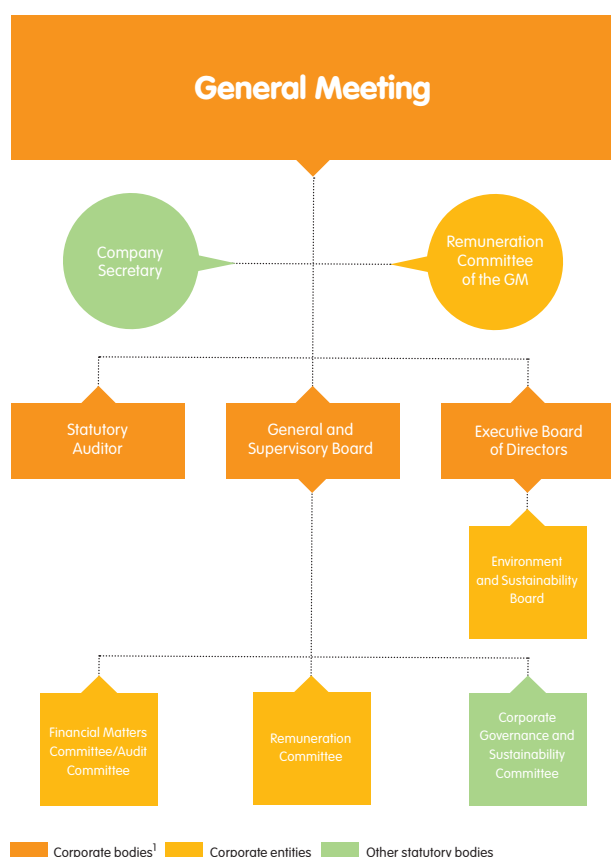
Where the evaluation of our corporate governance model was concerned, the Executive Board of Directors and General Supervisory Board reflected together on the functioning and possible constraints of EDP's model. The Executive Board of Directors feels that, on the basis of some four years' experience of the model, EDP's current organisation enables it to pursue the company's management goals without jeopardising the necessary division of functions between its management and supervisory bodies. The use of this model has also made it possible for the supervisory body to permanently monitor the EDP Group's activity. This body is exacting in terms of operations but has appropriate communication and information mechanisms for each body to perform its duties without interference or constraints in its work.

In relation to the assessment of the corporate governance model and in accordance with 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, especially as 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 constant close scrutiny of the decision making processes and, in some cases, the effective involvement in said processes, significantly strengthen the demand and functional accountability standards within the EDP universe and better safeguard the interests of all shareholders and other stakeholders;
- The commitment and the institutional articulation between the General and Supervisory Board and the Executive Board of Directors further promote higher quality levels 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 1 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 EDP's Articles of Association

2.3. CORPORATE BODIES

The current members of the corporate bodies were elected at the annual General Meeting held on the 15 April 2009, for a term of 3 years (triennial 2009/2011).

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 Committee on Financial Matters/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, under proposal of the General and Supervisory Board or, by delegation, of the Committee on Financial Matters/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, namely as regards the general assessment of the administration and supervision of the company and the approval of the remuneration policy of the members of these bodies.

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 and the company's General Secretary appointed by the Executive Board of Directors.

The current members of the board of the General Meeting are as follows:

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

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 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

The 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 the pursuit of the corporate interests in accordance with the Companies Code and the Articles of Association, being elected by the shareholders in the General Meeting.

The General and Supervisory Board is composed 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 an internal regulation, available on the EDP website (www.edp.pt).

The professional qualifications of the members of the General and

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Supervisory Board can be consulted in the Corporate Bodies chapter herein.

The competencies of the General and Supervisory Board are to:

- Permanently monitor 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;
- Issue an opinion on the annual report and accounts;
- Oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issue pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;
- Oversee, 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;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of the necessary or appropriate criteria and responsibilities for the internal structures and bodies of the company or group and their impact, in addition to drawing up succession plans;
- Provide, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;
- Issue, 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;
- Monitor and assess 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 issue opinions on these matters;
- Procure the resources, financial or otherwise, which it reasonably considers necessary for its work and request 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;
- Receive 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;
- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee;
- Represent the company in its relations with the directors;
- Oversee the work of the Executive Board of Directors;
- Supervise observance of the law and the Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;
- Monitor, when and how it deems appropriate, the regularity of bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;
- Oversee the drawing up and disclosure of financial information;
- Convene the General Meeting when it deems appropriate;
- Approve its internal regulation, which includes rules on relations with the other corporate bodies;
- Exercise 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 the approval of the company's strategic plan and the following operations carried out by the company or by subsidiaries are subject to favourable prior opinion 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 of the initiative of the Executive Board of Directors;

The Articles of Association also envisage that the prior opinion of the General and Supervisory Board may be waived (Article 21(7)). The rules in force that apply to the issue and waiving of prior opinion of the General and Supervisory Board were approved on 7 May 2009, as well as the procedures for reporting and providing clarification between that Body and the Executive Board of Directors.

In that capacity, a total of eight transactions were submitted for prior opinion to the General and Supervisory Board, with an average value of EUR 1,079 million and maximum value of EUR 2,100 million. In relation to the waiving of prior opinion, a total of thirteen transactions were submitted to the General and Supervisory Board, with an average value of EUR 584 million and maximum value of EUR 2,000 million.

The Chairman of the General and Supervisory Board has competencies of its own, and is responsible for:

- Convening and chairing meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;
- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfilment of their duties;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;
- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;
- Ensuring correct implementation of the General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board, or, in case of its absence or impediment, one of its members specifically appointed by the board, may attend the meetings of the Executive Board of Directors and participate in the discussion of matters to be submitted to the General and Supervisory Board, whenever they deem convenient and without the right to vote.

Members of the Committee on Financial Matters/Audit Committee have the obligation to attend Executive Board of Directors meetings assessing the accounts for a financial year.

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 its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman. In 2010, the General and Supervisory Board met 7 times. Minutes of all meetings were drawn up.

The General and Supervisory Board draws up an annual report on its activity and functioning, including any constraints it may have encountered in the carrying out of its duties. The report is available on the EDP website (www.edp.pt) together with the management report and accounts.

Supported in the work developed by the Corporate Governance and Sustainability Committee, the General and Supervisory Board carries out, each year:

- The self-assessment of its activity and performance, as well as that of the Committees, the conclusions of the evaluation to be included in the General and Supervisory Board Annual Report.
- The independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of the assessment process to be included in the General and Supervisory Board Annual Report as an appendix.

Concerning the 2010 assessment procedures, the General and Supervisory Board has decided to reinforce its transparency and objectiveness through the adoption of the following procedure:

- Its members must fill individual evaluation questionnaires about the activity and performance of the General and Supervisory Board and the Executive Board of Directors.
- The questionnaire results are discussed at the General and Supervisory Board meeting, without the attendance of the Executive Board of Directors, and the General and Supervisory Board identifies the positive aspects and the ones that shall be improved.

For more information on the activity of the General and Supervisory Board during the financial year please see section 3 of its Annual Report.

Currently, the General and Supervisory Board has the following composition:

General and Supervisory Board		Independent Members	Date of First Appointment
Chairman	António de Almeida (1)		June 30, 2006
Vice-Chairman	Alberto João Coraceiro de Castro (1)	Independent	June 30, 2006
	António Sarmento Gomes Mota	Independent	April 15, 2009
	Carlos Jorge Ramalho Santos Ferreira		April 10, 2008
	Diogo Campos Barradas de Lacerda Machado (1)	Independent	June 30, 2006
	Eduardo de Almeida Catroga (1)	Independent	June 30, 2006
	Farid Boukhalfa (as representative of Sonatrach)		February 4, 2010
	Fernando Manuel Barbosa Faria de Oliveira		April 10, 2008
	José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)		June 2, 2008
	José Maria Espírito Santo Silva Ricciardi (1)		June 30, 2006
	José Manuel dos Santos Fernandes	Independent	April 15, 2009
	Manuel Fernando de Macedo Alves Monteiro (1)	Independent	June 30, 2006
	Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora S.A.RL)		April 16, 2010
	Ricardo José Minotti da Cruz Filipe	Independent	April 15, 2009
	Rui Eduardo Ferreira Rodrigues Pena	Independent	April 12, 2007
	Vitor Fernando da Conceição Gonçalves (1)	Independent	June 30, 2006

(1) Members appointed at the Annual General Shareholders' Meeting held on March 30, 2006, which office began in June 30, 2006, after the entry into force of the new Articles of Association and the dual corporate governance model.

On 4 February 2010, the member of the General and Supervisory Board Sonatrach informed EDP that Farid Boukhalfa would be its representative in the General and Supervisory Board, pursuant to the resignation to the office of Mohamed Meziane. On 23 April 2010, Senfora S.A.RL, elected in the Annual General Shareholders Meeting held on April 16, 2010, appointed Mohamed Al Fahim as its representative to exercise the office replacing Khalifa Al Romaiti who resigned to its term of office. On 21 December 2010, Vasco Maria Guimarães José de Mello has presented his resignation from the General and Supervisory Board, so this board has now 16 members.

For more information regarding changes to the composition of the General and Supervisory Board please see section 2.1. of its Annual Report.

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2.3.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is the body responsible for the management of the company's business activities and for representing the Company, in accordance with the Companies Code and EDP Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is comprised of 7 member, which were initially elected on March 29, 2006.

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 works in a collegial manner, without delegation of duties in any of its members. Individual directors are only allowed to represent one absent director at each 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 an internal regulation, available on the EDP website (www.edp.pt).

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;
- Incorporating companies and subscribing, acquiring, encumbering and transferring 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 alternate;
- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and
- Establishing its regulation setting out rules applicable to its internal functioning.

Moreover, 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 of the General and Supervisory Board.

The Chairman of the Executive Board of Directors has competencies of its own, 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 the correct execution of the decisions of the Executive Board of Directors.

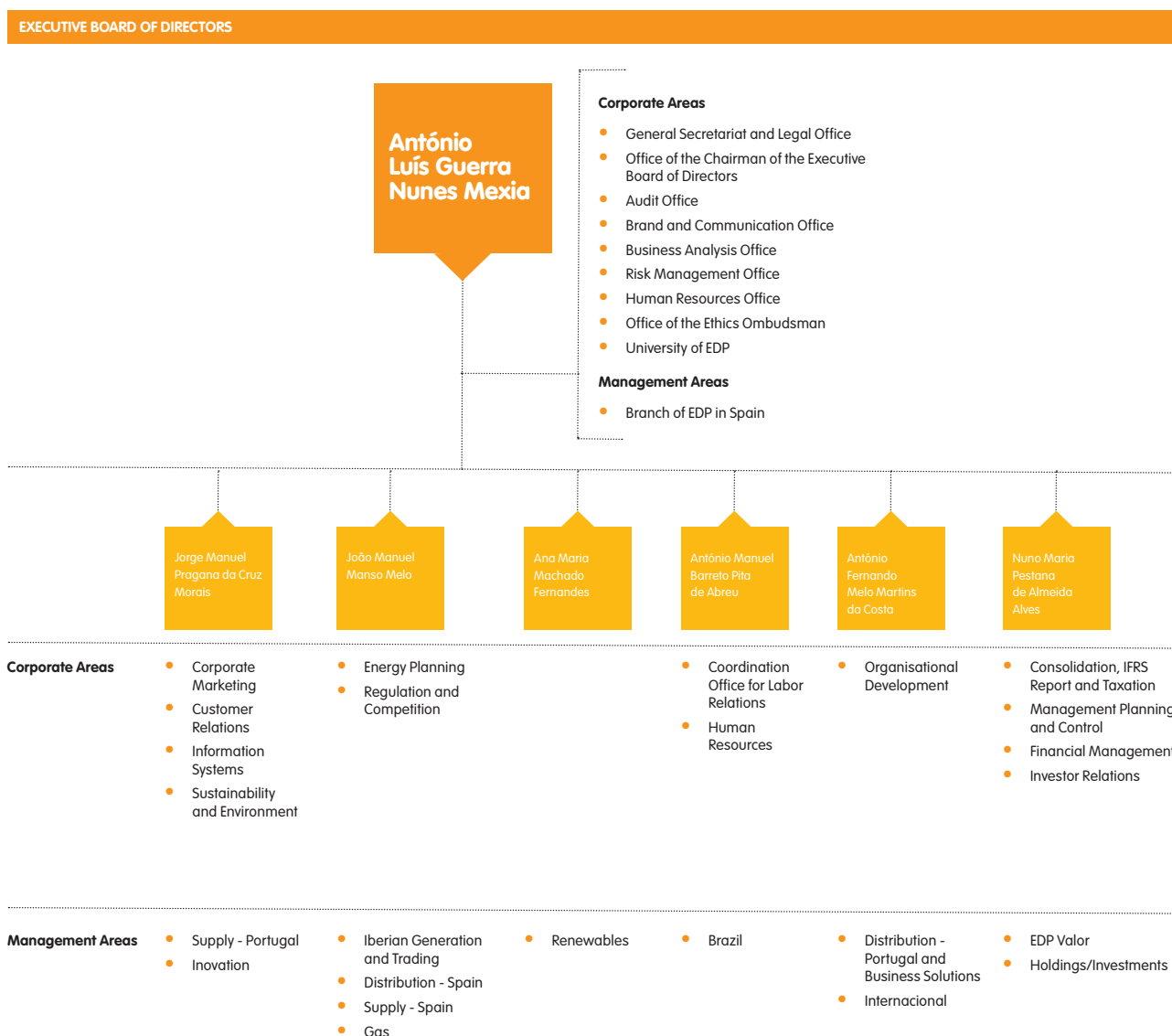
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations which involve a conflict of interests.

The Chairman of the Executive Board of Directors forwards to the support office of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible to all members of the General and Supervisory Board.

The performance of the Executive Board of Directors is assessed continuously and independently by the General and Supervisory Board.

The Executive Board of Directors met 50 times in 2010. Minutes of all meetings were drawn up.

The Executive Board of Directors is organised in accordance with the following management areas and corporate areas:



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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 Manuel Manso Neto	Jorge Cruz Morais	Nuno Almeida Alves
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	-	M	M
EDP - Ásia Soluções Energéticas Limitada	-	-	CBD	-	-	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	PR	PR	PR	-	PR	-	PR
EDP - Estudos e Consultoria, S.A.	-	-	-	D	-	-	CBO
EDP - Gestão da Produção de Energia, S.A.	-	-	-	-	CBO	-	-
EDP - Soluções Comerciais, S.A.	-	-	CBO	-	-	-	-
EDP Ásia - Investimentos e Consultoria Lda.	-	-	CBO	-	-	-	-
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBO	-
EDP Energia Ibérica S.A.	-	-	-	-	D	CBO	-
EDP Energias do Brasil, S.A.	CBO	D	-	VCBD + DC	-	-	D
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás II, SGPS, S.A.	-	-	-	-	CBO	-	-
EDP Gás III, SGPS, S.A.	-	-	-	-	CBO	-	-
EDP Gás, SGPS, S.A.	-	-	-	-	CBO	D	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	-	-	D	CBD	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	CBO
EDP Internacional, S.A.	-	-	CBO	-	-	-	-
EDP Investimentos, SGPS, S.A.	-	-	-	-	CBO	-	-
EDP Projectos, SGPS, S.A.	-	-	D	-	D	-	-
EDP Renewables Europe SL	-	CBO	-	-	-	-	-
EDP Renováveis Brasil, S.A.	-	CBO	-	VP	-	-	-
EDP Renováveis, S.A.	CBO	VCBD	D	-	D	-	D
EDP Serviner - Serviços de Energia, S.A.	-	-	-	D	-	CBO	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBO
Eléctrica de La Ribera de Ebro, S.L.	-	-	-	-	CBD	-	-
Electricidade de Portugal Finance Company Ireland Lt.	-	-	-	-	-	-	D
Empresa Hidroeléctrica do Guadiana, SA	-	-	-	-	CBO	-	-
ENEOP - Eólicas de Portugal, S.A.	-	CBO	-	-	-	-	-
Energia RE, S.A.	-	-	-	-	-	-	CBO
Hidrocontábrico Energía, S.A.U.	-	-	-	-	CBD	-	-
Hidrocontábrico Gestión de Energía, S.A.U.	-	-	-	-	SD	-	-
Hidroeléctrica del Cantábrico, S.A.	-	D	D	-	VP/CD	D	D
Horizon Wind Energy, LLC	-	-	CBO	-	-	-	-
Naturgás Energía Grupo, S.A.	-	-	-	-	VP	D	-
Sávida - Medicina Apoiada, S.A.	-	-	-	-	-	-	CBO
SCS - Serviços Complementares de Saúde, S.A.	-	-	-	-	-	-	CBO

CBD – Chairman of the Board of Directors

M – Manager

VCBD – Chairman of the Executive Board of Directors

VCBD – Vice-Chairman of the Board of Directors

DC – Director-Chairman of the Board (Executive Board)

R – Representative

SD – Sole Director

D – Director

VP/CD – Vice-President and Counselor-Delegate

PR – Permanent Representative

2.3.4. STATUTORY AUDITOR

The Statutory Auditor is the corporate body responsible for examining the financial statements. It is elected by the General Meeting of Shareholders for three year period terms.

In accordance with the Companies Code and the Articles of Association, the Statutory Auditor is in particular responsible for verifying:

- 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.

The Statutory Auditor and its alternate are as follows:

Statutory Auditor	
Permanent	KPMG & Associados, SROC, S.A. representada por Jean-éric Gaign, ROC
Alternate	Vítor Manuel da Cunha Ribeirinho, ROC

2.3.5. REMUNERATION COMMITTEE - GENERAL MEETING

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.

In accordance with Article 11-2d) of the Articles of Association, the members of the Remuneration Committee – General Meeting should be independent.

The current members of the Remuneration Committee – General Meeting are as follows:

Remuneration Committee/General Meeting	
Chairman	José Manuel Archer Galvão Teles Carlos Alberto Veiga Anjos Parpública – Participações Públicas, (SGPS), SA

As regards the term 2009/2011, the Remuneration Committee - General Meeting decided in February 2010 to approve the remuneration policy applicable to the corporate bodies of EDP, with the exception of the Executive Board of Directors, setting their remuneration.

In the annual General Meeting held on 16 April of 2010, the Chairman of the Remuneration Committee - General Meeting attended the meeting and submitted the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period term and the proposal was rejected by shareholders.

This General Meeting was attended by the members of the Remuneration Committee – General Meeting.

2.3.6. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment and Sustainability Board was set up as a corporate body 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 persons with acknowledged competence in the field of environmental protection.

The current composition of the Environment and Sustainability Board is as follows:

Environmental and Sustainability Board	
Chairman	João Martins Ferreira do Amaral
	José de Sousa Cunhal Sendim Maria da Graça Madeira Martinho Maria Madalena Monteiro Garcia Presumido Miguel Pedro Brito St. Aubyn

2.3.7. COMPANY SECRETARY

The Company General Secretary and respective alternate 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 the end of term of the Executive Board that appoints him/her.

The current Company Secretary and alternate are:

Company Secretary	
Secretary	Maria Teresa Isabel Pereira
Alternate	Ana Rita Pontífice Ferreira de Almeida Côrte-Real

2.3.8. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as main mission to make a specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or the information about certain subjects.

The committees' activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

corporate governance

The current specialised committees of the General and Supervisory Board were set up at the meeting of 7 May 2009.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company's overall performance.

The work of the committees is governed by an internal regulations, available on the EDP website (www.edp.pt).

2.3.8.1 COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

Composition, powers and functioning

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least 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 curriculum vitae of the Chairman, which can be consulted in the chapter on corporate bodies.

Currently, the Committee on Financial Matters/Audit Committee comprise the following members:

	Financial Matters Committee/Audit Committee	Date of First Appointment
Chairman	Vítor Fernando da Conceição Gonçalves	July 13, 2006
	António Sarmento Gomes Mota	May 7, 2009
	Manuel Fernando de Macedo Alves Monteiro	July 13, 2006

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion 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 an opinion 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 Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/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.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005.

In 2010, the Committee on Financial Matters/Audit Committee met 14 times. Minutes of all meetings were drawn up. No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activity is disclosed in the EDP website integrated with the General and Supervisory Board Annual Report.

Whistle-blowing Policy

The EDP Group has always carried out 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 Committee on Financial Matters/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 no. 1/2010.

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 Committee on Financial Matters/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 Committee on Financial Matters/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 Committee on Financial Matters/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.

2.3.8.2 REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by is governed by an internal regulation approved by the General and Supervisory Board.

In 2010, the committee met 4 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 are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings.

Remuneration Committee of the GSB	
Chairman	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	José Maria Espírito Santo Silva Ricciardi

Due to the resignation on December 21, 2010, Vasco Maria Guimarães José de Mello ceased to belong to this committee. On 27th January 2011, the General and Supervisory Board has designated José Maria Espírito Santo Silva Ricciardi member of this Committee.

In the Annual General Meeting held on 16 April, in accordance with Law n° 28/2009, of June 19th, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

No natural or legal person that provides or has provided services in the last three years to anybody answering to the Board of Directors, or services directly to the Board of Directors proper or that has a current relationship as a company consultant, was hired in 2010 to assist the Remuneration Committee in its duties. This statement is extensible to any natural or legal person who is related through employment or services' provision contract.

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.3.8.3 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.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring:

- Of the corporate governance practices adopted by the Company;
- Of the human resources and succession plans management.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

In 2010, the Committee met 3 times. Minutes of all meetings were drawn up.

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The committee currently consists of the following members:

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	António Sarmento Gomes Mota
	Diogo Campos Barradas de Lacerda Machado
	José Maria Brandão de Brito
	José Manuel dos Santos Fernandes
	José Maria Espírito Santo Silva Ricciardi
	Mohamed Ali Ismaeil Ali Al Fahim
	Ricardo José Minotti da Cruz Filipe

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.4. BUSINESS OPERATIONS BETWEEN THE COMPANY AND THE MEMBERS OF THE CORPORATE MANAGEMENT AND SUPERVISION BODIES WITH QUALIFYING HOLDINGS AND COMPANIES IN A GROUP OR CONTROL RELATIONSHIP WITH EDP

In the current exercise of its activity, EDP performs business transactions and operations in normal market conditions for similar operations with a range of entities, in particular financial institutions. These include holders of qualifying holdings in the EDP capital and EDP group companies and subsidiaries which are not considered relevant due to their very nature or the fact that they are not significant in economic terms.

Moreover, in accordance with article 246, paragraph 3, point c) of the Securities Code, it is noted that during the year 2010, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

The detailed analysis of this subject matter in 2008 led to the General and Supervisory Board approving a set of objective and transparent rules for the identification, prevention and resolution of relevant corporate conflicts of interest, called the "Framework for handling conflicts of interest". That framework was revised in late 2009.

Following the deliberation taken by the General and Supervisory Board, the Executive Board of Directors approved, on May 17, 2010, the rules of identification, internal reporting and action in case of conflicts of interests applicable to all EDP Group employees who take decisions in transactions with related parties. These rules are also available on EDP's "Website" (www.edp.pt).

It is noted, in the context of the qualitative improvement of governance practices, that the General and Supervisory Board approved the "Reference Framework for the Conflicts of Interests and business conflicts between related parties of EDP", on 29 July 2010, which is available for consultation at the EDP website (www.edp.pt). This reference framework replaces the "Framework for handling conflicts of interest". This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that corresponding to CMVM Regulation no. 1/2010.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its activity to the General and Supervisory Board.

Based on the work developed by the Corporate and Sustainability Committee, the General and Supervisory Board noted that, with respect to the cases it analysed and the information provided by the Executive Board of Directors regarding 2010, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

For further information on this matter, please see section 3.5.1 of the Annual Report of the General and Supervisory Board.

2.5. EDP SHARES HELD BY MEMBERS OF THE CORPORATE BODIES

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 2009 and 2010, in compliance with Article 447 5) of the Companies Code.

	EDP - Energias de Portugal, S.A.		EDP Renováveis, S.A.		Energias do Brasil, S.A.	
	N.º Shares 31-12-2010	N.º Shares 31-12-2009	N.º Shares 31-12-2010	N.º Shares 31-12-2009	N.º Shares 31-12-2010	N.º Shares 31-12-2009
General and Supervisory Board						
António de Almeida	0	0	1,200	1,200	0	0
Alberto João Coraceiro de Castro	4,578	4,578	1,580	1,580	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183,257,513	183,257,513	0	-	0	-
José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira (1)	40,000	40,000	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	260	260	0	0	0	0
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0
Fernando Manuel Barbosa Faria de Oliveira (2)	0	0	0	0	0	0
José dos Santos Fernandes	0	0	600	600	0	0
José Maria Espírito Santo Silva Ricciardi (3)	0	0	2,320	2,320	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	0	2,750	0	0
Ricardo José Minotti da Cruz Filipe	6,622	6,622	500	500	0	0
Rui Eduardo Ferreira Rodrigues Pena	1,445	1,445	380	380	0	0
Sonatrach	81,713,076	81,713,076	0	-	0	-
Farid Boukhalfa (as representative of Sonatrach)	0	0	0	-	0	-
Vasco Maria Guimarães José de Mello (4)	-	0	-	0	-	0
Vitor Fernando da Conceição Gonçalves	3,465	3,465	680	680	0	-
Senfora SARL	148,431,999	148,431,999	0	-	0	-
Mohamed Al Fahim (as representative of Senfora SARL)	0	-	0	-	0	-
Executive Board of Directors						
António Luís Guerra Nunes Mexia	31,000	1,000	4,200	4,200	1	1
Ana Maria Machado Fernandes	0	0	1,510	1,510	1	1
António Fernando Melo Martins da Costa (5)	13,299	13,299	1,480	1,480	0	11
António Manuel Barreto Pita de Abreu (6)	34,549	34,549	1,810	1,810	41	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0
Jorge Manuel Pragana da Cruz Morais (7)	62,497	12,497	1,990	1,990	0	0
Nuno Maria Pestana de Almeida Alves	80,000	50,000	5,000	5,000	1	1

Notes:

- 1) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors Banco Comercial Português, S.A. which had, on December 31, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1).
- 2) Fernando Manuel Barbosa Faria de Oliveira is the Chairman of the Board of Caixa Geral de Depósitos, S.A. and Parcaixa, SGPS, S.A. which had on December 31, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1).
- 3) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
- 4) Vasco Maria Guimarães José de Mello presented his resignation from the General and Supervisory Board on December 21, 2010; a qualified shareholding in EDP share capital (See chapter IX.1.1).
- 5) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Starzenska Martins da Costa;
- 6) The shares of EDP - Energias de Portugal, SA includes 475 shares held by his wife, Gilda Maria Pita de Abreu;
- 7) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto;

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During 2010, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

Corporate Body	Company	Date	N.º Shares	Operation	Avg. Purch./ Sales price (euros)
Executive Board of Directors					
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal, S.A.	03/05/10	2,111	Acquisition	2.845
Jorge Manuel Pragana da Cruz Morais	EDP - Energias de Portugal, S.A.	03/05/10	50,000	Acquisition	2.830
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal, S.A.	03/05/10 03/12/10 03/12/10	10,000 10,000 10,000	Acquisition Acquisition Acquisition	2.837 2.870 2.427
General and Supervisory Board					
Manuel Fernando de Macedo Alves Monteiro	EDP Renováveis, S.A.	09/27/10	2,750	Sale	4.120

2.6. OTHER MANAGERS

Attending to the provisions set forth in Article 248º-B 3) of the Securities Code, EDP does not have other managers than the members of the corporate bodies. Indeed, apart from those members, there is no other manager with regular access to inside information or that participates in the management and strategic decisions of the company.

2.7. EXTERNAL AUDITOR

The external auditor of EDP is KPMG since December 2004. It is responsible for conducting the necessary audit work to ensure the reliability of financial reporting and the credibility of the accounting documents.

From a functional standpoint, the external auditor answers to the General and Supervisory Board and it is organisationally dependent on the Executive Board of Directors.

Since the external auditor has only been collaborating with EDP since December 2004, the rotation of the auditor is not, presently, a point to be considered for the purposes of guaranteeing its independence.

Moreover, and considering the scope of services provided by audit firms, EDP adopts specific measures aimed at safeguarding the independence of the external auditor.

The duties of the External Auditor include checking compliance with remuneration policies and systems, the effectiveness and operation of internal control mechanisms and reporting any deficiencies to the General and Supervisory Board.

Indeed, on 29 January 2009, the General and Supervisory Board approved a regulation concerning the procurement of “non-audit” services to the Statutory Auditor and to the independent external auditor of the EDP Group.

This regulation establishes the permitted scope of “non-audit” services to be eventually provided by an independent external auditor, from which are excluded, in particular, accounting services, development of financial information systems, evaluation as well as legal services, management of human resources and actuarial matters. These services may not be provided by the statutory auditor or by the independent external auditor.

Moreover, the regulation provides that the provision of “non-audit” services by the statutory auditor or by an independent external auditor to the EDP Group is subject to prior joint approval by the Chairman of the General and Supervisory Board and the Committee on Financial Matters/Audit Committee. However, the cost may not exceed 30% of contracted fees for the respective services of statutory audit and external audit, except in exceptional circumstances and upon joint prior approval of the Chairman of General Supervisory Board and the Committee on Financial Matters/Audit Committee.

Finally, EDP created a mechanism for quarterly reporting to the Committee on Financial Matters /Audit Committee for services contracted by companies of the EDP to the statutory auditor and to the independent external auditor.

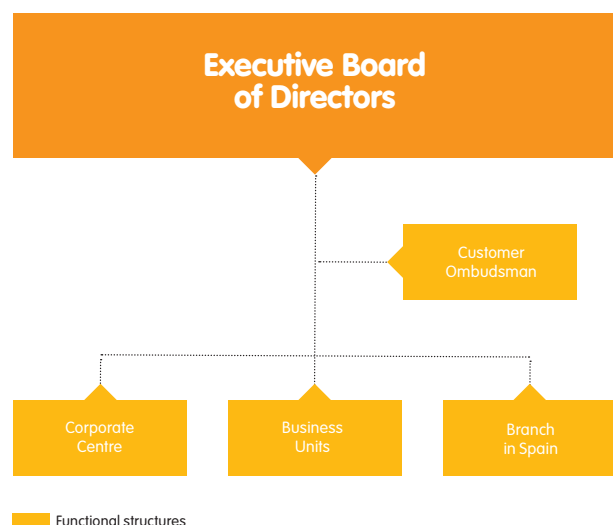
The General and Supervisory Board, in its meeting of 16 December 2010, revised the mentioned rules by approving the “Rules on the Provision of Services by the Statutory Auditor and External Auditor of EDP”, available on the EDP website (www.edp.pt). One of the major changes was the transposition of Recommendation III.1.5 of the CMVM Corporate Governance Code regarding the hiring of additional audit services. It was expressly established, in addition to the quantitative limit established in the Recommendation, that the Financial Committee/Audit Committee has the obligation to refuse to authorise additional audit services when:

- It concerns a forbidden additional service;
- In accordance with an objective, reasonable and informed third-party standard, the service possibly threatens the independence of the SA or EA, particularly by not fostering the likelihood of self-review or promoting self-interest.

The Financial Committee/Audit Committee annually presents to the General and Supervisory Board a proposal of evaluation of the independence of the External Auditor/Statutory Auditor, which is disclosed in the Annual Report of the General and Supervisory Board.

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:

Corporate Centre • Business Units	
DEPARTMENTS	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors and Institutional Relations	Duarte Castro Bello
Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	Carlos Alberto Loureiro
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Business Analysis Department	Pedro Pires João
Risk Management Department	José Allen Lima
University of EDP	Nuno Manuel Brito
FINANCIAL AREA	
Investor Relations	Miguel Henriques Viana
Consolidation, IFRS Report 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	Vergílio Domingos da Rocha
Organisational Development Department	Rui Ferin Cunha
HUMAN RESOURCES AREA	
HR Department	Maria João Martins
Coordination Office for Labor Relations	Eugénio Purificação Carvalho
SUSTAINABILITY AND REGULATION AREA	
Regulation and Competition Department	Maria Joana Simões
Sustainability and Environmental Department	António Neves de Carvalho
COORDINATION AREA FOR STAKEHOLDERS RELATIONS	
Office of the Chairman of the Executive Board of Directors and Institutional Relations	Paulo Campos Costa
Corporate Marketing Department	
Brand and Communication Department	
Sustainability and Environmental Department	
Customer Relations Department	
BUSINESS UNITS	
Energy Management Business Unit	Carlos Alves Pereira



corporate governance

The functions and responsibilities of the current Departments are as follows:

The **General Secretariat 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 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 its conclusion, 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.

The **University EDP's** mission is to develop knowledge and talent of the EDP Group employees, reinforcing the corporate culture as a competitive advantage of the Group for the excellence in customer service, enhancing innovation and sustainability in the environment where it is located.

Investor Relations Department (DRI) (see section 7.2)

The **Consolidation, IFRS Report and Tax Department (DCF)** is structured into two areas of operation: (i) Consolidation, which is responsible for consolidating the Group's accounts and preparing accounting reports and (ii) Taxation. Its mission is to ensure the rendering and reporting of EDP's accounts, provide consultancy services and ensure tax compliance for the Group. It defines, implements, monitors and coordinates rules, guidelines, policies and procedures in all the Group's geographical locations for accounting, taxation, consolidation and reporting purposes on a local basis and at IFRS-IAS level.

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) monitor the management of 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 on 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 by 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 Group's information systems' architecture for an adequate support to its 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 **Human Resources Department (DRH)** is to support the Executive Board of Directors in defining and implementing a Human Resources strategy that promotes the personal and professional development of all employees, responds to the strategic and operational needs of the Business Units and contributes to the corporate values of the EDP Group, by supporting a series of Centres of Competence to put the Human Resources value chain into practice, as follows: Change Communication and Management; Management of Potential; Career Management, Mobility and Succession; Training Management; Performance Management; Selection and Integration; Remuneration and Benefits; and Information and Technology to support HR Management.

The **Coordination Office for Labour Relations (GCRL)** negotiates (or monitors negotiation when 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 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 **Stakeholder Relations Coordination Area** is an organisational area which coordinates relations with the EDP Group's main stakeholders in a structured and coherent manner, mainly employees, customers, the media, NGOs, the government, local authorities, the European Community, opinion formers and others. This area ensure a constant coordination of dialogue with all the stakeholders involved, as well as with the EDP Group's network of Foundations;

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 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.

3.2.1. ACTIVITY OF THE ETHICS OMBUDSMAN

The Ethics Ombudsman handled ethics complaints in line with his duties and competences. During the year, 228 complaints were processed. Eighteen of them were found not to involve ethical issues and were therefore referred in accordance with their subject matter.

Ethical complaints are classified on the basis of the principles and values set out in EDP's Code of Ethics, such as legislation and ethics, conduct in the work environment, human rights and equal opportunities, integrity, relations with customers and suppliers and the environment and sustainability. Of the 210 ethical complaints handled, 80% had to do with relations with customers and suppliers, 9.5% with conduct in the work environment, 9.5% with the environment and sustainability, 0.5% with human rights and equal opportunities and 0.5% with integrity. The competent bodies appraise and deal with complaints, as required by EDP's Code of Ethics. Twenty-six of the 210 ethical complaints resulted in cases being opened, therefore requiring submission to the EDP Ethics Committee. Of these 26 cases, at the end of 2010 nine were still pending confirmation measures or had been sent for inclusion in the committee's agenda. The other 17 were submitted to the Ethics Committee and completed, nine with a decision to proceed while the other eight were dismissed. Of the total number of complaints, 48% originated in Brazil, 42% in Portugal and 10% in Spain. Furthermore, an important part of the Ethics Ombudsman's work was active participation in the Ética EDP (EDP Ethics) Project being organised by the Sustainability and Environment Department.

Initiatives in the project included a survey on ethical issues in each company, training of people in supervisory positions and subsequent follow-on training for all employees. These initiatives, which have already been concluded in Portugal and at EDP in Brazil, will be completed at all the other EDP Group companies in 2011.

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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 and in the Principles of Sustainable Development defined by the Executive Board of Directors.

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.

In 2010, this committee met once.

Ethics Committee

Chairman of the Executive Board of Directors
 Chairman of the Board of Directors of EDP Distribuição
 Member of the Board of EDP Produção
 Human Resources Department
 Sustainability and Environmental Department

INNOVATION COMMITTEE

The Innovation Committee has the following missions:

- 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 committee meets on a half-yearly basis and, in 2010, held two meetings.

Innovation Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors
 Chairman of The Board of Directors of EDP Distribuição
 Chairman of The Board of Directors of EDP Inovação
 Member of the Board of EDP Inovação (5 Members)
 Member of the Board of EDP Gás
 Member of the Board of EDP Produção
 Member of the Board of EDP Energias do Brasil
 Member of the Board of Foundation EDP
 Member of the Management Team EDP Renováveis
 Business Analysis Department
 Human Resources Department
 Brand and Communication Department
 Corporate Marketing Department
 Energy Planning Department
 Information Systems Department
 Officer of HC Energia
 Representative of EDP – Energias do Brasil

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 to the market;
- To make quarterly assessments of the control and disclosure of information mechanisms of EDP.

This 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. In 2010, this Committee met twice.

Disclosure of Information and Procedures Committee

Member of the Executive Board of Directors (CFO)
 Audit Department
 Consolidation, Accounting Control and Taxation Department
 Management Planning and Control Department
 Brand and Communication Department
 Investor Relations Department
 General Secretariat and Legal office
 Representative of EDP - Energias do Brasil
 Representative of EDP Renováveis
 Representative of the Investor Relations Department

RISK COMMITTEE

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.

Risk Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (6 Members)
 Member of the Board of EDP Gás
 Member of the Board of EDP Inovação
 Financial Management Department
 Risk Management Department
 Management Planning and Control Department
 Energy Planning Department
 Director of Energy Management Business Unit
 Representative of EDP - Energias do Brasil
 Representative of EDP Renováveis

Non-standing members participate in this committee's meetings when invited to do so depending on the respective items on the agenda. It also meets whenever an unexpected risk situation requires it.

This committee didn't meet any time in 2010. However, it held several meetings with the business units and the corporate centre departments involved in studies conducted by the Risk management Department.

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 of the main work safety 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.

This Committee met once in 2010.

Accident Prevention and Safety Committee

Member of Executive Board of Directors
 Member of the Board of EDP Valor (Responsible by Office Safety and Health)
 Member of the Board of EDP Distribuição (HR)
 Member of the Board of EDP Produção (HR)
 Member of the Board of EDP Valor (HR)
 Responsible Office Safety and Health EDP Valor
 Responsible of Occupational Medicine (Office Safety and Health EDP Valor)
 Representative of HC Energia
 Representative of EDP - Energias do Brasil
 Representative of EDP Renováveis

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;
- 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 met twice in 2010.

Energy Planning Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (Generation, Gas, HC Energia)
 Member of Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (Supply)
 Member of Executive Board of Directors (Brazil)
 Member of the Board of EDP Comercial
 Member of the Board of EDP Gás
 Member of the Board of EDP Produção
 Director Corp. HC Energia
 Director Energy Planning Department - Energias do Brasil
 Representative of da EDP Renováveis (2 members)
 Business Analysis Department
 Management Planning and Control Department
 Investor Relations Department
 Energy Planning Department
 Risk Management Department
 Regulation and Competition Department
 Responsible for the Energy Management Business Unit

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 profitability involved.

In 2010, the Investments Committee held twenty-three meetings.

Investments Committee

Member of Executive Board of Directors (CFO)
 Business Analysis Department
 Management Planning and Control Department
 Energy Planning Department
 Member of the Board of EDP Distribuição
 Member of the Board of EDP Gás
 Member of the Board of EDP Internacional
 Representative of EDP Produção
 Director of HC Energia
 Member of the Board of EDP - Energias do Brasil
 Member of the Management Team EDP Renováveis

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 met 4 times in 2010.



corporate governance

Careers, Mobility and Training Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (6 Members)
 Member of the Board of EDP Comercial (HR)
 Member of the Board of EDP Distribuição (HR)
 Member of the Board of EDP Produção (HR)
 Member of the Board of EDP Soluções Comerciais
 Member of the Board of EDP Valor (HR)
 Human Resources Department
 Representative of HC Energia
 Representative of EDP – Energias do Brasil
 Representative of EDP Renováveis

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, under proposal of 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 met twice in 2010 and the members.

Remuneration Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (6 Members)
 Human Resources Department

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 met twice in 2010.

Information Technology Committee

Member of Executive Board of Directors (Information Systems)
 Member of the Board of EDP Distribuição (Information Systems)
 Member of the Board of EDP Produção (Information Systems)
 Member of the Board of EDP Soluções Comerciais (Information Systems)
 Member of the Board of EDP Valor (Information Systems)
 General Manager of EDP (Information Systems)
 Organisational Development Department
 Corporate Marketing Department
 Information Systems Department
 Officer of EDP Gás (Information Systems)
 Representative of HC Energia
 Representative of EDP – Energias do Brasil
 Representative of EDP Renováveis

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 Europe and the Iberian peninsula as well as those applicable 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 met 10 times in 2010.

Regulation Committee

Member of Executive Board of Directors (Regulation)
 Member of Executive Board of Directors (Distribution)
 Member of Executive Board of Directors (Customer Relations)
 Member of the Board of EDP Gás
 Regulation and Competition Department
 Officer HC Energia EDP Gás
 Officer of HC Energia (Regulation)
 Officer of Naturgas (Regulation)
 Officer of EDP - Energias do Brasil (Regulation)
 Representative of Naturgás (Regulation)
 Representative of EDP Renováveis

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.

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. This Committee held one meeting in 2010.

Environmental and Sustainability Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (Sustainability)
 Chairman of The Board of Directors of EDP Inovação
 Member of the Board of EDP Comercial
 Member of the Board of EDP Distribuição (Sust. and Env.)
 Member of the Board of EDP Gás
 Member of the Board of EDP Produção (Sust. and Env.)
 Member of the Board of EDP Soluções Comerciais (Sust. and Env.)
 Member of the Board of EDP Valor (Sust. and Env.)
 Member of the Board of EDP Energias do Brasil
 Member of the Board of Foundation EDP
 Risk Management Department
 Brand and Communication Department
 Investor Relations Department
 Human Resources Department
 Sustainability and Environment Department
 Officer of HC (Environmental)
 Representative of EDP – Energias do Brasil
 Representative of EDP Renováveis

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.

In 2010, this committee held 1 meeting.

Procurement Committee

Member of Executive Board of Directors (Finance)
 Member of the Board of EDP Valor (Procurement)
 Member of the Board of EDP – Energias do Brasil (Procurement)
 Member of the Management Team EDP Renováveis (Procurement)
 Officer of EDP Valor (Procurement Plataforma)
 Representative of EDP Gás (Procurement)

PRICES AND VOLUMES COMMITTEE

The main purpose 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.

In 2010, the Prices and Volumes Committee held 4 meetings.

Prices and Volumes Committee

Member of Executive Board of Directors (Energy Planning and Gas)
 Member of Executive Board of Directors (Renováveis)
 Member of Executive Board of Directors (Customer Relations)
 Member of the Board of EDP Comercial
 Member of the Board of EDP Gás (2 Members)
 Member of the Board of EDP Produção (2 Members)
 General Manager of HC Energia
 Risk Management Department
 Management Planning and Control Department
 Energy Planning Department
 Regulation and Competition Department
 Officer of HC Energia (Planeamento)
 Officer of UNGE
 Officer of EDP Produção (Planning and Control)
 Representative of Naturgás
 Representative of EDP Renováveis

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.

The Generation Committee committee met once in 2010.



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Generation Committee

Member of Executive Board of Directors (Generation)
 Member of the Board of EDP Produção (3 Members)
 Adviser of the Board of EDP Produção
 Representative of Energias do Brasil
 Energy Planning Department
 Officer of EDP Produção (Planning and Control)
 Officer of EDP Produção (Business Development)
 Officer of EDP Produção (Hydro Generation)
 Officer of EDP Produção (Thermal Generation)
 Officer of EDP Produção (Projects and Investments)
 Officer of EDP Produção (Quality and Process)
 Officer of EDP Produção (Integrated Management of Environmental Matters)
 Officer of EDP Produção (Cogeneration and Biomass)
 Officer of HC Energia - Environmental
 Officer of HC Energia - Studies and Communication
 Officer of HC Energia - Generation
 Officer of HC Energia - Projects
 Officer of Energy Management Business Unit
 Representative of EDP Produção (Planning and Control)

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 met once in 2010. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

Distribution Committee

Member of Executive Board of Directors (Distribution)
 Chairman of the Board of Directors of EDP Distribuição
 Member of the Board of EDP Distribuição (2 Members)
 Member of the Board of EDP Energias do Brasil
 Officer of HC Energia - 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 met once in 2010.

Commercial Committee

Member of Executive Board of Directors (Supply)
 Member of Executive Board of Directors (Generation)
 Member of the Board of EDP Comercial (2 Members)
 Member of the Board of EDP Gás
 Member of the Board of EDP Soluções Comerciais
 General Manager of HC Energia
 General Manager of Naturgas
 Member of the Board of EDP – Energias do Brasil
 Brand and Communication Department
 Corporate Marketing Department
 Officer of HC Energia - Costumer Relations
 Officer of HC Energia - Marketing
 Officer of Naturgas (Costumer Relations)

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 met 4 times in 2010.

Pension Plan and Fund Committee

Chairman of the Executive Board of Directors
 Member of Executive Board of Directors (CFO)
 Member of the Board of EDP Valor (Labor Relations)
 Consolidation, Accounting Control and Taxation Department
 Risk Management Department
 Representative of Financial Management Department

COMMITTEE ON INFORMATION SECURITY

The Committee on Information Security has the following responsibilities:

- Provide an opinion on the Strategic Plan for Information Security, EDP;

- Discuss the more relevant security initiatives, with a view to their inclusion in the annual Information Security Information of the EDP Group;
- Give advice on policy Information Security, of the EDP Group and its evolution;
- Evaluate and approve exceptions to the EDP's Policy on Information Security, where justified by business reasons and by a formal acceptance of risk. Promoting the adoption of the EAC all the exceptions, by their nature, pose a high risk for the EDP Group;
- To promote communication and discussion about major changes in EDP, to identify the impacts the level of information security and to monitor the risk profile of the EDP Group;
- Monitor the implementation of the Program for Information Security Information EDP and KPI performance

This committee met once in 2010.

Information Security Committee

Member of Executive Board of Directors (Information Systems)
 Audit Department
 Financial Management Department
 Risk Management Department
 Management Planning and Control Department
 Human Resources Department
 General Secretariat and Legal office
 Information Systems Department
 Officer of Energy Management Business Unit
 Responsible of Government IT DSI
 Responsible of Information Security DSI
 Responsible for Security and Risk of companies

3.4. CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity created in 2009. It aims to support the EDP Group's customer care policy, and has the following remit:

- To receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- To enter into dialogue with complaining customers;
- To arbitrate disputes and conflicts between customers and EDP Group companies;
- To issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- To propose the adoption of measures to help improve levels of service quality and customer satisfaction;
- To establish contacts with third parties to obtain specialist information and knowledge so recommendations can be made to the EDP Group companies on the adoption of measures to improve their customer relations.

The Customer Ombudsman holds office for a period of 3 years, and this term is renewable once only, for an equal period. In the scope of the performance of his duties, the Customer Ombudsman has the use of an independent organic structure called the Office of the Customer Ombudsman, as well as an annual budget allocation.

3.5. BRANCH 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 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.), as well as the indirect shareholding in NG Energia (Naturgas Energia Grupo S.A.) by virtue of the majority control of the latter, have been directly allocated to the subsidiary's assets. The branch has offices in Madrid and Oviedo. The branch 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, Supply and Gas are chaired by members of the members of the EDP Executive Board of Directors responsible for the respective management areas with a view to harnessing synergies with Spain and eliminating inefficiencies and redundancies.

EDP Energias de Portugal, Sucursal en España, Sociedad Anonima

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE

Permanent EDP Representative	António Mexia (Presidente)
Permanent EDP Representative	Ana Maria Fernandes
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	Nuno Alves
Chairman of the Board, HC Energia	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energia	Javier Sáenz de Jubera
1st Line Responsible, EDP Renováveis	João Paulo Costeira
1st Line Responsible, NG Energia	Francisco Granjo

MANAGEMENT COMMITTEE

General Corporate - Activities Spain	Miguel Ribeiro Ferreira (Presidente)
Business Analysis Department	Hugo Gouveia
Legal Department	Emílio Garcia-Conde
Audit Department	Azucena Viñuela
Taxation Spain Department	Ramon Orlea Garcia
Financial Management Department	Nuno Gonçalves
Shared Services Department	Félix Arribas
Information Systems Department	Vergílio Domingos da Rocha

GENERATION COORDINATION COMMITTEE

Supply Coordination Committee	Jorge Cruz Morais
Gas Coordination Committee	João Manso Neto

corporate governance

3.6. RISK CONTROL AND MANAGEMENT SYSTEM

3.6.1. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

In order to proceed with the EDP Group's decision to strengthen its internal control system, on the basis of the SCIRF (Internal Financial Reporting Control System) model, measures were taken in 2010 to extend this system to the business units in the new geographical locations and corporate organisation in general and to place the business units in charge of maintaining and consolidating information. The EDP Group's SCIRF is in line with the best international practices and is based on the COSO model (Committee of Sponsoring Organizations of the Treadway Commission), with respect to the objectives and implementation of controls.

Reinforcement of the SCIRF continued in 2010 and followed two strategic lines (i) maintenance and monitoring of the cycle and (ii) the completion of the first assessment by the external auditor.

The maintenance and monitoring of the cycle in 2010, particularly with regard to the implementation of the internal control model, resulted in the geographical extension of the SCIRF in Europe through EDP Renováveis Europa (Spain, France, Poland, Romania, Belgium, United Kingdom and Italy) and, in the United States, through EDP Renováveis – Horizon. This extension involved over 50 companies and improvement of overall general, application or process IT control operations.

Existing processes and controls were revised and maintained in the business areas in which the SCIRF had already been implemented in previous years (Portugal, Spain and Brazil).

The new SCIRF processes and controls resulting from the application of the SCIRF and from opportunities for improvement detected were also documented and implemented.

The following maintenance and assessment activities were also carried out:

- Identification, revision and appointment of SCIRF managers to assess the new elements resulting from use of the model or revisions and updates arising from legal or structural changes
- Documentation, revision and validation of overall global, general and application IT controls
- Identification of service organisation by using the model in order to ensure that legal requirements applicable to the controls are met and the appropriate certificates can be issued
- Action to solve the non-conformities identified in the tests
- Evaluation of the design of the controls in order to confirm a suitable structure for timely prevention of materially relevant errors or improper appropriation of Group resources
- Evaluation of operational efficacy of controls to confirm the implementation in accordance with the designs as well as the implementation by qualified personnel
- Self-certification by which the SCIRF managers check that the documentation is sufficient and up to date and that there is proof of performance of control at different levels in the chain of command

With the goal of enhancing the reliability and robustness of SCIRF was performed to evaluate the system by the External Auditor (KPMG), with reference to the year ended December 31, 2010. This assessment was prepared in accordance with International Standard on Assurance - ISAE 3000 - International Standard on Assurance Engagements, completed with positive results, with no material weaknesses identified.

The following developments in 2010 were particularly important in the implementation of the SCIRF in the EDP Group:

- Consolidation of the SCIRF IT tool
- Creation of the SCIRF logo
- Issue of a quality certificate for the EDP Group's internal auditing by Institute of Internal Auditors (IIA) in Spain, an organization accredited by the Institute of Internal Auditors (IIA) in the United States



Internal audits are a corporate function in the EDP Group and are performed by the Internal Audit Department. This department answers to the Chairman of the Executive Board of Directors and is supervised by the Financial / Audit Committee to which it reports on the Group's auditing activities.

The Group is strongly committed to continuing its wide-ranging and intensive efforts to develop the robustness of its system for internal control over financial reporting, everywhere it conducts its business.

3.6.2. RISK MANAGEMENT STRUCTURE

3.6.2.1. RISK MANAGEMENT MANDATE AND STRUCTURE

The diversity of the Group's business lines continued to ensure a low level of risk, mainly due to (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, such as wind generation with low exposure to electricity market prices and (iii) use of appropriate hedging policies to help mitigate financial and fuel risks and the risk of the price and quantity of electricity placed or purchased on the market.

The organization and process of risk management practice in the Group have been receiving the highest rating under the Dow Jones Sustainability Index, a benchmark that pleases and encourages us to continue developing integrated methodologies of R2R - Return to Risk, trying to include them in the normal management of the Business Units and at Corporate Center. This process is based on the following:

- **Risk identification and prioritisation.** Steps have been taken to ensure that this process is included in the usual cycle of preparing the business plan and budget, at least for the most important risks. There is also a risk portal for use by the Risk Management Department in recording work done and the consolidation of the most important risks from a joint point of view and also for the use of the business units, according to their needs. This tool was developed in-house for the consistent collection of information on each relevant risk, with qualitative and, as far as possible, quantitative assessments of overall impact, likelihood of occurrence and degree of control, and for preparing priority matrixes for action or control. It enables us to answer the following questions: What are the most important risks for each business unit? Who is responsible for managing a certain risk?
- **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, decide on the transfer of the risk to another entity (insurance, hedging) and define the desired risk-return profile. It answers the questions: What are the risks that EDP profits in managing and which ones should be transferred to other entities? Is the ability to take risk aligned with EDP's strategy?
- **Integrated assessment of risk.** This dimension of risk control seeks to measure, for bottom-up methodology, values at risk of EBITDA, EBIT and Cash Flow of the most important Business Units of the Business Plan time horizon (usually three years). It still applies top-down methodologies in order to, considering the behavior of EDP's share and financial public information, infer similar values at risk and also make comparisons with competitors. It also aims to extrapolate to wider horizons the effects of a change in the composition of the portfolio of businesses. This tool allows answering the following questions: What is the aggregate level of risk actually expected? What is the relative weight of the critical factors? What is the effect of policy changes in hedging or other forms of transfer or mitigate risk? What is the impact of the more important business decisions in the aggregated risk of EDP?
- **Governance and control.** This component of the process of risk management is based on the Corporate Entrepreneurial Risk Management Policy defined by the Executive Board and on the structure established for this purpose. This tool allows answering the following questions: Are there management and risk control processes? Are they effective?

The Executive Board of Directors decides on the level of exposure to risk assumed by the EDP Group in its various operations and, notwithstanding the delegation of tasks and responsibilities, defines the overall risk limits and ensures that risk management policies and procedures are followed. This is based on the definition of the Group's appetite for risk, resulting on one hand from its long established business structure and, on the other hand, from criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board. In fact and in practice, the appetite for risk focuses on how the Group:

- Is positioned in relation of its debt rating;
- Aims to grow (with a focus on a policy of organic investment and acquisitions in core assets/disposals of non-core assets);
- Implement a dividends payment policy (and a policy of possible acquisition of treasury stock).

In the organizational structure of the corporate center, the DGR is part of the strategic departments. So, in addition to monitoring activities and methodologies, it develops its own studies and actively participate in a perspective of a business intelligence unit, performing the assessment of important and current subjects of R2R - Return to Risk for the Group. In relation to the activity undertaken in 2010, it should be noted the following:

- The first meeting of Risk Officers in the Group was organised. In addition to two guest speakers who addressed the issue of risk management from a financial and industrial perspective, there was an interesting exchange of experiences between the different business units and corporate departments.
- In-house regulations were drafted to consolidate and guide good crisis management and business continuity practices in the Group.
- A market analysis was conducted in terms of the risk of surplus power and changes in basic market risk factors.
- A backtesting analysis of the business plans showed that deviations from budget constitute very important risk proxies.
- There was an optimum capital structure and content for fixed rate – variable rate for the Group's main geographical areas (euro, dollar and real). A risk analysis was performed of debt hedging instruments along with an evaluation of EDF – Expected Default Frequency and CDS – Credit Default Swaps of the Group and similar companies and of Trading and the Financial Department's counterparties.
- EDP Serviço Universal was analysed in terms of the regulatory risk associated with its functions as supplier of last resort and buyer of special regime generation and of placing its surplus on the market.



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- A more in-depth analysis of the cash flow at risk at HC Energía was performed for market and regulated business.
- An aggregated analysis of the top-down risk and a comparison with rival companies continued to show a low level of aggregated risk for the EDP
- Group's businesses, which has made it possible to engage in a higher degree of financial leverage for similar ratings.
- An aggregated analysis of the bottom-up risk for the Business Plan, including a stress test simulation showed that the Group's risk profile remains low.
- An integrated ALM analysis of the risk of the pension fund assets and liabilities was performed.
- An active contribution was made to the Eurelectric Focus Group Enterprise Risk Management.

Business Units manage their own risks, within the established criteria and delegations. There is a solution of double reporting of the Risk Officer of each business unit and the Head of Risk Management, ensuring alignment handling practices, reporting and control.

3.6.2.2. RISK FACTORS

The main risk factors identified by the EDP Group are structured as follows:

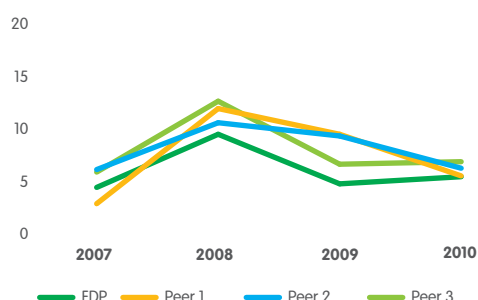


The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

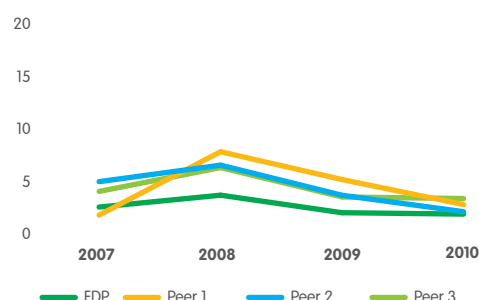
The EDP Group confirmed its low risk profile, given its lower structural exposure to the market risk. However, this advantage will tend to shrink in the future due to the short- to medium-term replacement of thermoelectric power stations at the end of their useful lives protected by PPA mechanisms by market power stations and natural greater exposure to the exchange risk resulting from the growth in businesses outside the euro area. For example, EBITDA at risk, with a 95% probability of not being exceeded, which was assessed for 2011 using the bottom-up method, is 4% of the value budgeted. This is not only a low percentage but it has also remained at this level over a year of simulation and has entered with the established hedging policy and the effects of diversification.

A top-down assessment of EDP's RaR - Return at Risk in a weekly basis (95% probability of not being exceeded) and also of its assets (here by the ratio Equity / Assets times the RaR of Equity) compared with that of Iberian competitors, confirms that the Group has a business portfolio with a smaller risk profile, even during the general increase in the critical years 2008 and 2009.

R@R Equity (weekly)

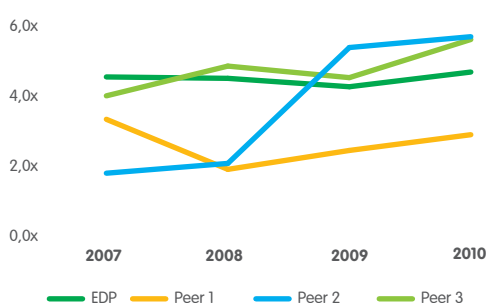


R@R Assets (weekly)

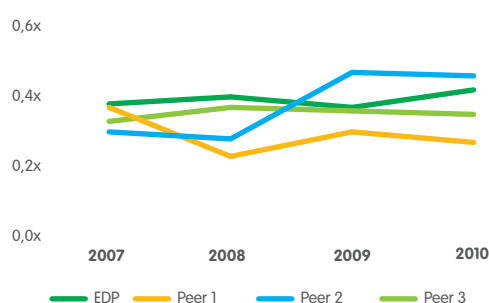


On the other hand, as shown in the graphs below, the Group's financial leverage – net debt / assets – rose slightly due to investments in expansion projects and investment in regulatory assets (boosted by an increase in the tariff deficit in Spain and payment of taxes resulting from the 2009 sale of the right to receive tariff deficits in Portugal). The structural indicator net debt / EBITDA went up a little and is expected to reach less than 4 in 2012. An ongoing A rating from S&P, which corresponds to a good compromise between the spread of this class on the cost of the debt and the advantage of deduction from taxes of financial costs with the expected borrowing parameters, is still a goal for the EDP Group, although Portuguese public finances are a source of considerable concern when it comes to a possible deterioration in the Group's rating due to the country's risk.

Net Debt / EBITDA



Net Debt / Assets



3.6.2.3. 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 PRODUCTION AND ENERGY MANAGEMENT:

Electricity price risk: Revenues from production can be influenced by changes in the price of electricity in wholesale markets. The Group has limited exposure to power plants acting on the free market (except in Spain, Ribatejo, Lares CCGT and Alqueva power plants and small hydro in Portugal) because the majority are subject to the adjustment mechanism of CMEC - The Cost for the Maintenance of Contractual Equilibrium (plants that had contracts - Power Purchase Agreements - with REN and now act in the market from July 1, 2007). To mention the exposure to market (price of OMEL) of wind production from EDP Renováveis in Spain (and also in the United States). Furthermore, the Group actively seeks to protect the commercial spread, acting in an integrated manner within the Energy Management and Marketing. In MIBEL the UNGE has a mandate to act on the wholesale market; both for optimization of the supply to the spot market of OMEL like to take advantage of the futures market, OMIP, OTC and arbitration in Spain-France interconnection. The risk of market price higher

in Portugal than in Spain, as a result of market splitting, after exhaustion of interconnection capacity, and the corresponding need in Portugal for using more expensive power plants, is not relevant to the Group, given that its marketing in the free Portuguese market is not dependent on imports from Spain. The UNGE - Energy and Trading Business simulates the behaviour of the system and uses the Iberian MUR - Unified Risk Model (model risk analysis of UNGE - Energy and Trading Business to Iberia) program for the periodic calculation of MaR - Margin at Risk.

Fuel price and CO₂ Risk: This risk is also more present for the power plants in the free market. The UNGE has been entrusted with management of this risk, serving on the purchase of coal and fuel oil and in the operational management of procurement of gas for electricity generation and trading scheme for CO₂, but also in establishing solutions for the hedging of fuel prices and the dollar exchange (the latter in coordination with the Financial Department). As far as supplies of gas are concerned, EDP Gás is responsible for negotiating new contracts, but also the management of positions resulting from momentary excess / deficiency between the Group companies and the market or with other players. 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 plants and wind farms: Conventional power plants and wind farms have breakdowns and incidents,



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which can entail a loss of revenue due to outage or downtime. This risk is mitigated by the application of conduction and maintenance methods and safety procedures of the highest standard. Otherwise, the most important insurable risks are associated with generation, which is covered by insurance, managed by EDP Valor's Insurable Risk Management Office.

Environmental risk: Power generation resources are more exposed to this risk due to the use of natural resources, due to emissions and waste that thermal power generation produces and also due to the impact on biodiversity caused by wind production as well as other technologies. The EDP observes a very strict Environmental Policy that comes into force in an Environmental Management System that aims the full compliance with the licensing parameters as well as the introduction of additional measures that will improve the environmental performance as well as minimize possible responsibilities in this area. There is also an environmental liability insurance contract to fulfil the new European requirements in this area. For additional information please see section Contribution to Sustainability, Environmental Management chapter.

Credit risk: In an organized market this is not a significant risk. In OTC market and fuel purchase operations, the UNGE (Energy and Trading Business) minimizes this risk by applying exposure limits in agreement with the limits approved in line with the counterparty rating (defined by an external agency, or internally, if there is not such external information).

MARKET SUPPLY:

Price risk for electricity: This risk is assumed by the UNGE - Energy and Trading Business and internal prices are set after the volume of sales to final consumers by EDP Comercial and HC Energia have been determined, except in situations in which market price - indexed contracts are possible.

Volume risk: Either because of weather and economic situation, or as a result of migration of customers between the free market and the public service regulated tariff, the amount of energy to sell to final customers has always a degree of uncertainty. In principle, this risk is assumed by supply, as it has to make excess or shortages adjustments with the UNGE - Energy and Trading Business at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant uncertainty in the share of free market consumption depending on the attractiveness of the public tariffs and competitive dynamics, 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 and Naturgas).

SUPPLY OF LAST RESORT:

Pursuant to applicable legislation, consumers that choose their energy supply in accordance with a regulated tariff are customers of EDP Serviço Universal - the so-called supplier of last resort. As of 1 January 2011, in Portugal this infrastructure will cover only the range of domestic and non-domestic consumers that have not yet moved

to the free market and to which a transition tariff will apply. This is another step towards the extinction of regulated tariffs on final consumption, following a similar transition in Spain.

Regulatory risk: The exercise of this activity is low risk, but the deviations in the estimates made by the Regulator - ERSE for acquisition costs of energy, thus creating a deficit or excess amount, raises concern about the fair remuneration of such volatility. We hope that the gradual disappearance of the regulated tariffs for electricity sales to provide, a knowledge of the mechanisms of competitive balance and a longer follow-up to the reality of the evolution of international prices of raw materials necessary for the production of electricity.

Supply quality operational risk: Whatever the criteria for supply quality of regulated service business (average response time in providing customer services, the percentage of readings of meters of low voltage, etc.), the Group has placed great emphasis on the management of this risk, also to manage the risk of erosion of the brand once the impacts consequences are not negligible.

Credit risk: The management of this risk has been delegated to the 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: The changes of the remuneration criteria may affect the revenue of EDP Distribuição and HC Energia. In addition to the defence of fair valuation of the business, the Group also strives to apply better grid planning, construction, operation and maintenance practices in order to achieve 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 to reduce 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 (e.g. lines, cables and transformer stations) may increase the impact of outages and incidents. This risk is mitigated by means of conduction methods, maintenance and safety procedures in line with the highest international standards. However, the uncommon storms that have raged in Portugal have led to power cuts and substantial damage, which have received considerable media coverage. Response to this type of crisis has improved significantly, however. On the other hand, insurable risks are covered by insurance.

Environmental risk: Although of less relevance than in generation, the problem of overhead power lines and of its impact in birdlife, on the surrounding environment and also in terms of their visual impact is one worth mentioned. Particular attention is given to these questions in the planning and design phase thus minimizing these situations and the infrastructures are made compatible with the birds that use them as resting places or as nest locations. To avoid collisions infrastructures located in migrating paths are signalized. For additional information please see section Contribution to Sustainability, Environmental Management chapter.

RISK MANAGEMENT IN OTHER REGIONS AND ACTIVITIES

Although market conditions and regulatory may differ, the principles and methods listed above apply to gas transport, distribution and supply business units and to Energias do Brasil and EDP Renováveis.

EDP Renováveis has been the main source of growth and geographical diversity of investments in the Group and clearly confirms the change in the Group's generation profile to a portfolio less dependent on CO₂ emissions and therefore less exposed to the risks of greenhouse gas emissions. The size that it has reached requires careful management of the pipeline of projects, flexible hiring of wind turbines and contracting of operating and maintenance conditions in order to avoid operational risks resulting from not launching or timely completion of projects and not achieving the best standards of operating efficiency. The nature of this type of generation means that the results of investments are highly dependent on each country's regulatory and energy policies. This aspect is carefully weighed within criteria of minimum acceptable return. This is how our stake in the United States market, with its huge growth possibilities and a low country risk, asserting the Group as a major world player in renewable energy, has grown less than initially expected, as we are still awaiting the publication of new legislation promoting this type of energy. Exposure to the electricity market price is mitigated considerably by remuneration of generation with fixed tariffs, long-term PPAs (power purchase agreements) or effective hedging strategies. Risk mitigation options depend on the remuneration structure in each country.

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 modeling of scenarios (which incorporate different sensitivities, such as, price risk, energy volume risk, and 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 reviewed on a regular basis. The Investment Committees at the business units and corporate level allow the effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investment, monitoring operational risks in these phases and their potential impact on the expected value.

Financial risk: The Group's financial risks are mainly managed by the Financial Department, which is responsible for the Group's cash management at Iberian level, the debt portfolio and the risk of interest rate and foreign exchange instruments through financial markets. In Brazil, Energias do Brasil follows, under coordination, similar principles.

Liquidity risk: The liquidity risk warranted particular attention. EDP's strong credit profile was reconfirmed in this difficult context for Portugal. There was only one bond issue (one billion euros at five years), which was necessary for the habitual debt rollover and to finance the Group's growth. EDP also successfully negotiated a five-year revolving credit facility of 2 billion euros to replace the previous one for 1.6 billion euros. The liquidity risk has therefore been mitigated thanks to our debt management policy, the contracting of new financing and the availability of lines of credit obtained (underwritten) but not used. Thanks to the Group's financial management policies, there is still a low market risk and a diversified counterparty risk involving highly credible financial entities.

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. The calculation of these liabilities is conducted annually by an independent Actuary, using assumptions set out in IAS-IFRS, taking into account various aspects including, inter alia, the Fund's performance, demographics, economic variables and the applicable requirements.

Operational risk: Included in this group are the potential losses resulting from incidents caused by failures or inadequate procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and ethical standards, operating loss include economic, non-economic effects and loss of reputation).

For the area of Information Technologies, the Information System Department has been consolidating the complete risk management process. In this area there, they established 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 approved Strategic Insurance Plan, which is based on the establishment of joint programs for all Group companies in Portugal and Spain, direct contracting with insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimize insurance costs and improve control thereof.

In terms of **legal risks**, both in litigation related to operations, or in respect of licensing procedures for new installations, both as regards the necessary tax compliance and accounting, the Group does not expect any adverse impact on relevant.

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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, these being ordinary shares, and 720,314,735 of which are Category B shares, all 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.

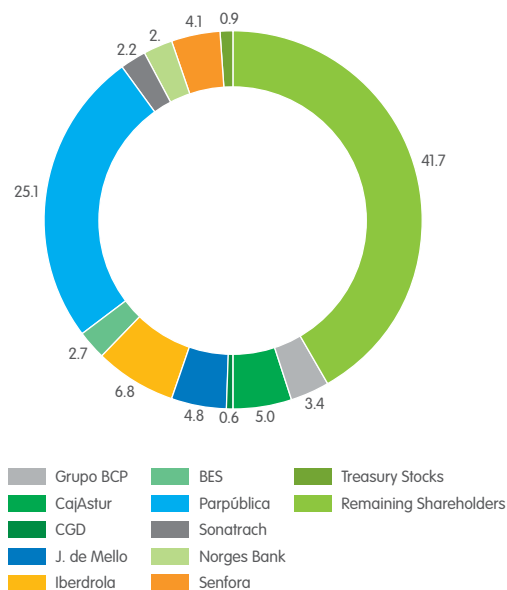
Category B shares are those to be reprivatized. Their only privilege is that their holders, or those representing them, are not subject to the voting restriction laid down in Article 14.3 of the Articles of Association, in relation to these shares.

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.

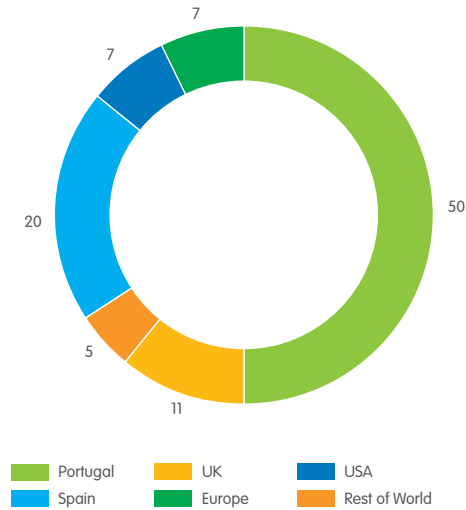
4.2. SHAREHOLDER STRUCTURE

The breakdown of the EDP shareholder structure by region and investor type in 31 December 2010 was as follows:

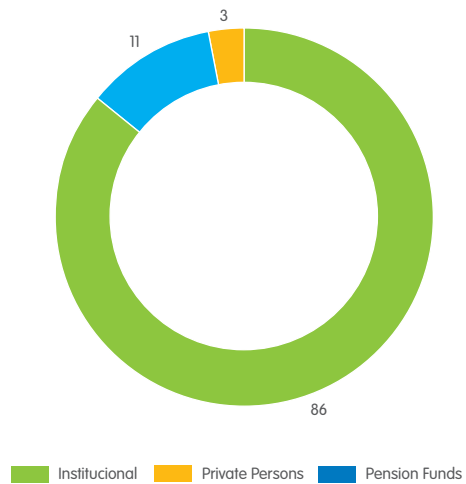
Shareholder Structure EDP (%)



Geographic Breakdown of Shareholder Structure (%)



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 on qualifying holdings held by shareholders in the EDP share capital in 2010 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

Shareholder	N° of Shares	% Capital	% Vote
PARPÚBLICA - Participações Públicas, (SGPS), S.A.			
Privatised shares - Category A	211,836,047	5.79%	4.84%
Non-privatised shares - Category B	704,141,551	19.26%	19.26%
Capitalpor – Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.18%
PARPÚBLICA - Participações Públicas, SGPS, S.A.	295,343,816	8.08%	8.08%
Total	915,977,598	25.05%	24.09%
The company Capitalpor – Participações Portuguesas, SGPS, S.A. Is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A.			
Iberdrola Energia S.A.U.			
Iberdrola Energia S.A.U. (Iberener)	248,437,516	6.79%	5.00%
Total	248,437,516	6.79%	5.00%
The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, 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%	4.82%
Management and supervisory bodies	57,432	0.00%	0.00%
Total	176,340,958	4.82%	4.82%
The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital is fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.			
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148,431,999	4.06%	4.06%
Total	148,431,999	4.06%	4.06%
The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.			
MILLENNIUM BCP GROUP + PENSION FUND			
Corporate Bodies	28,380	0.00%	0.00%
Foundation Millennium BCP	350,000	0.01%	0.01%
Banco Comercial Português, S.A.	573,249	0.02%	0.02%
Pension Fund of Group Millennium BCP	122,289,594	3.34%	3.34%
Total	123,241,223	3.37%	3.37%
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.			
BANCO ESPÍRITO SANTO, S.A.			
Company's in a group relationship with BES or exercising control over the company	98,852,742	2.70%	2.70%
Banco Espírito Santo, S.A.	317,854	0.01%	0.01%
Members of the Corporate Bodies	3,375	0.00%	0.00%
Total	99,173,971	2.71%	2.71%
NORGES BANK			
Norges Bank	97,247,888	2.66%	2.66%
Total	97,247,888	2.66%	2.66%
SONATRACH			
Sonatrach	81,713,076	2.23%	2.23%
Total	81,713,076	2.23%	2.23%
GROUP CAIXA GERAL DE DEPÓSITOS			
Privatised shares - Category A	7,191,932	0.20%	0.16%
Caixa Geral de Depósitos	3,625,065	0.10%	-
Pension Fund of CGD	1,709,051	0.05%	-
Companhia de Seguros Fidelidade Mundial, S.A.	1,247,394	0.03%	-
Império Bonança - Companhia de Seguros, S.A.	51,954	0.00%	-
Parcaixa, SGPS, S.A.	558,468	0.02%	-
Non-privatised shares - Category B	16,173,184	0.44%	0.44%
Parcaixa, SGPS, S.A.	16,173,184	0.44%	0.44%
Total	23,365,116	0.64%	0.61%
CGD holds 100% of 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. ; ii) 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A. CGD Pension Fund is managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A., and of which CGD is an associated company; CGD holds 51% of the share capital and voting rights of Parcaixa, SGPS, SA.			
EDP (TREASURY STOCK)	33.324.941	0.91%	
REMAINING SHAREHOLDERS	1.526.025.916	41.75%	
TOTAL	3.656.537.715	100.00%	

Note: In accordance with the made use once in nº 3 of the 14º 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.

(1) In compliance with the understanding imparted by CMVM to Sonatrach in relation to the effects of a shareholder agreement entered into with Parpública - Participações Públicas, SGPS, S.A. And Caixa Geral de Depósitos, 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 Securities Code.

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4.4. HOLDERS OF SPECIAL RIGHTS

Pursuant to Article 4.3 and 4.4 of EDP's Articles of Association, Category B shares are the shares to be reprivatized. 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 reprivatization are Category B shares as long as they are held by public entities. Their transfer to non-public entities 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 entities 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 entered into.

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 entered into 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:

- 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
- 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

With the entry into force of Decree-Law No. 49/2010 of May 19, meetings of the General Meeting of Shareholders could now be convened at least 30 (thirty) days in advance. However, EDP's by-laws provide for a 30 days in advance, so in 2011, EDP will continue to apply the statutory rule, and therefore, the meetings

of the General Meeting of Shareholders convened with at least 30 (thirty) days in advance by making explicit mention in their notice of 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.

EDP's shareholders may attend the General Meeting if they hold at least one share on the fifth trading day preceding the date of the General Meeting.

Proof of ownership of shares is provided by forwarding to the Chairman of the Board of the General Meeting, prior to the end of the fifth trading day preceding the date of the General Meeting, a declaration issued, authenticated and forwarded 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.

Participation in the General Meeting also depends on the expression of the shareholders wishes in that regard, which must be sent to the Chairman of the Board of the General Meeting by the sixth trading day preceding the date of the General Meeting.

Even before publication of Decree-Law 49/2010, in the event of suspension of the General Meeting, the best interpretation of the law was understood to be the same as the recommendation, i.e. that it should not be compulsory to block shares until the session was resumed; the time limit of the first session should be sufficient. Decree-Law 49/2010 now forbids the requirement to block shares and so the recommendation no longer makes sense (its adoption is legally imposed).

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.

4.8. VOTES AND EXERCISING OF VOTING RIGHTS

Pursuant to Article 14.2 of the EDP Articles of Association 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 law or EDP's 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 obliged 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 same limitation of the counting of votes affects more than several shareholders, the restriction shall apply in proportion to the number of ordinary shares held by each such shareholders.

Article 15.1 of the EDP Articles of Association sets out 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 is effective. 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 postal voting, including the means for mailing the vote.

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).

On what concerns the deliberative quorum, 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

EDP provides extracts from the minutes of its General Meetings, in Portuguese and English, 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 be used 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.

Additionally, 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 2005, 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 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

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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 being in accordance 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.

5. REMUNERATION

5.1. REMUNERATION OF CORPORATE BODIES

Pursuant to the Articles of Association, payments to the members of the corporate bodies 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 remuneration to be paid to 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 no. 224/2008 of 20 November on the remuneration of the Statutory Auditor.

The total gross amounts paid to members of the EDP corporate bodies in 2010 were 7,851,247.13 euros.

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.

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, to the General Meeting of April 16, 2010, a declaration on the remuneration policy to the triennial 2009/2011, that was approved and which 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, its value can range between 0% and 80% 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 120% 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 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 Total return shareholder 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.

EDP has not established any system of retirement benefits specifically for its directors. The remuneration determined by the Remuneration Committee of the General and Supervisory Board provides for the subscription to a retirement savings plan type financial product that functions as a top-up of the actual pension

of members of the Executive Board of Directors and is equivalent to 10% of the annual fixed remuneration.

EDP has not entered into any agreement with a director that awards compensation for severance of employment contract without fair cause.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

No member of the Management Body has entered into any agreement with the company or third parties to mitigate the risk arising from variability in the remuneration earned.

No executive director holds EDP shares attributed through a variable remuneration scheme.

The table below shows the gross remuneration amounts paid to each of the members of the Executive Board of Directors during the year 2010:

Euros	Remuneration paid by EDP		Remuneration paid by companies majority held by EDP	
	Fixed	Variable	Fixed	Variable
António Luís Guerra Nunes Mexia (Chairman)	703,448.20	351,684.00		
Ana Maria Machado Fernandes	178,758.58	52,234.80	384,000.00	208,939.20
António Fernando Melo Martins da Costa	562,758.56	261,174.00		
António Manuel Barreto Pita de Abreu	546,206.78	232,286.40	306,653.15	
João Manuel Manso Neto	562,758.56	304,950.00		
Jorge Manuel Pragana da Cruz Morais	562,758.56	290,358.00		
Nuno Maria Pestana de Almeida Alves	527,999.92	304,950.00		

Note: Payments to the Chairman and members of the Executive Board include those relating to employee pension savings schemes. The amount of variable payments were based on the tax treatment of the country in which the Administrator had residence for tax. Amounts paid by companies majority held by EDP regards solely the period when they are resident abroad.

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5.4. REMUNERATION OF THE MEMBERS OF GENERAL AND SUPERVISORY BOARD

Remuneration of the members of the General and Supervisory Board is fixed, taking into account the tasks performed.

The remuneration of the Chairman of the General and Supervisory Board was fixed taking specifically into account that it is a full-time position, contrary to the case of the other members of the Board.

At the General Meeting of Shareholders on 16 April 2010, the Chairman of the General Meeting's Remuneration Committee submitted for consideration the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors for the current three-year period, as follows:

- Merit-based remuneration policy;
- Comparison of remuneration schemes at similar PSI-20 companies and appreciation of EDP's position in relation to the top of the index;
- The actual way in which the members of each corporate body perform their duties.

The General Meeting's Remuneration Committee also said that it had oriented its remuneration policy towards fair, balanced restraint. The remuneration policy statement was not, however approved by the shareholders. The payment of the remunerations was based on the values used in the 2009 financial year.

The following table shows the remuneration received by members of the General and Supervisory Board in 2010:

Euros	Fixed
António de Almeida (Chairman)	638,965.44
Alberto João Coraceiro de Castro	60,000.00
António Sarmiento Gomes Mota	65,000.04
Caja de Ahorros de Asturias (Cajastur)	58,252.60
Carlos Jorge Ramalho Santos Ferreira	50,000.04
Diogo Campos Barradas de Lacerda Machado	54,999.96
Eduardo de Almeida Catroga	54,999.96
Fernando Manuel Barbosa Faria de Oliveira (1)	0.00
José Manuel dos Santos Fernandes	54,999.96
José Maria Espírito Santo Silva Ricciardi	54,999.96
Manuel Fernando de Macedo Alves Monteiro	65,000.04
Mohamed Ali Ismaeil Ali Al Fahim	38,543.88
Ricardo José Minotti da Cruz Filipe	54,999.96
Rui Eduardo Ferreira Rodrigues Pena	60,000.00
Sonatrach	44,494.08
Vítor Fernando da Conceição Gonçalves	84,999.96

Note: Remuneration to the Chairman of the General and Supervisory Board includes payments relating to pension savings schemes

(1) Declined payment

During the year 2010, former members of the General Council and Supervisory Board received payment of remuneration as follows:

Euros	Fixed
Khalifa Adbulla Khamis Al Romaihi	11,532.25
Mohamed Meziane	4,166.67
Vasco Maria Guimarães José de Mello	53,373.62

In addition to the above remuneration, the Chairman of the General Supervisory Board receives a financial product type pension savings scheme that works as a complement to the retirement pension and accounts for 10% of annual remuneration.

5.5. REMUNERATION OF OTHER COMPANY MANAGERS

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 with previously defined criteria, 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. Therefore, former directors had not been paid or are due to any compensation for termination of their relationship.

5.7. STOCK OPTION/STOCK PURCHASE OPTIONS PLANS

The only stock options stock purchase options plan currently in force is as follows.

5.7.1. APPLICABLE TO THE MANAGEMENT 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 onwards. Options not exercised become null and void at the end of eight years from the date of allocation.

In 2010 a total of 406,920 options were exercised, as shown in the following table, which also details the total number of stock options allocated in the 2003 – 2005 period.

Date of option	N° of Benef.	N.° of Options	Option Price	Date of Commencement	Date of expiry	N° of Options Exercised	
						In 2010	Total
30/apr/04	6	760,482	2.29	30/apr/05	29/apr/12	0	722,206
30/jun/05	6	932,328	2.21	30/jun/06	29/jun/13	98,404	740,070
02/may/06	6	1,461,497	2.21	02/may/07	01/may/14	308,516	1,086,554

5.8. REMUNERATION OF THE AUDITOR

KPMG has been entrusted with the independent external auditing of all EDP Group companies in Portugal, Spain, Brazil, the USA and other countries in which the Group presently operates.

In 2010 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:

Type of Services	Portugal	Spain	Brazil	United States of America	Other Countries	Total
Audit and Statutory Audit of Accounts	2,542,000 (I)	1,685,329	1,256,339	727,908	327,211	6,538,787
Assurance and Reliability Services	1,012,711	207,890	379,318	174,197	12,950	1,787,066
Sub - Total	3,554,711	1,893,219	1,635,657	902,105	340,161	8,325,853
Tax Consultancy Service	364,423	17,000	-	481,402	-	862,825
Other Services unrelated to Statutory Auditing	54,300	175,000	-	-	-	229,300
Sub - Total	418,723	192,000	-	481,402	-	1,092,125
Total	3,973,434	2,085,219	1,635,657	1,383,507	340,161	9,417,978

(I) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

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.



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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, by means of subsequent privatisation phases, more company shares have been admitted to trading in the NYSE Euronext Lisbon market:

Phases of EDP's Admission to Trading	
Admission phase	Date
1st Privatisation phase/ IPO	16 June 1997
2nd Privatisation phase	26 May 1998
3rd Privatisation phase	28 June 1998
4th Privatisation phase	23 October 2000
5th Privatisation phase/Capital increase	7 December 2004

In December 2007, Parpública issued exchangeable bonds to shares of EDP, representing 4.144% of EDP's share capital, maturing in December 2014 and with an exercise price of Eur 6.70. In December 2010, Parpública redeemed the exchangeable bonds to shares of EDP issued in December 2005 and with a maturity of five years.

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 2010 was 63 per cent.

Shares	
NYSE Euronext Lisbon	Shares
Reuters RIC	EDPLS
Bloomberg	EDP PL
ISIN	PTEDP0AM0009

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 listed on stock markets to trading:

Issue / ISIN	Date		Coupon	Stock Exchange	Amount	
	Issue	Maturity			Issue	Outstanding (2)
2 ^o Issue EMTN (1) XS0126990778	28-03-2001	11/03/28	Annual fixed rate EUR 5.875%	London, Frankfurt	1,000,000,000	747,352,000
Issue - Private Placement	jun/10	jun/11	Floating Rate EUR		500,000,000	500,000,000
12 ^o Issue EMTN (1) XS0256996538	12-06-2006	12-06-2012	Annual fixed rate EUR 4.25%	London	500,000,000	500,000,000
1 ^o Issue 144A/REGS US26835PA84	07/11/02	12/11/02	Annual fixed rate USD 5.375%	London	1,000,000,000 (4)	1,000,000,000 (4)
15 ^o Issue XS0413462721	09/02/18	14/02/18	Annual fixed rate EUR 5.5%	London	1,000,000,000	1,000,000,000
9 ^o Issue EMTN (1) XS0221295628	22-06-2005	22-06-2015	Annual fixed rate EUR 3.75%	London	74,839,000	74,839,000
Issue - Private Placement	feb/10	feb/15	Floating Rate USD		1,000,000,000	1,000,000,000
20 ^o Issue EMTN (1) XS0495010133	10/03/16	15/03/16	Annual fixed rate EUR 3.25%	London	500,000,000	500,000,000
13 ^o Issue EMTN (1) XS0256997007	12-06-2006	13-06-2016	Annual fixed rate EUR 4.625%	London	500,000,000	500,000,000
16 ^o Issue XS0435879605	09/06/25	16/09/26	Annual fixed rate EUR 4.75%	London	1,000,000,000	1,000,000,000
6 ^o 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)
2 ^o Issue 144A/REGS US26835PA84	07/11/02	18/02/02	Annual fixed rate USD 6.00%	London	1,000,000,000 (4)	1,000,000,000 (4)
3 ^o Issue 144A/REGS XS0454935395	09/09/29	19/10/01	Half-yearly fixed rate USD 4.9%	London	1,000,000,000 (4)	1,000,000,000 (4)
10 ^o Issue EMTN (1) XS0223447227	29-06-2005	29-06-2020	Annual fixed rate EUR 4.125%	London	300,000,000	300,000,000
14 ^o Issue EMTN (1) XS0397015537	08/11/04	24/01/04	Annual fixed rate GBP 8.625%	London	325,000,000 (3)	325,000,000 (3)

(1) EMTN - Euro Medium Term Notes

(2) Outstanding - Amount owed as at 31 Dec 2009

(3) Amount in GBP

(4) Amount in USD

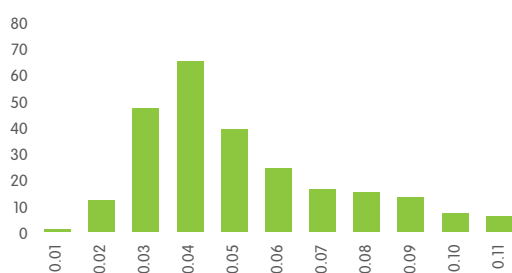
In 2010, EDP was the company with the greatest stock market capitalisation and presented a relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 11.6% of said index. EDP is one of the eight Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.558%. 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. EDP is also present in the sustainability index of the Dow Jones (Dow Jones Sustainability Index) and is the first Portuguese company to be world leader.

In 2010, EDP shares decrease 19.9% of their value, dropping from EUR 3.108 to EUR 2.491. This decrease in value together with the gross dividend of EUR 0.155 per share (paid on 13 May 2010) resulted in a total negative gross return of 14.9% in the reference period. This performance was in line with the returns provided by the leading benchmark indices, including the Dow Jones Europe STOXX Utilities, which had a negative performance of 14.7% in the period and below the PSI-20 index which only decreased by 10.3 % In 2010

The market value of the EDP Group, based on its stock market capitalisation (no. of shares issued x price per share), amounted in 2010 to EUR 9,108 million, the equivalent of 14.8% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 61,582 million. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2009. In this official stock market, approximately 2,367 million EDP shares were traded, which corresponds to a daily average of 9.1 million shares at an average price of EUR 2.655 and to approximately 81% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 15.9% (EUR 6,292 billion) of the overall volume of shares traded in the PSI-20 index (a total of EUR 39,485 billion).

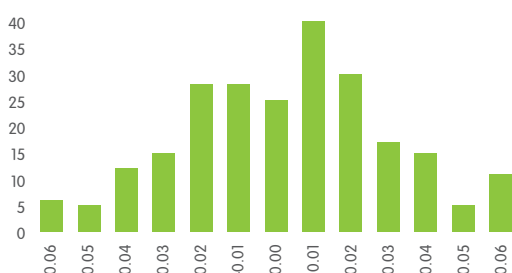
The following graphs present the daily and intraday variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2010, EDP shares proved to be less volatile.

**Histogram – Intradaily Variation
52 Weeks (Jan10-Dec10)**



Intradaily variation interval (EUR)

**Histogram – Daily Variation
52 Weeks (Jan10-Dec10)**



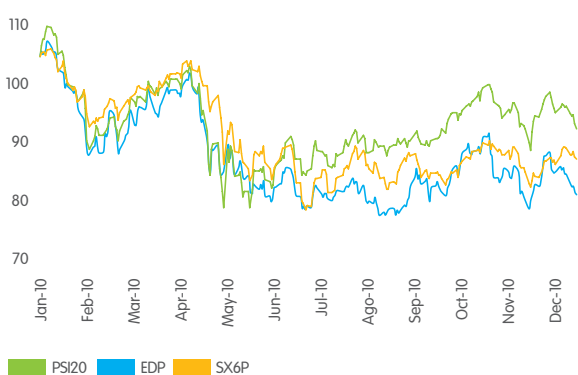
Daily variation (EUR)

Source: Bloomberg

6.2. FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

In 2010, equity market performance differed widely between developed regions, like Europe and US, and emergent markets, such as Asia and Latin America. The equity market performance in emergent economies was robust, reflecting steady growth perspectives. EDP is currently present in Brazil through its listed, 65%-owned subsidiary, EDP Brasil. EDP Brasil shares appreciated 15% in 2010 in the wake of a sound operating and financial performance in the period. In turn, US and Europe were affected by indebtedness concerns, namely at Euro zone peripheral countries. In line with this, Portugal was amongst the most punished countries and the PSI20 index lost 10% in 2010. This compares with an 11% rise in the US equity based DJ Industrial average index and an 8% appreciation in the Stoxx Europe 600 index.

EDP vs PSI20 vs DJ Euro Stoxx Utilities



Source: Bloomberg

Sector-wise in Europe, best performers in 2010 were the sectors most exposed to Asia and Latin America, together with those involved in consolidation moves. The worst performers were the banking sector (-12%), penalised by concerns about liquidity and higher risk of non-performing loans, and the utility sector. The Stoxx 600 Utilities index retreated by 9% in 2010, reflecting challenging operating environment and higher regulatory uncertainty. On the operating side, the sector was affected by lower thermal demand arising from growing installed renewable capacity, by an excess of gas situation in the international markets, which resulted in the decoupling between spot gas prices and Iberian long term contracted gas prices (oil price-linked). As a result, Iberian utilities were particularly impacted by low electricity pool prices combined with high fuel costs, and by high pressure from take-or-pay gas contracts. On the regulatory side, public budget and electricity system constrains implied adverse regulatory changes, namely taxes on nuclear capacity in Germany and a cut in subsidies to renewable in Spain. EDP share price retreated by 19.9% in 2010. Since EDP paid a dividend of 0.155 euro per share on May 13th, 2010, representing a gross dividend yield of 5.7% (based on closing price on May 10th), total shareholder return in 2010 was -14.2%.

Over 2010, European countries have tried to emerge from the 2007/2008 international crisis. After several growth stimulus provided by European Governments in 2009, focus in 2010 was put on high public deficits, unsustainable external debt and lower growth prospects. Particularly for the Euro zone peripheral countries (Portugal, Spain, Greece, Ireland), the impossibility to appeal to currency depreciation as to reduce external deficit led to a sharp increase in credit spreads and to the downgrade of sovereign rating. Accordingly, Governments were obliged to adopt several austerity measures which, in turn, reduce short term growth potential.

In Portugal, a sharp increase in 2009 public deficit, to 9.3%, was followed by different austerity packages, in May and September, aiming at complying with European Union requirements through the reduction of the public deficit to 7.3%, 4.6% and 3% in 2010, 2011 and 2012 respectively. Austerity measures implemented involved taxes hikes, lower Public servant wages and lower social welfare support. Even so, Portugal sovereign rating was downgraded by the main rating agencies: in April, 2 notches by Standard & Poor's, in July 2 notches by Moody's, in December by Fitch. Moreover, both Standard & Poor's and Moody's put Portugal's sovereign debt under negative credit watch in December. In spite of all these moves at country level, EDP credit rating was unchanged for most of 2010, being put under negative credit watch by Standard & Poor and Moody's in December. In August 2010, the Portuguese government approved a new bond issue exchangeable by EDP shares which did not ultimately take place in 2010.

Reflecting the sovereign crisis, credit spreads across Europe varied widely: while Germany's bund yields kept at low levels, peripheral countries' rocketed. As a result of much higher credit spreads demanded in Spain and Portugal, the accomplishment of the securitisation of tariff deficit in Spain was dragged and EDP's funding policy became more challenging. Notwithstanding this, EDP was able to reduce its average cost of debt and to secure its cash needs with two years in advance at a competitive cost. In March, EDP issued a Euro public bond in the amount of 1 billion euros maturing in 5 years, with a coupon of 3.25%. In the first half, EDP issued two privately placed floating-rate notes in the amount of 100 million dollars and 500 million euro, with tenors of 5 years and 1 year, respectively. In July, EDP contracted with the European Investment Bank a 140 million euro loan maturing in 15 years. In November, EDP has signed a five year revolving credit facility in the

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amount of 2 billion euros, replacing the 1.6 billion euro-RCF signed in March 2009 and keeping the same purpose: backup credit facility.

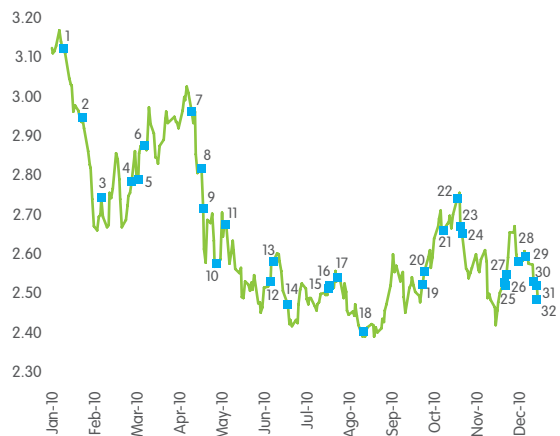
In 2010, the euro currency materially depreciated against US dollar and Brazilian real currencies. In light of EDP's focus in the US wind market and its strategy to fund its investments in local currency, the 7% depreciation of the euro against the US dollar (5% in average terms) had a significant impact on EDP net debt, namely in June and December. Additionally, the 13% (19% in average terms) appreciation of the Brazilian real against euro had a particularly positive impact on EDP consolidated EBITDA, namely in the half of 2010.

On the regulatory landscape, the year of 2010 was marked by uncertainty. In US, the approval of the Energy bill was postponed and the Investment Tax Credit ("ITC") cash reimbursement under the Department of Treasury's Section 1603 program was extended by one year in December. In a low-price environment, this dictated sluggish conditions in PPA market throughout the year. In Spain, measures to balance the electricity system were awaited for 2010, but only in December did the Government approve a positive set of changes.

In light of regulatory and market landscape, EDP attained flexibility as a key success factor. In terms of gas supply, EDP kept a diversified portfolio of gas sources and long term contracted volumes below its gas needs. In terms of investment, EDP closed a contract with Vestas, for the delivery of 1,500MW of wind turbines with the necessary flexibility clauses in terms of volume, time and location of delivery. As a result of this agreement, EDP was able to adjust its investment programme to regulatory landscape, opting in May for a cut in its 2011-12 annual investment target from 3 billion euros to 2.4 billion euros. In November, EDP announced a further cut in total expected investment, to an average 2.1 billion euros in 2011-12.

In 2010, corporate activity in the utility sector was driven by the companies' focus on deleveraging through asset sales (Enel, Gas Natural, Iberdrola, Endesa, EDP), balancing financial leverage (GDF-Suez, Verbund) and compulsory disposals (Gas Natural). In July, EDP agreed to reinforce its position in Naturgas, through the acquisition of 29.4% from Ente Vasco for 617 million euros, payable in three annual tranches. Also in July, EDP completed the sale of its transmission assets in Spain, to REE (58 million euros). In October, EDP sold its 21% stake in Distribución Eléctrica CentroAmérica Dos (DECA) for 127 million dollars.

Main Events Affecting the EDP Share Price in 2010



#	Date	Description	Price
1	13/jan	EDP signs construction contract for Venda Nova III new hydro plant	3.130
2	27/jan	EDP Renováveis enters in the Italian wind market through the acquisition of 520 MW to be developed	2.955
3	10/feb	Replacement of representative of Sonatrach in the General Supervisory Board	2.751
4	4/mar	Disclosure of the 2009 financial results	2.795
5	9/mar	EDP issues EUR 1 billion 5 year bond	2.800
6	12/mar	Pictet Asset Management reduced its participation in EDP's share capital	2.884
7	16/abr	EDP's Annual General Shareholders Meeting	2.970
8	23/abr	Appointment of representative of Senfora in the General Supervisory Board	2.826
9	26/abr	EDP Renováveis awards Vestas a procurement contract to deliver up to 2.1 GW of wind capacity	2.726
10	6/may	Disclosure of the financial results for the first quarter of 2010	2.585
11	13/may	Payment of gross dividend of EUR 0.155 per share for the 2009 financial year (net dividend of EUR 0.124)	2.685
12	15/jun	Moody's maintained EDP's long term 'A3' stable credit rating	2.539
13	17/jun	Fitch maintained EDP's long term 'A-' stable credit rating	2.589
14	28/jun	EDP Renováveis fully closes Vento III institutional partnership structure through the sale of the remaining stake amounting to USD 141 million	2.480
14	28/jun	Blackrock decreases participation in EDP	2.480
15	28/jul	EDP reinforces control over Naturgas	2.520
16	29/jul	EDP agrees to sale electricity transmission assets in Spain to REE	2.530
16	29/jul	Disclosure of the financial results for the first half of 2010	2.530
17	4/aug	Aneel approves the 2010 tariff reset for EDP Escelsa	2.550
18	23/aug	Attribution of capacity payment for electricity generation in Portugal	2.413
19	6/oct	Parpública and Caixa Geral de Depósitos change participation in the share capital of EDP	2.531
20	7/oct	Aneel approves a 10.70% tariff increase at EDP Bandeirante's annual tariff readjustment process	2.564
21	21/oct	EDP sells its stake in DECA II	2.670
22	29/oct	Standard & Poor's affirms EDP's long term 'A-' stable credit rating	2.749
23	3/nov	EDP signed credit facility of €2,000,000,000	2.676
24	4/nov	Disclosure of the financial results for the third quarter of 2010	2.662
25	7/nov	EDP and CPI sign memorandum of understanding for a possible partnership	2.570
26	3/dec	Standard & Poor's placed EDP on creditwatch negative after similar action on Portugal	2.537
27	6/dec	Norges Bank notifies significant shareholding in EDP	2.529
28	7/dec	Iberdrola transfers shareholding in EDP	2.555
29	16/dec	ERSE sets electricity tariffs in Portugal for 2011	2.590
30	21/dec	Moody's placed EDP on review for possible downgrade after similar action on Portugal	2.602
31	27/dec	Resignation of member of the General and Supervisory Board	2.538
32	29/dec	Fitch considers that EDP's ratings is not affected by Portugal's downgrade	2.530
33	31/dec	Parpública and Caixa Geral de Depósitos change participation in the share capital of EDP	2.491

CAPITAL MARKET INDICATORS

	2010	2009	2008	2007	2006
EDP Shares on Euronext Lisbon (euros)					
Opening price	3.108	2.695	4.470	3.84	2.60
Closing price	2.491	3.108	2.695	4.47	3.84
Peak price	3.185	3.218	4.760	5.00	3.86
Minimum price	2.376	2.340	2.062	3.79	2.58
Variation in share price and reference indices					
EDP Shares	(19.9%)	15.3%	(39.7%)	16.4%	47.7%
PSI20	(10.3%)	33.5%	(51.3%)	16.3%	29.9%
Dow Jones Eurostoxx Utilities	(14.7%)	15.2%	(38.1%)	18.0%	35.6%
Euronext 100	1.0%	25.5%	(45.2%)	3.4%	18.8%
Liquidity of EDP shares on the markets					
Volume on Euronext Lisbon (EUR million)	6,291.8	4,969.7	9,710.1	21,256.5	12,812.5
Mean daily volume (EUR million)	24.3	21.8	37.9	83.4	50.2
Number of shares traded (million)	2,367.2	1,722.3	2,761.1	5,079.7	4,080.9
Total number of 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	2,936.2	2,936.2	3,096.2	3,096.2
% of capital already privatised	80%	80%	80%	85%	85%
Number of own shares held (treasury stock) as at 31 Dec (million)	33.3	34.2	35.7	15.5	7.1
Annual rotation of capital (privatised shares)	80.6%	58.7%	94.0%	164.1%	131.8%
EDP Market Value (EUR million)					
Market appreciation at the end of the financial year	9,108.4	11,364.5	9,854.4	16,344.7	14,041.1
Total shareholder profitability					
Annual variation in share price	(0.62)	0.41	(1.78)	0.63	1.24
Gross dividend distributed per share in the year	0.155	0.140	0.125	0.110	0.100
Total shareholder profitability	(14.9%)	20.5%	(36.9%)	19.3%	51.5%
Dividends					
Dividend per share	0.17	0.155	0.14	0.125	0.11
Dividend yield	6.8%	5.0%	5.2%	2.8%	2.9%

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)	17/04/1998	18/05/1998	€ 0.648	€ 0.534	€ 0.534
1998 (1)	11/05/1999	28/05/1999	€ 0.698	€ 0.620	€ 0.620
1999 (1)	12/05/2000	31/05/2000	€ 0.698	€ 0.611	€ 0.611
2000 (2)	10/05/2001	31/05/2001	€ 0.140	€ 0.119	€ 0.119
2001 (2)	10/05/2002	6/06/2002	€ 0.113	€ 0.099	€ 0.093
2002 (2)	22/05/2003	18/06/2003	€ 0.090	€ 0.079	€ 0.074
2003 (2)	31/03/2004	30/04/2004	€ 0.090	€ 0.083	€ 0.079
2004 (2)	31/03/2005	29/04/2005	€ 0.092	€ 0.085	€ 0.081
2005 (2)	30/03/2006	28/04/2006	€ 0.100	€ 0.090	€ 0.090
2006 (2)	12/04/2007	4/05/2007	€ 0.110	€ 0.099	€ 0.099
2007 (2)	10/04/2008	8/05/2008	€ 0.125	€ 0.100	€ 0.100
2008 (2)	15/05/2009	14/05/2009	€ 0.140	€ 0.112	€ 0.112
2009 (2)	16/04/2010	13/05/2010	€ 0.155	€ 0.124	€ 0.124

(1) Values converted from Escudos to Euros 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 129,587 in 1997 and PTE 140,00 in 1998 and 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 2009, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 16 April 2010 a proposal for the appropriation of EUR 630.0 million in net profits (POC), of which EUR 566.8 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 0.155 per share being paid out on 13 May 2010.

In keeping with the legal provisions in force, the EDP Articles of Association require that profits for a business year be allocated to:

- 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 EDP Foundation 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 calculated after deduction of losses brought forward from previous

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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.

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 20 May 2010, with national and international investors and analysts, the objective of increasing the annual gross dividend per share by 1.5 euro cents 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, in 1997, a support department - 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° 12, 3° 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	www.edp.pt	E-mail	Phone Number DRI (5)	By Mail (2)	www.cmvm.pt	Media
Elements required by law or regulation (3)							
Notice of meeting	√	√	√	√	√	√	√
Board of Directors' proposals	√	√	-	√	-	-	-
Amendment of the Articles of Association	√	√	-	√	-	√	-
Other proposals	√	√	-	√	-	-	-
2009 Annual Report (4)	√	√	√	-	√	√	√
Management and supervisory positions held in other Group companies by company officers	√	-	-	√	-	-	-
Additional information provided by EDP							
Ballots for voting by proxy	√	√	√	√	√	-	-
Ballots for voting by mail	√	√	√	√	√	-	-
Ballots 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 2006, 2007, 2008, 2009 and 2010, press release 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 press releases whenever important developments in the life of the company take place.

(3) Companies Code (Article 289) and CMVM Regulation no. 1/2010.

(4) Annual report, individual and consolidated accounts, Statutory Auditing and opinion of the Statutory Auditor and Annual report and opinion of the General and Supervisory Board.

(5) Investor Relations phone line: +351 21 001 28 34

7.3. ACTIVITIES OF THE INVESTOR RELATIONS DEPARTMENT

EDP’s policy on communication with the market consists of disclosing information in a clear, transparent and comprehensive manner so that it can be understood by stakeholders and whole financial community.

EDP’s financial reporting has been guided by a policy of transparency and accuracy of the information disclosed to investors and analysts and in a continuous effort to clearly explain the dynamics of a complex business such as EDP’s. These guidelines have allowed us to build trusting relationships with

analysts and investors. In 2010, twenty five institutions elaborated researches on EDP, most of them with positive recommendation: 16 buy, 5 hold and 4 sell.

As a result of this policy, we have been considered the best global company in terms of financial disclosure procedures and one of the best companies in terms of Corporate Governance according to "2010 IR Global Rankings".

During 2010, EDP has participated in several events with investors for the purpose of transmitting an overview of the Group's strategy and profile business in terms of operational and financial performance. Thus, we organized several events including roadshows, presentations to analysts and investors, meetings, conference calls and investor conferences in Europe and United States. In May 2010, EDP held an Investor Day with domestic and foreign investors and analysts presenting its strategy, outlook and follow-up of our business areas. In 2010, EDP held over 300 meetings with analysts and investors and made 58 press releases to the market.

7.4. 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.



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EDP GROUP'S BUSINESS EVOLUTION
FINANCIAL STATEMENTS AND NOTES



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1. EDP GROUP'S BUSINESS EVOLUTION

In 2010, the EDP Group's net profit reached EUR 1,079 million, compared with EUR 1,024 million in 2009. Net profit increased 5%, supported by a 7% increase in EBITDA.

INCOME STATEMENT	2010	2009	Δ%
EUR Million			
Gross Profit	5 404	5 105	6%
Supplies and services	862	768	12%
Personnel costs	575	540	7%
Costs with social benefits	153	158	-3%
Concession fees	251	249	1%
Other operating costs (net)	-50	27	-
Operating costs	1 791	1 742	3%
EBITDA	3 613	3 363	7%
Provisions	104	75	39%
Net Depreciation and amortisation	1 446	1 318	10%
EBIT	2 063	1 970	5%
Capital gains/(losses)	61	60	2%
Financial Results	-485	-487	0%
Results from associated companies	23	25	-7%
Pre-tax profit	1 662	1 568	6%
Income taxes	427	400	7%
Net Profit for the period	1 235	1 168	6%
Net Profit attribut. to EDP shareholders	1 079	1 024	5%
Minority interests	156	144	8%

EDP Group's EBITDA increased to EUR 3,613 million in 2010, fuelled by: (i) a 31% (+EUR 170 million) rise in wind operations, propelled by 32% increase in output (on larger asset portfolio); (ii) a 22% (+EUR 124 million) rise in Brazil, driven by a 19% appreciation of the Real against the Euro, clear recovery in electricity demand; and (iii) +13% (+EUR 109 million) increase in regulated networks, driven by gas regulated activities (+52%, +EUR 82 million), on the back of the first time consolidation of the assets acquired from Gas Natural and higher regulated revenues from gas activities in Iberia. Excluding the forex impact (+EUR 109 million from Brasil, +EUR 13 million in US), EBITDA rose 4% in 2010.

EBITDA BREAKDOWN	2010	2009	Δ%
EUR Million			
Generation Iberia	1 235.1	1 374.9	-10%
Long Term Contracted Generation	876.7	823.2	6%
Liberalised Generation Iberia	358.4	551.7	-35%
Supply Iberia	58.2	54.7	6%
Distribution Iberia	697.8	670.9	4%
Gas Iberia	273.0	217.5	25%
Wind	712.7	542.5	31%
Brazil	674.0	550.2	22%
Other and Adjustments	-38.0	-47.9	21%
Consolidated	3 612.8	3 363.0	7%

EBITDA from the generation business in the Iberian Peninsula decreased 10% in the period (-EUR 140 million) to EUR 1,235 million in 2010.

In 2010, EBITDA from long term contracted generation (Costs for the Maintenance of the Equilibrium System - CMEC and special regime) rose 6% to EUR 877 million supported by higher output

from our mini-hydro plants (+69%), new special regime capacity on stream, higher results from fuel procurement (EUR 19 million gain in 2010 versus EUR 34 million loss in 2009) and lower restructuring costs (-EUR18 million year-on-year). These impacts more than compensated the negative impact from the decommissioning of Barreiro fuel oil plant (-EUR 18 million) and normal depreciation of PPA asset base.

Gross profit from long term contracted generation related to Costs for the Maintenance of the Equilibrium System (CMEC) rose 2% to EUR 962 million in 2010, reflecting higher gains with fuel procurement: as a result of changes in fuel market prices between the moment of procurement and the moment of consumption, EDP posted a gain of EUR 19 million in 2010 (versus a loss of EUR 34 million in 2009). Note that as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results. Gross profit from long term contracted generation related to CMEC also reflected the decommissioning of Barreiro (-EUR 18 million) and the normal decline in PPA net asset base.

Power plants operating under CMEC in Portugal are entitled with a stable contracted gross profit and an 8.5% RoA before inflation and taxes, adjusted for the ratio real vis-à-vis programmed availability levels (rather than output). The 1% decline in installed capacity under CMECs results from the end of PPA at our fuel oil plant, Barreiro (56MW), on 31 of December 2009. As from January 1st, 2011, our fuel oil plant Carregado (710MW), with a contribution of EUR 94 million in gross profit 2010, will be included in our merchant portfolio. In line with the past, EDP posted real availability rates ahead of contracted levels: +10% at thermal, +1% at hydro plants.

Gross profit from long term contracted generation related to special regime rose 36% to EUR 114 million in 2010 fuelled by higher output at mini hydro plants (+69%) and new thermal capacity on stream: 29MW of biomass in Figueira da Foz (June 2009), 13MW of biomass in Constância (September 2009), both 50% owned by EDP; and 25MW cogeneration in Barreiro (April 2010).

EBITDA from liberalized generation activity amounted to EUR 358 million in 2010 following: (i) an higher average generation cost (+8%),(ii) lower generation output (-6%), (iii) lower level of arbitrage opportunities between purchases in the spot market and own generation, which had a material impact in the fourth quarter 2009, and had no material contribution in the second half of 2010. Note that 2009 results benefited strongly from our hedging policy and very attractive arbitrage opportunities on the back of lower pool prices and from a sharp increase in the fourth quarter 2009 ancillary services.

Average generation cost in our merchant generation portfolio advanced to EUR35/MWh (+8% year-on-year), mainly driven by higher gas costs and higher contribution from CCGTs in the generation mix. According to Royal Decree Law 14/2010, all generation in Spain is subject to a EUR0.5/MWh levy as from 1 of January 2011 onwards.

Output from our merchant electricity generation portfolio was 6% lower in 2010, at 17TWh. As a result of the lower cost of electricity purchases vis-a-vis our own generation in 2010, we have profited from our generation portfolio flexibility by meeting a larger portion of our needs in the supply activities through electricity purchases in the pool during 2010. Even so, the higher pool price in the fourth quarter 2010 when compared to our own generation costs prompted for higher working hours at our plants.

Output from our CCGTs plants reached 9.3TWh on average load factor in line with sector average (32%). Output retreated 4% in 2010, following lower thermal demand in Iberia (which led to a 16% decline in CCGTs output in Iberia) despite our capacity additions: 2 new CCGT groups in Portugal (Lares 1 and 2, totalling 863MW) since the fourth quarter 2009 and 1 new group in Spain (Soto 5, 428MW) since December 2010. Average production cost advanced 20% in 2010, as higher costs from our long term gas contracts (oil-linked) were only partially compensated by lower cost from CO₂ emissions deficit. Under the Ordinance 765/2010, it is planned that from January 2011, our CCGT plants in Portugal (2,039MW) will start receiving capacity payments (EUR20/KW/year for 10 years).

Output from our coal plants reached 4.2TWh, with average load factor (of 33%) consistently beating the Spanish average (23%). Even so, total output was 28% lower in 2010, penalised by a longer outage at Aboño 2 in the first quarter 2010 and sharp contraction of thermal demand. Our average production cost declined 7% in 2010, supported by our sourcing strategy, higher contribution from blast furnace gases at Aboño plant (cheaper fuel source) and by lower CO₂ deficit.

Output from our hydro output rose 54% in 2010, supported by extreme rainy weather in the first quarter 2010 and high reservoir levels throughout 2010. Additionally, nuclear output grew by 7%, reflecting Trillo's longer than expected outage for maintenance works during 7 weeks of first quarter 2009, versus a 4-week outage for fuel recharging in the second quarter 2010.

EBITDA from the supply business in the Iberian Peninsula

increased 6% in the period to EUR 58 million in 2010, due to increasing activity in 2010.

In Portugal, volumes supplied to EDP clients in the free market increased by 59% to 8.8TWh in 2010, supported by the expansion of free market (which doubled in the period) and a decline in EDP's market share from 65% in 2009 to 51% in 2010. Average selling price in retail was 23% lower year-on-year, at EUR51/MWh in 2010, reflecting the higher weight of industrial clients and current market conditions.

In Spain, electricity volumes supplied to our clients in the free market advanced 32% backed by a wider client portfolio (+24%) and by the agreement reached with CIDE (association of small electricity distributors in Spain) in July 2009. Market share rose 1p.p. to 12% reflecting EDP's ability to keep a share in the supply market the double of its share in generation. Average selling price was 16% lower, at EUR52/MWh in 2010, as the adjustment of contracted prices to current market conditions is now resulting in increased price stability.

EBITDA from Iberian distribution business increased 4% (+EUR 27 million) when compared with the same period of 2009, to EUR 698 million.

EBITDA of the electricity distribution and last resort supply activities in Portugal decreased 1% year-on-year to EUR563m in 2010, mostly due to human resources restructuring costs (EUR 29 million in 2010 versus EUR 13 million in 2009).

Electricity inflow into the grid rose 4% year-on-year to 51.6TWh in 2010 (+3% adjusted for temperature and working days), reflecting an improvement of industrial demand, namely from exporting industries such as pulp and paper and chemicals. Distribution grid regulated revenues stood flat at EUR 1,213 million in 2010. Additionally, our electricity distribution company, EDP Distribuição,

recorded a EUR 62 million positive tariff deviation due mostly to consumption and tariff mix different than ERSE's initial assumption.

In 2010, volumes supplied by our last resort supplier, EDP Serviço Universal, fell 19% year-on-year, essentially due to a switching of clients to liberalized suppliers, namely in the industrial segment. EDP Serviço Universal market share in electricity supply in Portugal fell from 82% in 2009 to 64% in 2010. Regarding electricity purchases: i) volumes acquired from special regime producers rose 25% year-on-year (21% above ERSE's assumption); and ii) total average cost of electricity purchased came 13% above forecasts due to an higher average cost of special regime generation (EUR98/MWh versus ERSE's estimate of EUR91/MWh), which more than offset the lower than expected wholesale procurement price (EUR47/MWh versus ERSE's assumption of EUR51/MWh). Overall, the higher volumes purchased from special regime producers at higher costs, resulted in a EUR 256 million negative tariff deviation supported by EDP Serviço Universal to be recovered through tariffs.

All in all, a EUR 195 million negative tariff deviation was created over 2010, which along with the devolution through tariffs of EUR 509 million of positive tariff deviations from previous periods, translated into EUR 188 million of pending regulatory receivables by December 2010.

EBITDA from electricity distribution activity in Spain jumped 30% year-on-year to EUR 135 million in 2010 reflecting a EUR 17 million operating income consequence of the application of IFRIC18. During 2010, the CNE issued notes of the final settlement for the years 2006 and 2007 and generated a profit of 22 million.

Electricity distributed by HC Energia essentially in Asturias region, went up by 2% year-on-year, following some recovery of both the industrial activity and the residential demand. Regulated revenues totalled EUR 166 million in 2010, increasing 11% Year-on-year as a result of the new amounts for 2010 revenues which were set provisionally in December 2009 and afterwards in a definitive way in December 2010.

Despite the 2010 increases, the tariffs paid by electricity customers were not enough to cover system costs, creating a net deficit regarding the whole system of EUR 3.5 billion on December 2010 clearing (regarding October 2010) from which 6.08% (EUR 212 million) are attributable to HC Energia. The 2010 deficit for the Spanish system estimated in February 2011 clearing (regarding December 2010) by CNE amounts to EUR 4.9 billion. In December 2010 the Government increased the amounts of recognized deficits for 2010, 2011 and 2012, setting a cap of EUR 5.5 billion for 2010 (versus EUR 3.0 billion set in April 2009), EUR 3.0 billion for 2011 (versus EUR 2.0 billion in April 2009) and EUR 1.5 billion for 2012 (versus EUR 1.0 billion in April 2009). By December 2010, HC Energia's regulatory receivables amounted to EUR 759 million (including interests/financial updates).

EBITDA from Iberian gas activity increased 25% (+EUR 56 million) when compared with 2009 to EUR 273 million in 2010. On December 31st, 2009, Naturgas Energia completed the acquisition from Gas Natural of its low pressure natural gas distribution activities in the Spanish regions of Cantabria and Murcia, as well as of its high pressure natural gas distribution assets in the regions of the Basque Country, Asturias and Cantabria. These assets started being consolidated at Profit and Losses level from January 2010 onwards. In July 2010, subsequent to the exercise of a put option held by Ente Vasco de Energia over a 30.4% stake in Naturgas Energia, HC Energia signed an agreement for the purchase of a 29.4% stake in Naturgas Energia for EUR 617 million to be paid



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in 3 tranches between 2010 and July 2013. By December 2010, HC Energía owned 75% of Naturgas Energia.

The growth from EBITDA from Iberian gas activity was supported by the gas regulated activity in Iberia, which showed an increase of 52% at EBITDA level to EUR 241 million due to the first time consolidation of the assets acquired from Gas Natural (+EUR 43 million) and higher regulated revenues from our activities both in Spain and Portugal. Excluding the contribution of the assets acquired from Gas Natural, EBITDA increased 25% Year-on-year.

In Spain, gas regulated activities gross profit went up 39% Year-on-year (+EUR 71 million) to EUR 251 million in 2010, including the first time contribution of the assets acquired from Gas Natural (+EUR 61 million). Regulated revenues increased 40% year-on-year to EUR 224 million: i) the assets acquired from Gas Natural contributed with an additional EUR 52 million, regarding approximately 3,300 Km of distribution network and 261,000 points of supply; excluding this contribution, ii) gas distribution regulated revenues grew 7% year-on-year, reflecting an increase of our network's extension, a 2% rise in the number of supply points to 723,000, and higher volumes of gas distributed. Gas distributed through high pressure distribution network (mostly industrials) benefited from a recovery of the industrial sector and a particularly weak comparison versus 2009. The volume of gas distributed through low pressure network (mostly residential) excluding the networks acquired, increased 8% year-on-year to 7.3TWh in 2010, backed by an increase in the number of supply points; iii) gas transmission regulated revenues rose 21% year-on-year, due to a 15% increase of transmission network length.

In Portugal, our grid network is still recent which, justifies the strong growth of both number of supply points (+11% year-on-year in 2010) and gas volumes distributed (+12% year-on-year in 2010). In order to provide an incentive to the connection of new clients to the network at this early stage of penetration rate, the Portuguese gas regulation targets a stable unit tariff per MWh. This fact together with the asset revaluation impact to reflect conditions of initial concession contract, which only in 2010 started to be included in regulated revenues (with retroactive impact), justify the EUR 24 million year-on-year increase in regulated revenues in 2010.

EBITDA from gas supply activity decreased by 45% year-on-year (-EUR 27 million) to EUR 32 million in 2010. Our gas supply activity in 2010 was marked by opportunistic gas spot purchases on top of volumes available under long term contracts. Such purchases allowed to lower our average sourcing cost, paving the way for significant new clients contracting and market share gains. Volumes supplied in Spain rose 40% in 2010, propelled by the consolidation of portfolio acquired from Gas Natural and new clients contracting. In Portugal, operations kicked off in April 2009 and volumes supplied in 2010 reached 6.9TWh in 2010. Average unit gross margin in Iberia decreased from EUR 2.4/MWh in 2009 to EUR 0.8/MWh in 2010 driven by the increasing weight of the industrial segment in our portfolio and by the renewal of contracts at lower margins due to increasing competition.

EBITDA from wind power generation activity (EDP Renováveis) increased by 32% (+170 million euros) following a 17% increase in installed capacity, to 6,437MW, and by the 12-month contribution from MWs installed in 2009. Average selling price was 0.6% lower year-on-year at EUR 58/MWh and average reflecting lower hedging gains in Spain and low merchant prices in US load factor (29%) remained amongst the highest in the sector, reflecting EDP Renováveis' diversified portfolio.

In Europe, EBITDA grew 33% in 2010, reflecting higher load factors (+1 p.p. to 27%), capacity additions in 2010 and 2009. This more than compensated the 3% decline in average selling price. In US, local currency EBITDA rose 28% backed by capacity additions in 2010 (+23%) and 2009. Load factors were flat and average selling price was 1% lower in 2010. The contribution from US to EBITDA was EUR 13 million higher on the back of USD appreciation versus EUR.

By Dec-10, EDP Renováveis total wind power installed capacity was 6,437MW in 8 countries representing a 17% Year-on-year increase. On top of this, 239MW in Portugal owned by Eólicas de Portugal consortium (EDP Renováveis equity stake consolidated by equity method) are also attributable to EDP Renováveis. In line with the group's risk-controlled strategy, from EDP Renováveis' installed capacity in December 2010, 50% is remunerated under regulated regimes, 38% under PPA and only 12% is exposed to spot prices.

In 2010, EDP Renováveis added to its portfolio +947MW, of which +600MW in US and +347MW in Europe. In US, capacity additions were focused in the PJM (83%) and WECC markets (17%). In Europe, capacity additions were widespread geographically: 189MW in Spain, 90MW in Romania, 64MW in France and 4MW in Portugal. Additionally, during 2010, Eólicas de Portugal added to its portfolio 154MW (attributable to EDP Renováveis).

Wind power output rose 32% to 14TWh in 2010, driven by higher installed capacity (+17%) and the 12-month contribution from capacity installed in 2009. European markets accounted for 46% of EDP Renováveis' output following a 33% rise in 2010 on the back of higher installed capacity (+12%) and higher average load factor (+1 p.p. at 27%). US operations accounted for 54% of total output, following a 30% output backed by higher installed capacity (+23%). Average load factor in US was stable at 32%, supported on geographical diversification.

Average selling price in the US was 1% down in 2010, to USD48/MWh in 2010, penalised by the increasing weight of merchant capacity in the portfolio (30% in 2010 versus 19% in 2009) following strong capacity additions and fewer PPAs signed in 2009/1H10. The average price from our long-term selling contracts (PPAs) rose 3% in 2010, to USD54/MWh in 2010, driven by new PPA contracts and existing contracts with escalations. The average selling price of wind power sold in spot electricity market rose by a mere 4% to USD31/MWh in 2010, as low gas prices and weak demand keeps pressuring pool prices.

Average wind tariffs in Spain fell 6% to EUR79/MWh in 2010 on lower forward contracted prices for the volumes hedged (MWs under the 'transitory' regime) in 2010 and an increase in the weight of capacity under the new regime (Royal Decree 661/2007). Average realised prices in the pool were flat at EUR34.5/MWh in 2010. EDP Renováveis keeps hedging its capacity under the transitory regime with 1.8TWh sold forward in 2010 at EUR44/MWh (plus EUR38/MWh premium). Out of the total 4.4TWh produced in 2010 in Spain, 80% were sold through hedges or at the fixed floor price mechanism, while only 20% were sold at market prices plus renewable premium (0.9TWh). At the end of 2010 the Spanish Government (through Royal Decree 1614/2010) provided regulatory stability by setting all the remuneration elements for full useful life of the wind farms to be installed until the end of 2012. The temporary premium cut (applicable to capacity under Royal Decree 661/2007), has a limited impact.

In Portugal, average selling price was 1% lower in 2010 (EUR93.8/MWh), reflecting tariffs' negative indexation to the annual working hours (load factors were 1 p.p. higher at 29% reflecting above-the

average wind resources). Portugal is a regulated market offering a stable feed-in tariff, which allows obtaining sustainable and consistent remuneration.

In the Rest of Europe, EDP Renováveis' average selling price rose 5% to EUR94/MWh in 2010, mainly supported by the higher contribution from the Polish assets (EUR111.5/MWh based on electricity price plus a long term contract to sell green certificates). In France, in spite of benefiting from a stable inflation-updated tariff, the average price fell by 3%, due to the trial period of the recently installed capacity. In Belgium the average price was EUR112/MWh, benefiting from a long term power purchase agreement (PPA).

Energias do Brasil's EBITDA in 2010 rose 22% (+EUR 124 million) in 2010 to 550.2 million euros, driven by a 19% appreciation of the Real against the Euro (+EUR 109 million impact on EBITDA). In local currency, EBITDA grew 3%, driven by a 6% (+R\$ 48 million) increase in distribution, to R\$ 878 million, supported by the recovery of electricity demand in our concession areas (volumes of electricity sold went up 9%). EBITDA in generation and supply was virtually unchanged at R\$ 757 million penalised by dry weather conditions in Brazil in the fourth quarter 2010.

EBITDA of the distribution activity of EDP Brasil increased 6% in the period (in local currency) reflecting a significant recovery of electricity volumes sold and distributed and positive impact from annual tariff updates. Volume of electricity sold increased by 6% year-on-year. In the residential and commercial segment, volume sold in 2010 rose 4% year-on-year reflecting essentially a rise of 3% year-on-year in the number of clients connected. In the industrial segment, electricity volumes sold rose 10% in 2010 reflecting the recovery of Brazilian industrial production. Regarding electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), volume of electricity distributed increased 22% Year-on-year in 2010 due to a strong recovery of demand namely from the mining and steel sectors and a weak 2009 comparison basis.

EBITDA of the electricity generation activity of EDP Brasil increased just 1% driven by dry weather which impacted lower hydro generation output in Brazil. Installed capacity in 2010 increased 2MW following the completion of repowering works at Rio Bonito hydro plant in the first quarter 2010. The very dry weather in Brazil in the fourth quarter 2010 implied the decline of the hydro reservoirs to extremely low levels. This implied an increase in thermal power production and as a consequence there was an increase in spot market price (from R\$57/MWh in 9M10 to R\$109/MWh in the fourth quarter 2010). Since our PPA contracts involve delivery of energy to distribution companies, our generation subsidiaries had to buy energy in the spot market where price is higher than the cost of operating of our hydro plants. All in all, we had a negative impact of R\$ 24 million in 2010. Average selling price increased 3% year-on-year in 2010 which implied that gross profit associated with PPA contracts increased R\$ 21 million. All EDP Brasil's installed capacity is contracted under PPA long term contracts with an average maturity of 15 years and prices updated to inflation.

EBITDA of the supply activity of EDP Brasil retreated by R\$ 13 million year-on-year due to renegotiation of the contract with Ampla from 2010 onwards which implied a decrease of the average price per MWh by 35% and a 10% decrease of supply margin (excluding new Ampla contract).

EDP Group's Operating costs rose 3% (+EUR49 million) driven by an 10% rise in controllable costs, to EUR 1,438 million. The growth in controllable costs reflected (i) +1% in Iberia with good cost control almost compensating the impact from consolidation of gas assets acquired in 2009 and new capacity on stream, (ii) +31% in EDP Renováveis reflecting increasing activity; and (iii) +31% in Brazil, largely explained by BRL appreciation versus Euro.

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidised assets) increased by 10% year-on-year in 2010 (+EUR128 million), mostly due to: i) higher depreciations at EDP Renováveis (+EUR 111 million), explained by the increase of wind installed capacity and the forex impact of the appreciation of the USD against the EUR (+5%); ii) higher depreciations at Energias do Brasil (+EUR 35 million), mostly due to the forex impact of the Brazilian Real appreciation against the Euro (+19%); iii) the start of operations of Lares 1 and 2 CCGT in Portugal (October/November 2009) (+EUR 15 million); iv) the first time consolidation of the gas assets acquired from Gas Natural (+EUR 24 million) and v) positive impact from the extension of the useful life in several plants in Portugal.

Financial results were flat in 2010 at EUR 485 million as the c50bp reduction in the average cost of debt to 3.5% in 2010, was offset by a 9% increase in average net debt.

Capital gains/(losses) in 2010 include a EUR 57 million gain related to the sale 21% stake in DECA II (Guatemala). In 2009, capital gains include: i) the entry of Sonatrach into the capital of Soto 4 (with a 25% stake); ii) the recognition of a EUR 19 million gain from the sale of Energias do Brasil's stake in ESC90 (Brazilian telecom company) and iii) the accounting of a EUR 29 million capital gain following the sale of EDP's remaining stake in Sonacom in October 2009 (8%).

Consolidated capex amounted EUR 2,667 million in 2010, 74% of which devoted to expansion projects. In line with EDP's strategy to increase its exposure to CO₂-free generation technologies and risk controlled activities, capex in new hydro and wind capacity represented 79% of expansion capex and 80% of total capex was devoted to regulated and long term contracted activities.

CAPITAL EXPENDITURE BREAKDOWN	2010	2009	Δ%
EUR Million			
Long Term Contracted Gen. Iberia	96.0	127.6	-25%
Liberalised Activities Iberia	466.4	703.9	-34%
Regulated Networks Iberia	369.3	366.7	1%
Wind Power	1 231.7	1 690.4	-27%
Brazil	427.3	258.5	65%
Other	76.6	87.6	-13%
EDP Group	2 667.3	3 234.7	-18%
Expansion Capex	1 972.9	2 556.3	-23%
Maintenance Capex	694.4	678.5	2%

Expansion capex was EUR 583 million lower than in 2009, at EUR1,973 million, reflecting the lower amount invested in both liberalised generation in Iberia (-EUR 258 million) and wind power (-EUR 459 million). The lower expansion capex at our liberalised activities in Iberia was mainly driven by the payment of concession rights for Fridão (238MW) and Alvito (225MW) hydro power plants in Portugal, in 2009.

In 2010, EDP invested EUR 982 million in 1,340MW of new capacity that came on stream: (1) EUR 895 million spent in the conclusion of 885MW of new wind capacity that came on stream in 2010 and in the final works on wind capacity which entered in operation in 2009; (2) EUR 81 million in Soto5, a 428MW CCGT plant that



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started-up commercial operations in December 2010; (3) EUR 6 million spent in the conclusion of 25MW of cogeneration capacity in Portugal (Barreiro plant) and in a 2MW hydro plant in Brazil (Rio Bonito). As of December 2010, EDP total installed capacity amounted to 22GW.

Maintenance capex amounted EUR 694 million in 2010, impacted by the DeNOx investment at our Sines coal plant (under CMEC regime), appreciation of BRL, pluri-annual works and EDP's new headquarters.

In wind power, capex adjusted for cash grants received totaled EUR 1,232 million in 2010: 50% of which invested in US, 44% in Europe and 6% in Brazil. Total capex in the period reflects not only the 590MW currently under construction, responsible for EUR 406 million of capex, but also the final works with the capacity in operation and with the capacity installed in the period, representing EUR 895 million. In April 2010, EDP Renováveis signed a turbine procurement agreement with Vestas that will bring flexibility of access to new turbines. This contract previews an initial firm order of 1,500MW, to be supplied, installed and commissioned with flexibility on quantity, place and date of delivery and also flexibility to choose commercially available wind turbine models and classes for each project, under a given notice.

In the Iberian liberalized activities, capex amounted EUR 453 million, 86% of which reporting to the development of new generation capacity. Out of EUR 390 million expansion capex in 2010: (1) EUR 306 million was spent in the execution of 5 ongoing hydro plant repowerings (Picote II, Bemposta II, Alqueva II, Venda Nova III, Salamonde II), 3 new hydro plants (Baixo Sabor, Ribeiradio and Foz Tua), due in 2011/15; (2) EUR 84 million invested in new CCGT capacity, namely in Soto 5 (428MW) which started commercial operations in December 2010. Maintenance capex totalled EUR 63 million impacted by pluri-annual works.

Capex at our electricity and gas regulated networks in Iberia was flat in 2010 at EUR 369 million. Capex in the electricity distribution activity in Portugal represented 65% of total capex in this area.

In Brazil, capex totalled EUR 427 million in 2010. Generation capex increased by 49% year-on-year to EUR 260 million due to: i) EUR 228 million was spent in new generation capacity, with the construction of Pecém PPA coal plant (720MW, 50% owned by Energias do Brasil) due to start-up in December 2011, and ii) the conclusion of the repowering of hydro plant Mascarenhas (18MW). Capex in distribution activity increased 27% year-on-year to EUR 116 million, 65% of which invested in expansion projects (+2,350km of electricity network).

As at December 2010, the Group's gross nominal debt totalled EUR 17,675 million. When compared to December 2009, the Group's debt was nearly EUR 1,548 million higher, mostly due to dividends and tax payments made in the first half of 2010 and to the execution of the planned investment programme.

The amount of cash and equivalents as at December 2010 stood at EUR 1,547 million, which was held, mainly, at EDP SA and EDP Finance BV (EUR 662 million), the Group's Brazilian subsidiaries (EUR 508 million) and EDP Renováveis (EUR 277 million).

EDP Group's consolidated **net debt** at the end of 2010 amounted to EUR 16,345 million.

BREAKDOWN	Dez-10	Dez-09	Δ%
EUR Millions			
Debt - Short term	2,737	2,549	7%
Bonds	1,339	581	131%
Bank loans	547	318	72%
Other loans	14	10	32%
Commercial paper	837	1,640	-49%
Debt - Long term	14,938	13,578	10%
Bonds	8,798	8,151	8%
Bank loans	6,038	5,332	13%
Other loans	102	96	7%
Nominal debt	17,675	16,127	10%
Interest accrued	265	246	
Fair value hedge adjustments	-48	-92	
Total Financial Debt	17,892	16,281	10%
Cash and Cash Equivalents and Other	1,547	2,274	
Net Debt	16,345	14,007	17%

In terms of maturity, EDP Group's consolidated nominal debt breaks down into 15% in short-term and 85% in medium and long-term. In relation to short-term financing and treasury management, EDP SA continues to favour the use of its 1,000 million Euro Commercial Paper programme, an instrument that provides access to a large investor base at very competitive pricing, ensuring the necessary flexibility for efficient cash management.

During 2010, EDP maintained its policy of centralizing funding at EDP SA and EDP Finance BV, which represented 86% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt (mainly from the subsidiaries of the EDP Renováveis Group), as well as short term debt and borrowings contracted by Hidrocontábrico.

In the first semester of 2010, EDP Finance B.V. took advantage of some windows of opportunity in the international capital markets to issue in February a USD 100 million Eurobond, in March a EUR 1,000 million Eurobond and in June a EUR 500 million one-year Eurobond, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The bonds issued in February and March have a tenor of five years. These issues allowed EDP Group to reach different markets and investors, to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2010 and 2011. The proceeds of the offering were used for EDP's general corporate purposes. Additionally, during the course of 2010 EDP SA and EDP Finance BV signed several bilateral loans in the total amount of EUR 455 million, of which EUR 355 million were revolving facilities. In July 2010 and January 2011, EDP S.A. contracted with the European Investment Bank a EUR 140 million and EUR 300 million bilateral loans maturing in 2025.

In September 2010, the Group contracted a PLN 535 million project finance loan with 15 years maturity through its subsidiary EDP Renováveis.

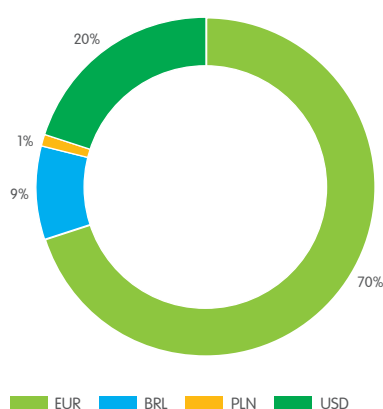
In November 2010, EDP SA and EDP Finance BV entered into a five year revolving credit facility in the amount of EUR 2,000 million. This new facility replaced the existing EUR 1,600 million revolving credit facility signed in March 2009, keeping the same purpose: backup credit facility. The credit line is currently undrawn and involves 21 domestic and international banks.

Maintaining a prudent financial management policy, by the end of December 2010, EDP SA had access to EUR 2,242 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, fully available. It is the Group's policy to diversify its liquidity sources through high credit standing banks.

During 2010, the average cost of debt of the EDP Group was 3.5% per year and approximately 44% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 20%. Euro continues to be the main funding currency of EDP at 70%.

Debt by Currency



RATING

In October 2010, Standard & Poor's affirmed EDP's "A-" rating with negative outlook, Moody's confirmed the "A3" rating with a stable outlook in July and Fitch affirmed the "A-" rating with a stable outlook in June. Nevertheless, in December, Standard & Poor's and Moody's placed EDP on review for possible downgrade mirroring the rating action taken on the Republic of Portugal on review for possible downgrade.

GLOBAL SCALE	Standard & Poor's	Last update	Moody's	Last update	Fitch	Last update
EDP SA and EDP Finance BV	A-/CW-/A-2	03/12/2010	A3/CW-/P2	21/12/2010	A-/STAB/F2	17/06/2010
HC Energia			BAA1/STAB/P2	09/06/2009	A-/STAB/F2	17/06/2010
EDP Brasil			BA1/AA2.BR/STAB	04/03/2009		
Bandeirante	BB+/BRAA+/STAB	16/03/2010	BAA3/AA1.BR/STAB	04/03/2009		
Escelsa	BB/BRAA/STAB	16/03/2010	BAA3/AA1.BR/STAB	04/03/2009		



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EDP - Energias de Portugal
Consolidated Income Statement
for the years ended 31 December 2010 and 2009

	Notes	2010 (Thousand Euros)	2009* (Thousand Euros)
Turnover	6	14,170,742	12,198,009
Cost of consumed electricity	6	-6,808,261	-5,340,458
Cost of consumed gas	6	-945,270	-641,183
Changes in inventories and cost of raw materials and consumables used	6	<u>-1,012,880</u>	<u>-1,111,229</u>
		<u>5,404,331</u>	<u>5,105,139</u>
Other operating income / (expenses)			
Other operating income	7	320,889	224,790
Supplies and services	8	-862,256	-768,202
Personnel costs	9	-575,408	-540,036
Employee benefits	9	-153,362	-158,353
Other operating expenses	10	<u>-521,384</u>	<u>-500,564</u>
		<u>-1,791,521</u>	<u>-1,742,365</u>
		3,612,810	3,362,774
Provisions	11	-103,578	-74,685
Depreciation and amortisation expense	12	-1,469,002	-1,334,053
Compensation of amortisation and depreciation	12	<u>22,279</u>	<u>15,531</u>
		2,062,509	1,969,567
Gains / (losses) on the sale of financial assets	13	60,821	59,703
Other financial income	14	820,743	1,036,374
Other financial expenses	14	-1,305,710	-1,523,083
Share of profit in associates		<u>23,470</u>	<u>25,151</u>
Profit before income tax		1,661,833	1,567,712
Income tax expense	15	<u>-427,232</u>	<u>-399,765</u>
Net profit for the year		<u>1,234,601</u>	<u>1,167,947</u>
Attributable to:			
Equity holders of EDP		1,078,925	1,023,845
Minority interests	32	<u>155,676</u>	<u>144,102</u>
Net profit for the year		<u>1,234,601</u>	<u>1,167,947</u>
Earnings per share (Basic and Diluted) - Euros	29	<u>0.30</u>	<u>0.28</u>

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 December 2010 and 2009

	Notes	2010 (Thousand Euros)	2009* (Thousand Euros)
Assets			
Property, plant and equipment	16	20,323,583	18,434,806
Intangible assets	17	6,614,139	6,490,049
Goodwill	18	3,349,179	3,136,566
Investments in associates	20	146,871	175,272
Available for sale investments	21	443,965	443,117
Deferred tax assets	22	515,332	661,335
Trade receivables	24	117,442	114,821
Debtors and other assets	25	1,696,717	2,313,227
Total Non-Current Assets		33,207,228	31,769,193
Inventories	23	356,978	273,376
Trade receivables	24	2,069,676	1,892,805
Debtors and other assets	25	2,636,565	1,866,477
Tax receivable	26	640,485	557,641
Financial assets at fair value through profit or loss	27	35,745	84,852
Cash and cash equivalents	28	1,511,224	2,189,560
Assets classified as held for sale	39	30,952	-
Total Current Assets		7,281,625	6,864,711
Total Assets		40,488,853	38,633,904
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-115,731	-119,784
Share premium	29	503,923	501,992
Reserves and retained earnings	31	2,730,903	2,230,981
Consolidated net profit attributable to equity holders of EDP		1,078,925	1,023,845
Total Equity attributable to equity holders of EDP		7,854,558	7,293,572
Minority interests	32	2,930,401	2,684,441
Total Equity		10,784,959	9,978,013
Liabilities			
Financial debt	34	14,887,195	13,486,499
Employee benefits	35	1,904,879	1,879,704
Provisions	36	431,194	344,383
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	856,072	771,896
Trade and other payables	37	3,819,817	3,152,745
Total Non-Current Liabilities		21,974,255	19,747,858
Financial debt	34	3,004,451	2,794,481
Trade and other payables	37	4,172,832	5,185,546
Tax payable	38	552,356	928,006
Total Current Liabilities		7,729,639	8,908,033
Total Liabilities		29,703,894	28,655,891
Total Equity and Liabilities		40,488,853	38,633,904

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS



financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 October to 31 December 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	3,932,133	3,342,443
Cost of consumed electricity	-1,860,818	-1,446,730
Cost of consumed gas	-318,166	-196,387
Changes in inventories and cost of raw materials and consumables used	-343,307	-272,990
	<u>1,409,842</u>	<u>1,426,336</u>
Other operating income / (expenses)		
Other operating income	130,618	65,847
Supplies and services	-240,623	-238,430
Personnel costs	-139,495	-131,733
Employee benefits	-64,020	-48,223
Other operating expenses	-134,281	-140,967
	<u>-447,801</u>	<u>-493,506</u>
	962,041	932,830
Provisions	-35,269	-40,729
Depreciation and amortisation expense	-372,443	-404,048
Compensation of amortisation and depreciation	5,483	6,438
	<u>559,812</u>	<u>494,491</u>
Gains / (losses) on the sale of financial assets	58,246	29,056
Other financial income	255,778	339,335
Other financial expenses	-392,846	-446,709
Share of profit in associates	5,125	4,272
	<u>486,115</u>	<u>420,445</u>
Profit before income tax	486,115	420,445
Income tax expense	-121,691	-90,624
Net profit for the period	<u><u>364,424</u></u>	<u><u>329,821</u></u>
Attributable to:		
Equity holders of EDP	304,653	273,515
Minority interests	59,771	56,306
Net profit for the period	<u>364,424</u>	<u>329,821</u>
Earnings per share (Basic and Diluted) - Euros	<u>0.08</u>	<u>0.08</u>

USBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Minority Interests
Balance as at 31 December 2008	8,567,425	3,656,538	501,992	443,838	1,975,487	-34,523	44,038	-94,018	-126,532	6,366,820	2,200,605
Comprehensive income:											
Net profit for the year	1,167,947	-	-	-	1,023,845	-	-	-	-	1,023,845	144,102
Changes in the fair value reserve (cash flow hedge) net of taxes	91,843	-	-	-	-	96,317	-	-	-	96,317	-4,474
Changes in the fair value reserve (available for sale investments) net of taxes	130,470	-	-	-	-	-	130,065	-	-	130,065	405
Actuarial gains/(losses) net of taxes	-84,740	-	-	-	-83,898	-	-	-	-	-83,898	-842
Exchange differences arising on consolidation	502,022	-	-	-	-	-	-	259,877	-	259,877	242,145
Total comprehensive income for the year	1,807,542	-	-	-	939,947	96,317	130,065	259,877	-	1,426,206	381,336
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-74,691	-	-	-	-	-	-	-	-	-	-74,691
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	-	4,786	2,845	-
Share-based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	11,520	-	-	-	-	-	-	-	-	-	11,520
Other reserves arising on consolidation	1,842	-	-	-	2,792	-	-	-	-	2,792	-950
Balance as at 31 December 2009	9,978,013	3,656,538	501,992	471,387	2,381,683	61,794	174,103	165,859	-119,784	7,293,572	2,684,441
Comprehensive income:											
Net profit for the year	1,234,601	-	-	-	1,078,925	-	-	-	-	1,078,925	155,676
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,267	-	-	-	-	-26,683	-	-	-	-26,683	-1,584
Changes in the fair value reserve (available for sale investments) net of taxes	-6,727	-	-	-	-	-	-9,419	-	-	-9,419	2,692
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchange differences arising on consolidation	299,123	-	-	-	-	-	-	146,964	-	146,964	152,159
Total comprehensive income for the year	1,418,053	-	-	-	1,007,580	-26,683	-9,419	146,964	-	1,118,442	299,611
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to minority interests	-62,018	-	-	-	-	-	-	-	-	-	-62,018
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	-	2,323	291	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in minority interests resulting from acquisitions / sales and equity increases	8,538	-	-	-	-	-	-	-	-	-	8,538
Other reserves arising on consolidation	-148	-	-	-	23	-	-	-	-	23	-171
Balance as at 31 December 2010	10,784,959	3,656,538	503,923	502,888	2,794,322	35,111	164,684	312,823	-115,731	7,854,558	2,930,401



financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at
31 December 2010 and 2009

(Thousand Euros)

	2010		2009	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the year	1,078,925	155,676	1,023,845	144,102
Exchange differences arising on consolidation	146,964	152,159	259,877	242,145
Fair value reserve (cash flow hedge)	-35,264	-1,640	135,097	-6,666
Tax effect from the fair value reserve (cash flow hedge)	8,581	56	-38,780	2,192
Fair value reserve (available for sale investments)	-9,364	2,861	144,929	405
Tax effect from the fair value reserve (available for sale investments)	-55	-169	-14,864	-
Actuarial gains / (losses)	-93,788	-14,127	-85,239	-1,245
Tax effect from the actuarial gains / (losses)	22,443	4,795	1,341	403
Other comprehensive income for the year, net of income tax	39,517	143,935	402,361	237,234
Total comprehensive income for the year	<u>1,118,442</u>	<u>299,611</u>	<u>1,426,206</u>	<u>381,336</u>

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements as at 31 December 2010 and 2009

(Thousand Euros)

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Operating activities				
Cash receipts from customers	13,153,511	11,478,194	1,890,333	1,729,310
Proceeds from tariff adjustments securitization	-	1,639,142	-	-
Cash paid to suppliers	-9,415,651	-7,924,642	-1,810,537	-1,695,918
Cash paid to personnel	-654,063	-680,885	-49,502	-54,904
Concession rents paid	-236,440	-255,684	-	-
Other receipts / (payments) relating to operating activities	-321,258	-213,925	-56,178	-34,890
Net cash from operations	2,526,099	4,042,200	-25,884	-56,402
Income tax received / (paid)	-683,955	-120,531	25,793	6,237
Net cash from operating activities	1,842,144	3,921,669	-91	-50,165
Investing activities				
Cash receipts relating to:				
Financial assets	169,833	319,022	98,122	4,435
Property, plant and equipment and intangible assets	65,292	2,836	2,024	798
Investment grants	31,313	161,879	-	-
Interest and similar income	127,218	87,563	324,606	323,519
Dividends	37,387	48,766	346,968	645,078
	431,043	620,066	771,720	973,830
Cash payments relating to:				
Financial assets	-283,708	-451,571	-3,039	-121,042
Changes in cash resulting from perimeter variations	5,440	10,447	-	-
Property, plant and equipment and intangible assets	-2,983,595	-3,417,533	-59,617	-16,327
	-3,261,863	-3,858,657	-62,656	-137,369
Net cash from investing activities	-2,830,820	-3,238,591	709,064	836,461
Financing activities				
Receipts / (payments) relating to loans	1,104,831	1,257,479	-538,091	650,249
Interest and similar costs including hedge derivatives	-540,095	-528,581	-361,482	-420,671
Cash grants	169,304	155,946	-	-
Share capital and share premium increases	2,514	9,057	-	-
Receipts / (payments) relating to derivative financial instruments	-42,670	54,710	901	193,898
Dividends paid to equity holders of EDP	-561,819	-507,153	-561,819	-507,153
Dividends paid to minority interests	-87,274	-68,542	-	-
Treasury stock sold / (purchased)	369	2,107	2,487	4,169
Receipts / (payments) from wind activity institutional partnerships - USA	228,359	333,528	-	-
Net cash from financing activities	273,519	708,551	-1,458,004	-79,508
Changes in cash and cash equivalents	-715,157	1,391,629	-749,031	706,788
Effect of exchange rate fluctuations on cash held	36,821	84,344	350	1,689
Cash and cash equivalents at the beginning of the year	2,189,560	713,587	891,356	182,879
Cash and cash equivalents at the end of the year (*)	1,511,224	2,189,560	142,675	891,356

(*) See details of "Cash and cash equivalents" in note 28 to the Financial Statements.



financial statements

EDP - Energias de Portugal, S.A.
Company Income Statement
for the years ended 31 December 2010 and 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Turnover	6	2,003,510	1,755,564
Cost of consumed electricity	6	-1,412,899	-1,192,863
Changes in inventories and cost of raw materials and consumables used	6	-430,640	-360,684
		<u>159,971</u>	<u>202,017</u>
Other operating income / (expenses)			
Other operating income	7	12,408	8,453
Supplies and services	8	-163,333	-99,170
Personnel costs	9	-13,797	-16,262
Employee benefits	9	-225	-197
Other operating expenses	10	-12,834	-17,610
		<u>-177,781</u>	<u>-124,786</u>
		-17,810	77,231
Provisions	11	-5,418	-187
Depreciation and amortisation expense	12	-12,054	-6,935
		<u>-35,282</u>	<u>70,109</u>
Gains / (losses) on the sale of financial assets	13	52,724	-10
Other financial income	14	1,628,636	2,162,520
Other financial expenses	14	-947,406	-1,574,110
Profit before income tax		698,672	658,509
Income tax expense	15	26,464	-28,488
Net profit for the year		<u>725,136</u>	<u>630,021</u>

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 31 December 2010 and 31 December 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	165,105	123,562
Intangible assets	17	24	33
Investments in subsidiaries	19	9,507,310	9,535,843
Investments in associates	20	-	45,398
Available for sale investments	21	257,072	238,401
Debtors and other assets	25	<u>5,393,428</u>	<u>4,537,916</u>
Total Non-Current Assets		<u>15,322,939</u>	<u>14,481,153</u>
Inventories	23	51,745	11,351
Trade receivables	24	46,357	97,432
Debtors and other assets	25	2,511,562	1,727,737
Tax receivable	26	92,330	44,545
Cash and cash equivalents	28	<u>142,675</u>	<u>891,356</u>
Total Current Assets		<u>2,844,669</u>	<u>2,772,421</u>
Total Assets		<u><u>18,167,608</u></u>	<u><u>17,253,574</u></u>
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-109,636	-113,689
Share premium	29	503,923	501,992
Reserves and retained earnings	31	1,926,188	1,868,007
Net profit for the year		<u>725,136</u>	<u>630,021</u>
Total Equity		<u>6,702,149</u>	<u>6,542,869</u>
Liabilities			
Financial debt	34	1,311,375	1,962,393
Provisions	36	21,867	18,637
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	67,926	80,489
Trade and other payables	37	<u>3,222,714</u>	<u>2,824,741</u>
Total Non-Current Liabilities		<u>4,698,980</u>	<u>4,998,891</u>
Financial debt	34	5,779,736	4,194,840
Trade and other payables	37	985,555	1,032,380
Tax payable	38	<u>1,188</u>	<u>484,594</u>
Total Current Liabilities		<u>6,766,479</u>	<u>5,711,814</u>
Total Liabilities		<u>11,465,459</u>	<u>10,710,705</u>
Total Equity and Liabilities		<u><u>18,167,608</u></u>	<u><u>17,253,574</u></u>

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS



financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 October to 31 December 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	601,048	555,787
Cost of consumed electricity	-404,972	-333,352
Changes in inventories and cost of raw materials and consumables used	<u>-180,696</u>	<u>-149,853</u>
	<u>15,380</u>	<u>72,582</u>
Other operating income / (expenses)		
Other operating income	4,403	3,564
Supplies and services	-43,155	-33,192
Personnel costs	-3,824	-3,427
Employee benefits	-33	-56
Other operating expenses	<u>-1,266</u>	<u>-1,928</u>
	<u>-43,875</u>	<u>-35,039</u>
	-28,495	37,543
Provisions	8,146	3,570
Depreciation and amortisation expense	<u>-5,050</u>	<u>-1,915</u>
	<u>-25,399</u>	<u>39,198</u>
Gains / (losses) on the sale of financial assets	45,782	-
Other financial income	594,803	672,689
Other financial expenses	<u>-258,852</u>	<u>-400,538</u>
Profit before income tax	356,334	311,349
Income tax expense	<u>18,617</u>	<u>-31,934</u>
Net profit for the period	<u><u>374,951</u></u>	<u><u>279,415</u></u>

LISBON, 3 MARCH 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at
31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2008	6,270,678	3,656,538	501,992	443,838	1,774,327	-8,770	23,190	-120,437
Comprehensive income:								
Net profit for the year	630,021	-	-	-	630,021	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	49,874	-	-	-	-	49,874	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	94,542	-	-	-	-	-	94,542	-
Total comprehensive income for the year	774,437	-	-	-	630,021	49,874	94,542	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	4,786
Share-based payments	2,062	-	-	-	100	-	-	1,962
Balance as at 31 December 2009	6,542,869	3,656,538	501,992	471,387	1,867,805	41,104	117,732	-113,689
Comprehensive income:								
Net profit for the year	725,136	-	-	-	725,136	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,291	-	-	-	-	-23,291	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	14,914	-	-	-	-	-	14,914	-
Total comprehensive income for the year	716,759	-	-	-	725,136	-23,291	14,914	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	2,323
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 31 December 2010	6,702,149	3,656,538	503,923	502,888	1,997,977	17,813	132,646	-109,636

**financial statements****EDP - Energias de Portugal****Company Statement of Comprehensive Income as at
31 December 2010 and 2009**

	(Thousand Euros)	
	<u>2010</u>	<u>2009</u>
Net profit for the year	<u>725,136</u>	<u>630,021</u>
Fair value reserve (cash flow hedge)	-30,839	67,856
Tax effect from the fair value reserve (cash flow hedge)	7,548	-17,982
Fair value reserve (available for sale investments)	18,034	104,160
Tax effect from the fair value reserve (available for sale investments)	<u>-3,120</u>	<u>-9,618</u>
Other comprehensive income for the year, net of income tax	<u>-8,377</u>	<u>144,416</u>
Total comprehensive income for the year	<u>716,759</u>	<u>774,437</u>

notes to the consolidated and company financial statements for the years ended 31 December 2010 and 2009

1. Economic activity of EDP Group

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

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

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

Activity in the energy sector in Portugal

Electricity

The National Electricity System (SEN) basis of organization, operations and activities are established by the Decree-Law 29/2006 of 15 February, which transposes the principles of the European Parliament and Council's Directive n.º 2009/72/CE of 13 July which came to repeal the Directive n.º 2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July and DL 104/2010, of 29 September.

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

Transmission, distribution and supply of last resort activities are subject to regulation from Entidade Reguladora dos Serviços Energéticos — ERSE (Energy Sector Regulator), which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage — access tariffs — and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

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

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

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

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

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

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição with the possibility of being revoked with at least 1 year's prior notice. These concessions are in return for payment of a rent to the municipalities that grant.

Supply

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

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE. The Decree-Law 104/2010 of 29 September, establishes the end of regulated tariffs for very high, high, medium and low-tension customers from 1 January 2011, with a transitional period until 31 December 2011.

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



notes to the consolidated and company financial statements for the years ended 31 December 2010 and 2009

Public Domain Assets

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

Gas

In the distribution and commercialization activity for natural gas, EDP Group develops its activity in Portugal through its subsidiaries Portgás, S.A. EDP Group is present in the commercialization of natural gas, under the regulated market (EDP Gás Serviço Universal) and free market (EDP Gás.com). EDP Gás.com, with a trading license in the free market since 2008, began operating in early 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL S.A.

On 15 June 2010, the tariffs set by ERSE were published for the years 2010-2011. The income allowed to Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

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

Electric Sector Regulation

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

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

Generation

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

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

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

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

Producers have the right to use primary energy sources in its generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, was approved the Royal Decree Law 1221/2010 of 1 October that modify the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective decision to promote the consumption of local coal. Additionally, from the endorsement of Royal Decree Law 14/2010 of 23 December, the producers in ordinary regime have the obligation of paying for the utilization of the transport and distribution networks.

Transportation

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

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

The Royal Decree 325/2008 of 29 February, establishes a new fee system applicable to electricity transportation facilities, that entered into service from 1 January 2009. Just as for distribution, this new model of compensation is based on investments, but there is no knowledge of the amounts which will be allocated to the electrical assets and associates, because the standard is not yet developed in detail.

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

Distribution

Law 54/1997 provides that the retribution for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the distribution electricity activity and modifying the system of "Acometidas" (system that regulated the installation, that allows the connection of the network distribution with the point of delivery energy to the client). The new remuneration system is based on investments and increased demand of each distributor. The standard provides new incentives for reducing losses and improving quality, which are pending for new regulatory developments.

Supply

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

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges. These rates exclusive to Spain, are established by the Industry Trade Ministry, of industry, tourism and trade based on regulated activities costs, including permanent costs and diversification and security of supply costs.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to free market. However, the Royal Decree 485/2009 of 3 April, pursuant to Articles 9.f and 18th and 24th Additional disposition of Law 54/1997, provide that the consumers of low-tension, with contract capacity not exceeding 10 kW, are eligible for the tariff of last resort, which determines the maximum and minimum price of supply. This rate will be applicable by the suppliers of last resort, where Hidrocarburo Energía Último Recurso, S.A.U. is included.

Social Benefit

The Royal Decree 6/2009 of 30 April, created the Social Benefit for some consumers who benefit from the tariff of last resort (TUR) and that meet certain social characteristics of consumption and purchasing power given by the Ministry of Industry, Tourism and Trade. The benefit will cover the difference between the value of TUR and the benchmark value and will be financed by the production companies.

Gas

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

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market.

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

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

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

The system of provisioning and based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort rates have been set, that can benefit the consumers who are covered by the regulation (from July 2009 are those consuming less than 50,000 kWh / year), and that will be implemented by the suppliers, in accordance with Article 82 of Law 34/1998 that have an obligation to take delivery of last resort. Naturgás Comercializadora Energía, SAU. is one of the trading companies designated by the Ministry.

For the supplier of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (HC Energía Supplier of Last Resort currently comprises the delivery obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff ("TUR") became the only tariff from 1 January 2010, denying to the suppliers of last resort the application of discounts over customers with TUR.

Activity in the energy sector in Brazil

Electricity

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

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

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

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

The main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by ANEEL. The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines. Public auctions began in late 2004.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5.163/04). Free consumers can return to the regulated system under certain conditions.



notes to the consolidated and company financial statements for the years ended 31 December 2010 and 2009

Generation

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

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

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

Transmission

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

Distribution

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

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

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration basis in the assets used in the distribution energy service (BRR). The tariff also includes a part to cover the operating costs established from a standard company, the Reference Company (with costs that would be charged by an efficient operator and which acted in the concession region). The regulatory EBITDA has two parts, which (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC, ie by the rate of weighted average cost of capital of sector companies. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the reference Company is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes occurred in portion A costs and in the correction of portion B costs, by the index of variation of IGPM, discounting productivity gains (factor X). The index adjustment is calculated to pass on the variations in costs not manageable in the Parcel A and the adjusted Parcel B. Periodically (on average every 4 years) there is a tariff revision, which results in a global review of costs, in the definition of a new BRR and a new Reference Company, which capture of the productivity gains in the period between reviews. At the start of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market, selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

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

Activity in the Renewable energies sector

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

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

Electricity

Generation

In December 2010, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital in EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energías del Occidente, S.L.) and Horizon Wind Energy, LLC (EDPR NA), operating respectively in Europe and in the United States of America.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and Brazil. EDPR EU's main subsidiaries are: EDP Renováveis Portugal (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors), EDP Renewables Polska (wind farms in Poland held by EDPR EU), EDP Renewables Romania (wind farms in Romania), EDP Renewables Italia (wind farms in Italy) and EDP Renováveis Brasil (wind farms in Brasil). As at 31 December 2010, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

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

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

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

The Royal Decree 6/2009 of 7 May was approved and is aimed at eliminating the tariff deficit from 2013. Among other measures, it introduces a pre-allocation register for new renewable energy capacity for renewable-energy installations to obtain the entitlements set out in Royal Decree 661/2007.

In July 2010, Ministry of Industry established an agreement with two major associations of renewables (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1614/2010, of December 7, which defines i) for the years 2011 and 2012 a reduction of 35% in the prize applicable to wind generation defined by Royal Decree 661/2007, ii) an addition to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the prize for energy production through renewable sources will only be applied to the installed capacity from 2012 and iii) setting a limit of 2,589 hours of operation for the installed capacity from which the wind farm is not entitled to receive any prize.

The Decree-Law 14/2010 of 23 December, establishes several measures to reduce the tariff deficit, including a production rate of 0,5€ /MWh applicable to producers under the ordinary and special regimes.

Regulatory framework for the activities in Portugal

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

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

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

Since 1 July, 2007, the Iberian electricity financial market ("MIBEL") has been fully operational, with daily transactions from both Portugal and Spain, including a forwards market that has operated since July 2006.

Regulatory framework for the activities in the United States of America

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

The federal government regulates the wholesale electric energy sale and transmission business in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978 ("PURPA 1978"), the Energy Policy Act of 1992 ("EPACT 1992") and the Energy Policy Act of 2005 ("EPACT 2005").

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

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorizations may involve a more extensive approval process, possibly including an environmental impact evaluation and opposition by interested parties or users.

Both the United States federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power. The primary federal renewable energy incentive program is the Production Tax Credit (PTC), which was established by the U.S. Congress as part of EPACT 1992. As part of the American Recovery and Investment Act of 2009, the federal government is encouraging renewable energy development through investment tax credits and cash grants from 2009 through 2013. Many states have passed legislation, principally in the form of renewable portfolio standards ("RPS"), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

The American Recovery and Investment Act of 2009 was approved and includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely i) a three year extension of the PTC until 2012 and ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year extension of the ITC, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.



notes to the consolidated and company financial statements for the years ended 31 December 2010 and 2009

2. Accounting policies

a) Basis of presentation

The accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years ended 31 December 2010 and 2009.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 3 March 2011. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDP Group's consolidated financial statements for the years ended 31 December 2010 and 2009 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

In 2010, EDP Group adopted the IFRS 3 (revised) - Business combinations and the interpretations IFRIC 12 - Service Concession Arrangements and IFRIC 18 - Transfers of Assets from Customers. These interpretations, which had to be applied with reference to 1 January, 2010 had impact on the assets and liabilities of the Group. According to the transition rules of these interpretations, the new disclosures required include comparative information.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

In accordance with IFRS 3 — Business Combinations, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative financial information, reflecting these adjustments on the income statement and balance sheet, with effect from the date of the acquisition.

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

b) Basis of consolidation

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

As from 1 January, 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December, 2009, when the accumulated losses of a subsidiary attributable to minority interests exceed the minority interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the minority interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to minority interests, implying that the Group can recognise negative minority interests.

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

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

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

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

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January, 2010 onwards, the EDP Group has the possibility to book minority interest at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the minority interests, against minority interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against "goodwill". As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of minority interests and dilution

Until 31 December 2009, in an acquisition of minority interests, the difference between the fair value of the minority interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The difference between the minority interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December, 2009, when an interest in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December, 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of minority interests not resulting in a loss of control, the difference between the fair value of the minority interests acquired and the consideration paid, is accounted against reserves. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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



notes to the consolidated and company financial statements for the years ended 31 December 2010 and 2009

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction also affects the income statement. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging recognised in equity are transferred to the income statement when the foreign entity is sold, as part of gain or loss resulting from the disposal.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date of the hedge and prospective and retrospective in each balance sheet date, to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement in the moment that occurs.

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (Fair Value Option).

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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



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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	20
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change occurs in the expected economic benefits flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

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

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for incurred expenses are booked in income statement on a systematic basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from clients, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

ii Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and depreciated on a straight-line basis over the concessions period, not exceeding 30 years.

Concession rights to use the public hydric domain

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

The accounting policy related to intangible assets attributed to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will rise.

l) Inventories

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

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

CO2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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



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

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal or contractual obligation at the end of the assets' useful life. Therefore, such provisions have been booked in the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Segmental reporting

The Group presents the operational segments based on internal Management information.

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

A geographical segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and rewards that are different from those of components operating in other economic environments.

x) Tariff adjustments

In regulated activities, the regulator establishes through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on real costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity tariffs charged to customers in subsequent periods.

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

y) CO2 licenses and greenhouse effect gas emission

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

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

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



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2) Cash Flow Statement

The Cash Flow Statement is presented under the direct method, by which gross cash flows from operating, financing and investing activities are disclosed.

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

aa) Group concession activities

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impracticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to the public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of determined infrastructures as well as the price of these services and equally controls any significant residual interest in those infrastructures.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructures within the concession and results in the recognition of a financial asset, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructures (demand risk) and results in the recognition of an intangible asset.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 6 and 45).

Intangible assets within concessions are depreciated over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The changes resulting from the application of IFRIC 12 are presented in note 45 to the consolidated financial statements.

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

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or determined by external entities, or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values.

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could have produced different financial results from those reported.

Contractual Stability Compensation (CMEC)

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the PPAs termination and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. The mechanism for granting the compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousand Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible.

Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates.

Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation — Revisable mechanism

The revisable mechanism consists in correcting on an annual basis, for a period of 10 years after termination of the PPAs, the positive and negative variations between the estimates made to calculate the initial stability compensation for a period and the actual amounts occurred in the market for that period. This mechanism gives rise to compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, the EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the Valorágua model, according to the current legislation. Consequently, the use of different methodologies or assumptions from the model used, could give rise to different financial results from those considered.

Review of the useful life of the generation (production) assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the planning maintenance plan. Based on this information, new useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

Tariff adjustments

Tariff adjustments represent the difference between costs and income of the National Electricity System (SEN), estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the Electricity System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs for customers in subsequent periods.

Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, the EDP Group booked in the caption Electricity sales of the period, the effects of the recognition of the tariff adjustment, against Other debtors / Other Creditors. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009.

In Spain, Royal Decree 1634/2006, published in December 2006, established the electricity tariff for the period starting on 1 January 2007. This Royal Decree established the method of recovering the 2006 deficit, and that as from 1 July 2007 tariffs for the sale of electric energy by distribution companies will be modified quarterly by Royal Decree. Order ITC/2794/2007 of 27 September, which revises electricity tariffs as from 1 October 2007 was issued in compliance with Royal Decree 1634/2006. As at 29 December 2007, Order ITC/3860/2007 of 28 December, revised the electricity tariffs, from 1 January 2008.

Spanish Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies through a State guarantee; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed.

EDP Group believes, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

Impairment tests are performed, whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The goodwill in associates is reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions can result in changes in the determination of the amount of impairment and, consequently, on the Group's results.



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Doubtful debts

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgement. Changes in the estimates and judgement could change the impairment test results which could affect the Group's reported results.

Revenue recognition

Electricity sales revenue is recognised when the monthly electricity invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to electricity to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates which take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions can affect the Group's revenue and, consequently, its reported results.

Income taxes

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount of income tax.

There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, the Tax Authorities are entitled to review the EDP, S.A. and its subsidiaries' determination of its annual taxable earnings, for a period of four years for annual periods starting from 2010 and six years for previous annual periods in case of tax losses carried forward. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no material tax assessments within the context of the financial statements.

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of the pension and medical plans. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group believes that there are legal or contractual obligations to dismantle and decommission property, plant and equipment assets relating to electricity generation operations. The Group records provisions with accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are installed. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgements from those referred to can lead to different results of those considered.

4. Financial-risk management policies

Financial risk management

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio, resulting in interest and exchange rate exposures. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance.

The management of financial risks of EDP, S.A., EDP Finance, B.V. and other EDP Group entities is undertaken centrally by the Financial Department of EDP S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for the definition of general risk management principles and the establishment of exposure limits.

All transactions undertaken using derivative financial instruments require prior approval by the Executive Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of market risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A. Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency loans/borrowings, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, through exchange rate derivative financial instruments and/or other hedging structures.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Brazilian Reals (BRL). Currently, the exposure to EUR/USD exchange rate risk results essentially from the acquisition of Horizon in July 2007 and from the investments in the wind parks performed in the USA since then. In order to finance this acquisition and its investment plan, EDP contracted USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the net assets of EDPR NA. The exchange rate and interest rate risk on the GBP and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Given the long term nature defined for the investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange rate risk on the investment in these subsidiaries.

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2010 and 2009, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

		31 December 2010			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		7,485	-9,148	-15,995	19,550
PLN		-	-	3,584	-4,381
		<u>7,485</u>	<u>-9,148</u>	<u>-12,411</u>	<u>15,169</u>
		31 December 2009			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		24,114	-29,473	-23,087	28,218
PLN		-	-	7,984	-9,759
		<u>24,114</u>	<u>-29,473</u>	<u>-15,103</u>	<u>18,459</u>

This analysis assumes that all other variables, namely interest rates, remain unchanged.

Interest rate risk management

The aim of the interest rate risk management policies is to reduce the financial charges and to reduce the exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments (swaps).

In the floating rate financing context, the EDP Group contracts interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are contracted, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

All the operations are undertaken on liabilities in the EDP Group's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 18 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2010 and 2009 would lead to the following increases / (decreases) in equity and results of the EDP Group:

		31 Dec 2010			
		Results Euro'000		Equity Euro'000	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:					
	Hedged debt	-27,277	27,277	-	-
	Unhedged debt	-64,241	64,241	-	-
Fair value effect:					
	Cash flow hedging derivatives	-	-	36,981	-40,988
	Trading derivatives (accounting perspective)	-25,659	28,386	-	-
		<u>-117,177</u>	<u>119,904</u>	<u>36,981</u>	<u>-40,988</u>
		31 Dec 2009			
		Results Euro'000		Equity Euro'000	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:					
	Hedged debt	-17,277	17,277	-	-
	Unhedged debt	-64,135	64,135	-	-
Fair value effect:					
	Cash flow hedging derivatives	-	-	18,997	-20,956
	Trading derivatives (accounting perspective)	-15,142	12,191	-	-
		<u>-96,554</u>	<u>93,603</u>	<u>18,997</u>	<u>-20,956</u>

This analysis assumes that all other variables, namely exchange rates, remain unchanged.



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Counterparty credit risk management

The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

The EDP Group has documented its financial operations in accordance with international standards. Therefore, generally, derivative financial instruments are contracted under ISDA Master Agreements, facilitating the transfer of the instruments in the market.

Regarding the third-party debt generated by the Group's day-to-day business, the credit risk arises essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 34).

Energy market risk management

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMEL and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO₂) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, Brent and coal) and forwards to fix prices.

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the management objectives established.

Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular backtesting and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered.

Risk factor:	P@R Distribution by risk factor	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Negotiation	1,000	4,000
Fuel	41,000	32,000
CO ₂	3,000	33,000
Electricity	36,000	44,000
Hydrological	20,000	17,000
Diversification effect	-74,000	-93,000
Total	27,000	37,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 31 December 2010 and 2009 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2010	Dec 2009
Credit risk rating (S&P):		
AAA to AA-	18.06%	48.48%
A+ to A-	75.69%	47.66%
BBB+ to BBB-	0.900%	0.92%
BB+ to B-	1.11%	2.25%
No rating assigned	4.24%	0.69%
Total	100.00%	100.00%

Brazil — Interest rate and exchange rate risk management

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

VaR is the maximum expected loss on the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

The summary of VaR on the operations of the Brazilian subsidiaries at 31 December 2010 and 2009 is as follows:

	VaR	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Exchange rate risk	461	809
Interest rate risk	3,638	3,619
Covariation	-421	-1,098
Total	3,678	3,330

5. Consolidation perimeter

During 2010, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables Europe, S.L. acquired 85% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of the polish companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO and Karpacka Mala Energetyka SP ZOO, through its subsidiary EDP Renewables Polska SP ZOO (previously Neolica Polska SP ZOO);
- EDP Renewables Europe, S.L. acquired 80% of the share capital of Re Plus - Societá a Responsabilitá Limitata, through its subsidiary EDP Renewables Italia, S.r.l.;
- A EDP Ventures, S.G.P.S., S.A. acquired 40% of the Arquiled Group, which includes Arquiled - Projectos de iluminação, S.A., Arquiservice - Consultadoria e Serviços, S.A. and Futurcompact, Lda.

Considering the existence of a written put option of 15% of the companies Repano Wind, S.r.l. and EDP Renewables Italia, S.r.l. from the minority interests, EDP Group has consolidated these companies at 100% in accordance with the accounting policy 2.b) (see note 41).

Companies sold and liquidated:

- Horizon Wind Energy L.L.C. liquidated Freeport Windpower I, L.P.*;
- Hidrocentro Explotación Centrales dissolved and liquidated Mazarrón Cogeneración, S.A. and Papresa Cogeneración AIE;
- Naturgás Energía Grupo, S.A. sold its shareholding, through its subsidiary Naturgas Participaciones, in Tecman, S.L.;
- EDP Imobiliária e Participações, S.A. sold its 34% shareholding of Central-E - Informação e Comércio Electrónico, S.A.;
- EDP, S.A. sold its 21% shareholding of Deca - Distribuição Eléctrica do Centro Americana Dos III, S.A.;
- EDP Renewables Europe sold its shareholding, through its subsidiary Genesa, in Murciasol 1 - Solar Térmica, S.L.;
- EDP Produção liquidated Hidroeléctrica de Janeiro de Baixo, Lda..

Companies incorporated:

The following companies were merged into Naturgás Comercializadora, S.A.:

- Naturgás Energía Suministro Sur, S.L.;
- Naturgás Energía Suministro, S.L.

The following companies were merged into Pebble Hydro - Consultoria, Investimento e Serviços, Lda:

- Hidroeléctrica de Fagilde, Lda.;
- Minihídrica do Palhal, Lda.;
- Hidroeléctrica de Penacova, Lda.;
- Hidroeléctrica de Pinhel, Lda.;
- Hidroeléctrica do Rabaçal Ponte, Lda.

Eneraltius - Produção de Energia Eléctrica, S.A. was merged into EDP Renováveis Portugal, S.A.

Agrupación Eólica Francia, S.L. was merged into EDP Renewables Europe, S.L.

Companies incorporated:

- Headwaters Wind Farm L.L.C.*;
- 17th Star Wind Farm L.L.C.*;
- Waverly Wind Farm L.L.C.*;
- EDP - Projectos SGPS, S.A.;
- EDP Renewables Canada;
- 2010 Vento VII, L.L.C.*;
- 2010 Vento VIII, L.L.C.*;
- 2010 Vento IX, L.L.C.*;
- Horizon Wind Ventures VII, L.L.C.*;
- Horizon Wind Ventures VIII, L.L.C.*;
- Horizon Wind Ventures IX, L.L.C.*;
- EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.;
- SGORME - SGO Rede Mobilidade Eléctrica, S.A..;
- Rio Blanco Wind Farm L.L.C.*;
- Hidalgo Wind Farm L.L.C.*;
- HC Naturgas Servicios Energeticos S.L.;
- MacColl Offshore Windfarm Limited*;
- Stevenson Offshore Windfarm Limited*;
- Telford Offshore Windfarm Limited*;
- Stone Wind Power L.L.C.*;
- Franklin Wind Farm L.L.C.*;
- HC Energia Gas, S.L.

* EDP Group holds, through EDP Renováveis, a set of subsidiaries in the United States and United Kingdom legally incorporated without share capital and that as at 31 December 2010 do not have any assets, liabilities, or any operating activity.



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Other changes:

- EDP Renewables Europe, S.L. increased its shareholding from 19.6% to 36% on ENEOP - Ólicas de Portugal, S.A., through its subsidiary EDP Renováveis Portugal, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 49% to 61% on Parque Eólico Altos del Voltoya, S.A. through its subsidiary Sinae, S.L.;
- Naturgás Energía Distribución, S.A.U. now holds 100% of the share capital of Naturgás Energía Distribución Cantabria, S.A., following the amortisation of the shares held by the minority interests.
- As a consequence of the put option exercise by Ente Vasco de la Energía over Naturgas Energia, HC Energia acquired from EVE 29.43% of Naturgas Energia share capital, increasing to 95% its shareholding in this company. As the put option referred to 30.35% of share capital of Naturgás Energia, the indirect shareholding held by HC Energia in Naturgás subsidiaries decrease by 0.92%, following the put option exercise;
- EDP Comercial - Comercialização de Energia, S.A. increased its shareholding from 55% to 100% on EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. through acquisition of shares from other shareholders;
- EDP - Gestão da Produção de Energia S.A. increased its shareholding from 55% to 97% on Greenvougá - Sociedade Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A. through a share capital increase;
- Windplus, S.A. changed its consolidation method from full to proportional consolidation due to a share capital dilution.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2010 and 2009 are listed in note 52.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Turnover:				
Electricity and network accesses	12,536,606	11,021,866	1,664,390	1,566,404
Gas and network accesses	1,348,165	981,493	62,945	-
Advisory, management and IT services	8,262	7,274	121,782	59,774
CO2 licenses	145,922	71,559	154,038	129,196
Other	131,787	115,817	355	190
	<u>14,170,742</u>	<u>12,198,009</u>	<u>2,003,510</u>	<u>1,755,564</u>

In 2010, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 194,510 thousand Euros (cost in December 2009: 361,080 thousand Euros) regarding the tariff adjustments of the period, as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network accesses includes on a consolidated basis 312,899 thousand Euros (31 December 2009: 535,543 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 91,622 thousand Euros (140,052 thousand Euros as at 31 December 2009) related to the initial CMEC for the period and 221,277 thousand Euros (395,491 thousand Euros as at 31 December 2009) resulting from the revisable mechanism, as established by the current legislation in Portugal.

The caption "Advisory, management and IT services" includes, on a company basis, an amount of 80,589 thousand Euros related with services charged to EDP, S.A subsidiaries for management and IT services. The amounts charged are in accordance with the contractual terms which are established on an arms length basis.

Turnover by geographical market, for the Group, is analysed as follows:

	Dec 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	7,148,205	3,000,503	2,111,404	276,494	12,536,606
Gas and network accesses	283,205	1,064,960	-	-	1,348,165
Advisory, management services and IT services	7,274	988	-	-	8,262
CO2 licenses	145,922	-	-	-	145,922
Other	68,262	23,940	39,585	-	131,787
	<u>7,652,868</u>	<u>4,090,391</u>	<u>2,150,989</u>	<u>276,494</u>	<u>14,170,742</u>
	Dec 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	6,923,086	2,247,272	1,655,241	196,267	11,021,866
Gas and network accesses	126,387	855,106	-	-	981,493
Advisory, management services and IT services	6,617	657	-	-	7,274
CO2 licenses	71,559	-	-	-	71,559
Other	53,379	27,178	26,879	8,381	115,817
	<u>7,181,028</u>	<u>3,130,213</u>	<u>1,682,120</u>	<u>204,648</u>	<u>12,198,009</u>

The breakdown of Revenue by segment is presented in the Segmental reporting (see note 51).

Cost of consumed electricity and gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost of consumed electricity	6,808,261	5,340,458	1,412,899	1,192,863
Cost of consumed gas	945,270	641,183	-	-
Changes in inventories and cost of raw materials and consumables used:				
Fuel, steam and ashes	252,223	454,965	-	3,411
Gas	586,698	495,745	274,779	214,521
Cost of consumables used	34,162	134,529	-	-
CO2 licenses	98,152	104,970	155,859	142,752
Other	131,558	124,224	2	-
Own work capitalised	-89,913	-203,204	-	-
	<u>1,012,880</u>	<u>1,111,229</u>	<u>430,640</u>	<u>360,684</u>
	<u>8,766,411</u>	<u>7,092,870</u>	<u>1,843,539</u>	<u>1,553,547</u>

On a company basis, Cost of consumed electricity includes costs of 730,536 thousand Euros (31 December 2009: 699,737 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção, de Energia, S.A.

Assets assigned to concessions

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets assigned to concessions				
Revenue from assets assigned to concessions	-392,017	-350,590	-	-
Expenditure with the acquisition of assets assigned to concessions	<u>392,017</u>	<u>350,590</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Supplementary income	23,409	25,181	345	325
Operating government grants	1,909	882	-	-
Gains on fixed assets	4,731	3,297	1,839	781
Reversal of impairment losses:				
- Doubtful debtors	30,401	20,700	-	-
- Debtors and other assets	2,666	831	-	-
Own work capitalised	2,048	4,198	-	-
Customers contributions	25,982	8,201	-	-
Insurance premiums - Energia RE	10,692	11,302	-	-
Income arising from institutional partnerships - EDPR NA	107,005	82,671	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	25,776	17,654	-	-
Turbine availability bonus - EDPR NA	962	12,692	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	3,170	-	-	-
Contract termination indemnity - EDPR NA	15,840	-	-	-
EDPR Poland PPA	15,000	-	-	-
Other operating income	<u>51,298</u>	<u>37,181</u>	<u>10,224</u>	<u>7,347</u>
	<u>320,889</u>	<u>224,790</u>	<u>12,408</u>	<u>8,453</u>

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI and VII projects, in wind farms in U.S.A.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousand USD and recorded as a non-current liability (note 37). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2010, the amortisation for the period amounts to 25,776 thousand Euros (31 December 2009: 17,654 thousand Euros).

Turbine availability bonus - EDPR NA refers to compensation received and predicted in the contracts with turbines suppliers responsible for supply and maintenance of eolic turbines when the measured average availability of turbines in activity is less than 93% in the first six months and/or less than 97% in any of the subsequent periods of six months during the warranty period.

In 2010, the EDP Group acquired an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya, S.A., changing the consolidation method of this company to full consolidation. Based on the preliminary purchase price allocation and according to the accounting policy of the Group, the shareholding previously held was remeasured to fair value, originating the recognition of a gain of 3,170 thousand Euros (see note 2 b).

In 2010, Customers contributions includes 18,670 thousand Euros related with the application of IFRIC 18 in the electricity and gas distribution of activities in Spain, as referred in the accounting policy 2h).

Contract termination indemnity - EDPR NA totalling 15,840 thousand Euros, relates to na indemnity received by the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) due to the early termination of a power purchase agreement held with a customer.



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The caption EDPR Poland PPA totalling 15,000 thousand Euros corresponds to the operating income arising from the Purchase Price Allocation completed during 2010 for the operating assets and liabilities related with the acquisition of the subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO. Following the purchase price allocation a positive difference between the fair value of assets and liabilities acquired and the cost of acquiring these subsidiaries was identified. In accordance with IFRS 3 and the Group's accounting policy, this difference was recognized as operating income for the year.

8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Subcontracts	4,742	3,753	-	-
Supplies and services:				
Water, electricity and fuel	13,700	11,386	972	928
Tools and office material	7,117	6,597	771	273
Rents and leases	93,892	92,759	36,589	9,804
Communication	40,832	40,156	9,293	1,584
Insurance	41,191	34,174	640	845
Transportation, travelling and representation	28,150	25,031	2,177	1,393
Commission and fees	4,697	4,205	68	105
Maintenance and repairs	289,048	241,202	16,058	2,739
Advertising	26,611	27,403	7,755	6,640
Surveillance and security	11,982	10,304	457	456
Specialised works:				
- Commercial activity	134,219	92,275	-	-
- IT services	45,096	41,013	16,775	1,913
- Legal fees	23,742	18,420	3,662	2,330
- Advisory fees	24,551	25,001	6,464	4,354
- Other services	43,490	63,397	20,877	25,998
Provided personnel	-	-	36,985	34,175
Other supplies and services	29,196	31,126	3,790	5,633
	862,256	768,202	163,333	99,170

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Board of Directors remuneration	14,514	12,298	5,173	5,281
Employee's remuneration	478,214	441,098	1,516	405
Social charges on remuneration	121,485	112,501	266	227
Indemnities	7,062	7,838	-	-
Performance, assiduity and seniority bonus	77,670	74,725	5,714	9,102
Share-based remuneration plan	2,118	2,062	-	-
Other costs	22,937	21,936	1,128	1,247
Own work capitalised	-148,592	-132,422	-	-
	575,408	540,036	13,797	16,262

The breakdown by management positions and category of professional permanent staff as at 31 December 2010 and 2009 is as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Board members and senior officers	107	87	28	29
Senior management	484	436	-	-
High management	2,389	2,050	-	-
Middle management	646	803	-	-
Intermediate management	782	830	-	-
Highly-skilled and skilled workers	5,890	5,976	1	1
Semi-skilled workers	1,737	1,837	-	-
Temporary workers	61	77	-	-
	12,096	12,096	29	30

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Pension plans costs	72,426	73,751	86	75
Medical plans costs and other benefits	47,453	43,801	135	122
Cost of rationalising human resources	33,164	39,872	-	-
Other	319	929	4	-
	153,362	158,353	225	197

Pension plans costs include 56,705 thousand Euros (31 December 2009: 62,274 thousand Euros) related to defined benefit plans (see note 35) and 15,721 thousand Euros (31 December 2009: 11,477 thousand Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 49,201 thousand Euros (31 December 2009: 49,955 thousand Euros) related to the charge of the year, net of the corresponding charge-off. The cost of rationalising human resources results from 135 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. and EDP Distribuição, S.A. In 2009, the cost of rationalising human resources results from the implementation of PAE Plan (Plan to Adjust the Workforce in Portugal), through which 133 employees opted for early retirement, totalling 34,493 thousand Euros and from the project for restructuring the hierarchy structure of EDP Brasil, with a total cost of 5,379 thousand Euros.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Concession rents paid to local authorities	239,286	240,517	-	-
Rents from power generation units	11,251	8,113	-	-
Direct taxes	16,647	13,132	240	271
Indirect taxes	62,800	57,376	812	460
Impairment losses on doubtful debts	83,610	71,327	19	-
Impairment losses on debtors and other assets	2,280	7,369	6	11
Losses on fixed assets	14,724	8,934	69	415
Regulation costs	1,669	5,037	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	-	15,502	-	-
Operating compensations	5,237	857	-	-
Donations	20,918	16,770	8,127	6,876
Other operating costs	62,962	55,630	3,561	9,577
	<u>521,384</u>	<u>500,564</u>	<u>12,834</u>	<u>17,610</u>

Concession rents paid to local authorities corresponds mainly to the rents paid by EDP Distribuição to the local authorities under the terms of the distribution concession contracts in low tension electricity.

Return of CO2 licenses (Royal Decree - Law 11/07) in 2009 referred to the amount of the licenses that the Group expected to return to the Spanish Government as a result of Royal Decree - Law 11/07 in force until July 2009, which established that the cost relating to CO2 licenses granted free of charge by the Spanish Government should be deducted from the sector's tariff deficit in that year.

Impairment losses on doubtful debts and debtors and other assets are analysed in notes 24 and 25, respectively.

11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Charge for the year	134,145	92,322	7,927	187
Write-back for the year	-30,567	-17,637	-2,509	-
	<u>103,578</u>	<u>74,685</u>	<u>5,418</u>	<u>187</u>

The net movement of provisions (103,578 thousand Euros) includes the charge for the year related to onerous contracts with clients (approximately 85,018 thousand Euros) in Portugal and Spain.

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12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Property, plant and equipment:				
Buildings and other constructions	12,354	10,756	443	469
Plant and machinery:				
Hydroelectricity generation	118,592	134,526	8	8
Thermoelectric generation	274,325	275,957	-	-
Renewable generation	422,524	305,996	-	-
Electricity distribution	54,633	56,728	-	-
Gas distribution	54,160	31,600	-	-
Other plant and machinery	4,043	1,782	15	15
Transport equipment	8,886	10,191	754	687
Office equipment and tools	64,557	52,341	9,405	4,335
Other	3,372	3,023	1,421	1,413
Impairment loss	-	416	-	-
	<u>1,017,446</u>	<u>883,316</u>	<u>12,046</u>	<u>6,927</u>
Intangible assets:				
Industrial property and other rights	5,788	15,753	8	8
Concession rights amortisation and impairment	92,062	125,007	-	-
Intangible assets related to concessions - IFRIC 12	<u>353,706</u>	<u>309,977</u>	-	-
	<u>451,556</u>	<u>450,737</u>	<u>8</u>	<u>8</u>
	<u>1,469,002</u>	<u>1,334,053</u>	<u>12,054</u>	<u>6,935</u>
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	<u>-22,279</u>	<u>-15,531</u>	-	-
	<u>1,446,723</u>	<u>1,318,522</u>	<u>12,054</u>	<u>6,935</u>

In 2009, Concession rights amortisation and impairment included 44,219 thousand Euros related to the accelerated amortisation/impairment of the concession rights of EDP Energias do Brasil, under the treasury stock sale performed by this company (see note 13).

The partially-funded property, plant and equipment are depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (registered under Trade and other payables) on the same basis and at the same rates as the corresponding partially-funded assets.

Following the adoption of the interpretation IFRIC 12, the depreciation of tangible fixed assets under concessions and the corresponding subsidies have been reclassified to the caption intangible assets related to concessions - IFRIC 12. As at 31 December 2010 the referred reclassification amounts to 458,637 thousand Euros (31 December 2009: 405,635 thousand Euros) and 104,578 thousand Euros (31 December 2009: 95,484 thousand Euros), respectively.

13. Gains/ (losses) on the sale of financial assets

Gains / (losses) on the sale of financial assets for the Group are analysed as follows:

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Banco Comercial Português, S.A.	-	-	0.60%	5,355
Sonae com, S.A.	-	-	7.96%	28,920
Other	-	1,073	-	-
Held for sale assets:				
ESC90 - Telecomunicações, Lda.	-	-	48.51%	19,141
Investments in subsidiaries and associates:				
Ambitec Laboratório Medioambiental, S.A.	-	-	100.00%	-150
Central Térmica Ciclo Combinado Soto 4	-	-	25.00%	12,899
Ibersol E. Solar Ibérica, S.A.	-	-	50.00%	268
Proenercam	-	-	50.00%	60
Cogeneration La Espina, S.L	-	-	50.00%	367
EDP Brasil Treasury stock	-	-	7.03%	-6,979
Oni SGPS, S.A.	-	6,942	-	-
Distribución Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	56,965	-	-
Naturgas	0.92%	-2,831	-	-
Tecman, S.L.	100.00%	-846	-	-
Other	-	-482	-	-178
		<u>60,821</u>		<u>59,703</u>

Gains / (losses) on the sale of financial assets for the Company are analysed as follows:

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Pirites Alentejanas, S.A. *	-	-	-	-10
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	6,942		
Distribucion Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	45,782	-	-
		<u>52,724</u>		<u>-10</u>

* Minority interest, corresponding to a total of 332 shares sold.

In 2010, as a result of the settlement of a pending law suit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI SGPS, S.A. was adjusted from the 96,908 thousand Euros initially established to 103,850 thousand Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousand Euros.

On 21 October 2010 EDP, S.A., and the remaining shareholders, signed a sale and purchase agreement with Empresas Públicas de Medellín in order to sell its share of 21% of the voting rights of Distribucion Eléctrica Centro Americana Dos (II), S.A. (DECA II), in accordance with its other shareholders: Iberdrola and TECO by 91,180 thousand Euros. Following this transaction, EDP, S.A. recognised a gain on sale in the company and consolidated accounts of 45,782 thousand Euros and 56,965 thousand Euros, respectively.

On 28 July 2010, Ente Vasco de la Energía and HC Energía signed an agreement for the partial exercise, 29.43%, of the put option held by Ente Vasco de la Energía over Naturgás share capital. Considering that the original put option was for 30.35% of Naturgás share capital, the EDP Group recognised in 2010 the remaining 0.92% as a sale of minority interests, generating a loss on a consolidated basis of 2,831 thousand Euros.

In 2009, EDP sold 28,167,603 shares of BCP, for 22,706 thousand Euros, which were booked by 17,351 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 5,355 thousand Euros.

In 2009, EDP sold 29,150,000 shares of Sonaecom, S.A., for 57,866 thousand Euros, which were booked by 28,946 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 28,920 thousand Euros.

In November 2009 it was concluded a secondary public offer distribution of ordinary shares which consists in own shares of EDP - Energias do Brasil, S.A. The offer was composed by 15.5 million shares (including greenshoe) corresponding to 9.76% of total share capital. EDP reduced its participation percentage by 7.03% (from 71.95% to 64.91%). This operation generated for EDP Group, a loss of 6,979 thousand Euros by dilution, recognised in the income statement, according to the accounting policy described in paragraph 2 b).

On 30 June 2009 the Group sold its investment in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sales and Purchase Private Agreement celebrated on August 2008. This operation generated a gain of 19,141 thousand Euros.

In January 2009 the share capital of Central Térmica Ciclo Combinado Soto 4 ("CTCC Group 4") was increased and subscribed by EDP through its subsidiary Electrica de la Ribera del Ebro, S.A. (the sole previous shareholder) and also by a new shareholder, Sonatrach, who paid a share premium of approximately 16,204 thousand Euros. Following the share capital increase, Sonatrach holds 25% of the share capital of CTCC Group 4, and EDP reduced its participation (by dilution) from 100% to 75%. EDP benefited from the capital increase of CTCC Soto 4 as a result of the share premium paid by the minority shareholders. This operation generated, for the EDP Group, a gain of 12,899 thousand Euros booked against the profit and loss of the period, according to the accounting policy described in paragraph 2b).

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial income				
Interest income from investments	57,804	70,139	291,268	353,022
Interest from derivative financial instruments	149,480	182,941	57,926	200,944
Derivative financial instruments	293,696	445,646	542,210	671,023
Other interest income	87,708	46,089	5,918	-
Income from equity investments	16,159	24,954	713,321	608,697
Foreign exchange gains	92,284	80,449	15,537	268,825
CMEC	83,729	91,693	-	-
Interest Income - Tariff adjustment and tariff deficit	13,575	76,627	-	-
Reversal of impairment losses of equity investments	-	-	-	57,190
Other financial income	<u>26,308</u>	<u>17,836</u>	<u>2,456</u>	<u>2,819</u>
	<u>820,743</u>	<u>1,036,374</u>	<u>1,628,636</u>	<u>2,162,520</u>



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	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial expenses				
Interest expense from financial debt	687,156	666,280	312,849	377,456
Capitalised interest expense from financial debt	-168,651	-150,387	-	-
Interest from derivative financial instruments	93,220	127,562	24,729	160,494
Derivative financial instruments	338,849	498,564	401,870	723,025
Other interest expense	8,271	12,076	4,447	12,724
Impairment of available for sale financial assets	4,207	29,289	-	-
Banking services	15,084	10,881	4,250	2,657
Foreign exchange losses	96,875	73,321	167,567	244,481
CMEC	20,274	25,696	-	-
Impairment of financial investments and equity investments	-	-	29,339	42,550
Unwinding	118,562	113,059	-	-
Interest Expenses - Tariff adjustment	25,734	17,241	-	-
Cost of the securitization of the tariff deficit	-	35,718	-	-
Other financial expenses	66,129	63,783	2,355	10,723
	<u>1,305,710</u>	<u>1,523,083</u>	<u>947,406</u>	<u>1,574,110</u>
Financial income / (expenses)	<u>-484,967</u>	<u>-486,709</u>	<u>681,230</u>	<u>588,410</u>

The caption Other financial Income - CMEC totalling 83,729 thousand Euros includes 21,099 thousand Euros related to interest of the initial CMEC included in the annuity for 2010 and 59,283 thousand Euros related to the financial effect considered in the calculation of the initial CMEC, and 3,347 thousand Euros relating to the financial component of revisable mechanism of CMEC for 2010. Other financial expenses - CMEC, in the amount of 20,274 thousand Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

Capitalised interest expense from financial debt includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). The interest rates considered for the referred capitalisation are in accordance with market rates.

In 2010, Impairment of available for sale financial assets, on a consolidated basis, totalling 4,207 thousand Euros, refers essentially to the recognition in the income statement of impairment losses in the investment held in BCP as a result of the depreciation on the market share price of this investment (31 December 2009: 29,274 thousand Euros).

Impairment of financial investments and equity investments, on a company basis, in 2010 include a provision booked against financial expenses as a result of losses on its subsidiaries EDP Imobiliária e Participações, S.A. (28,109 thousand Euros) and EDP Inovação, S.A. (1,230 thousand Euros). In 2009, this caption include a provision of the same nature on its subsidiaries EDP Imobiliária e Participações, S.A. and EDP Investimentos of 41,891 thousand Euros and 659 thousand Euros, respectively.

The Unwinding expenses refer essentially to, (i) the unwinding of the dismantling provision for wind farms of 2,872 thousand Euros (3,134 thousand Euros in 2009), (ii) the unwinding related to the put option of EDP Renewables Itália of 1,889 thousand Euros, (iii) the unwinding related to the put option of Naturgás of 10,830 thousand Euros (16,100 thousand Euros in 2009), (iv) the implied financial return in institutional partnership in US wind farms which amounted to 64,830 thousand Euros (54,147 thousand Euros in 2009) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 11,551 thousand Euros (11,518 thousand Euros in 2009), 2,828 thousand Euros (2,444 thousand Euros in 2009) and 13,480 thousand Euros (3,075 thousand Euros in 2009), respectively. During 2009, this caption includes 8,620 thousand Euros related with the unwinding of the liability related with Genesa's put option.

Income from equity investments is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Group companies	-	-	696,458	590,621
Associated companies				
DECA - Distribuição Elétrica Centroamericana, S.A.	-	-	9,322	3,965
Other companies				
Ampla Energia e Serviços, S.A.	381	2,119	381	2,119
Ampla Investimentos e Serviços, S.A.	4,039	8,908	4,039	8,908
EDA - Electricidade dos Açores, S.A.	350	315	-	-
Banco Comercial Português, S.A.	2,347	2,579	-	-
Tejo Energia, S.A.	5,556	7,556	-	-
REN - Redes Energéticas Nacionais, S.A.	3,121	3,084	3,121	3,084
Other	365	393	-	-
	<u>16,159</u>	<u>24,954</u>	<u>713,321</u>	<u>608,697</u>

15. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered as definitively settled by the tax administration the year of 2004. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (4 years in Portugal since 2010, 15 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, but limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

Recently a decision from the Supreme Administrative Court - stated under the process number 909/10 - was known which is related with the state surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law.

According to the referred decision, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group.

As a consequence, the municipal surcharge calculation of the tax group dominated by EDP, S.A. for 2010 was already calculated based on the taxable profit of the group, which results in a decrease of the current income tax of 12,700 thousand Euros, when compared with the previous calculation.

For the amounts paid related with 2007, 2008 and 2009 municipal surcharge, in the amount of 18,600 thousand Euros, the Group will take the necessary steps, as prescribed by Law, to recover these amounts.

Income tax expense is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax	-186,304	-531,037	20,110	26,031
Deferred tax	-240,928	131,272	6,354	-54,519
	-427,232	-399,765	26,464	-28,488

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2010, is analysed as follows:

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,661,833	440,386
Tax losses and tax credits	-0.1%	-4,551	-1,206
Dividends	1.1%	71,449	18,934
Tax benefits	-0.9%	-58,049	-15,383
Non deductible provisions and amortisations for tax purposes	-1.3%	-79,064	-20,952
Fair value of financial instruments and financial investments	0.1%	8,849	2,345
Financial investments in associates and subsidiaries	-0.4%	-26,528	-7,030
Autonomous taxation and tax benefits	0.0%	1,034	274
Change in tax rate	-0.9%	-56,683	-15,021
State surcharge	1.4%	84,509	22,395
Other adjustments and changes in estimates	0.2%	9,396	2,490
Effective tax rate and total income tax	25.7%	1,612,195	427,232

The Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aiming the consolidation of public finances in line with the Stability and Growth Pact (PEG), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 million euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The impact of this change in the tax rate was considered in the computation of current and deferred income tax for the year ended at 31 December 2010, as disclosed under Change in tax rate (deferred tax) and State surcharge (current tax).

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2009, is analysed as follows:

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,567,712	415,444
Tax losses and tax credits	0.8%	50,355	13,344
Dividends	0.9%	53,894	14,282
Tax benefits	-3.5%	-206,800	-54,802
Non deductible provisions and amortisations for tax purposes	-1.0%	-57,294	-15,183
Fair value of financial instruments and financial investments	2.0%	115,823	30,693
Financial investments in associates and subsidiaries	-0.5%	-29,540	-7,828
Autonomous taxation and tax benefits	0.1%	4,506	1,194
Difference between tax and accounting gains/losses	-0.4%	-26,004	-6,891
Other adjustments and changes in estimates	0.6%	35,894	9,512
Effective tax rate and total income tax	25.5%	1,508,546	399,765

The reconciliation between the nominal and the effective income tax rate for the **Company** at 2010, is analysed as follows:

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	698,672	185,148
Non deductible provisions and amortisations for tax purposes	1.1%	27,883	7,389
Tax losses and tax credits	-5.2%	-136,883	-36,274
Difference between tax and accounting gains/losses	-0.9%	-23,758	-6,296
Dividends	-25.2%	-662,830	-175,650
Autonomous taxation and tax benefits	0.0%	-1,045	-277
Change in tax rate	0.6%	14,777	3,916
State surcharge	0.2%	6,192	1,641
Other adjustments and changes in estimates	-0.9%	-22,872	-6,061
Effective tax rate and total income tax	-3.8%	-99,864	-26,464



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The reconciliation between the nominal and the effective income tax rate for the **Company** at 2009, is analysed as follows:

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	658,509	174,505
Non deductible provisions and amortisations for tax purposes	0.1%	1,475	391
Tax losses and tax credits	-2.0%	-49,770	-13,189
Difference between tax and accounting gains/losses	-0.1%	-2,966	-786
Dividends	-22.2%	-552,336	-146,369
Autonomous taxation and tax benefits	-0.4%	-8,479	-2,247
Unrecognised deferred tax assets related to temporary differences	0.2%	4,438	1,176
Fair value of financial instruments and financial investments	-0.6%	-14,642	-3,880
Other adjustments and changes in estimates	2.8%	71,272	18,887
Effective tax rate and total income tax	4.3%	107,501	28,488

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Land and natural resources	163,184	149,633	46,498	46,502
Buildings and other constructions	502,184	473,599	24,569	25,252
Plant and machinery:				
Hydroelectric generation	7,805,470	7,720,225	254	254
Thermoelectric generation	7,571,906	7,161,919	-	-
Renewable generation	9,531,048	7,346,192	-	-
Electricity distribution	1,985,616	1,921,172	-	-
Gas distribution	1,268,116	1,216,821	-	-
Other plant and machinery	39,065	30,139	148	148
Transport equipment	73,793	88,356	4,051	3,788
Office equipment and tools	610,443	600,790	103,915	98,114
Other	121,428	115,131	14,312	14,246
Assets under construction	3,210,711	3,278,539	82,951	36,056
	32,882,964	30,102,516	276,698	224,360
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,017,446	-882,900	-12,046	-6,927
Accumulated depreciation in previous years	-11,535,836	-10,769,930	-99,547	-93,871
Impairment reversal losses for the year	-	-416	-	-
Impairment losses in previous years	-6,099	-14,464	-	-
	-12,559,381	-11,667,710	-111,593	-100,798
Carrying amount	20,323,583	18,434,806	165,105	123,562

As referred under accounting policies - note 2b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Èbre, Elektrownia Wiatrowa Kresy I SP ZOO, Gás Natural Cantabria S.A., Gás Natural Murcia, S.A. and Gas Natural Servicios Comunes, S.L. in 2009, determined an increase of the fair value of Property, plant and equipment of 4,041 thousand Euros, decrease of 3,226 thousand Euros, increase of 19,537 thousand Euros and 4,906 thousand Euros, respectively, with reference to 31 December 2009.

The movements in **Property, plant and equipment, for the Group**, for the year ended 31 December 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions/ Increases Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	149,633	5,564	-194	-306	8,852	-365	163,184
Buildings and other constructions	473,599	2,994	-6,794	-3,742	41,719	-5,592	502,184
Plant and machinery	25,396,468	21,041	-93,135	2,273,969	493,388	109,490	28,201,221
Transport equipment	88,356	10,441	-9,575	-18,082	2,628	25	73,793
Office equipment and tools	600,790	16,223	-27,436	17,850	3,393	-377	610,443
Other	115,131	5,508	-1,558	29,705	293	-27,651	121,428
Assets under construction	3,278,539	2,331,788	-2,564	-2,453,161	81,555	-25,446	3,210,711
	30,102,516	2,393,559	-141,256	-153,767	631,828	50,084	32,882,964

	Balance at 1 January Euro'000	Charge and Impairment loss for the year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	12,354	-4,094	-4,211	7,477	-2,964	144,266
Plant and machinery	10,962,464	928,277	-62,307	-93,146	48,576	34,329	11,818,193
Transport equipment	59,074	8,886	-12,461	-8,506	2,385	46	49,424
Office equipment and tools	441,004	64,557	-5,547	-27,299	2,871	-5,069	470,517
Other	69,464	3,372	-	-7,522	54	11,613	76,981
	<u>11,667,710</u>	<u>1,017,446</u>	<u>-84,409</u>	<u>-140,684</u>	<u>61,363</u>	<u>37,955</u>	<u>12,559,381</u>

The opening balances as at 1 January 2010 include the effect of the IFRIC 12 application with the restatement of comparative amounts as of 31 December 2009, of -5,684,190 thousand Euros (see note 45).

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2010. Additionally, the EDP Brasil subgroup carried out investments related to the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 61,184 thousand Euros of cost of acquisition and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 39). Additionally, this caption includes the effect of the changes in the application of IFRIC 12 in Brazil. These changes follow the clarifications provided by the Agência Nacional de Energia Elétrica (ANEEL) regarding the criteria to determine assets allocated to concessions.

Transfers from assets under construction into operation in 2010, refer mainly to wind farms of EDP Renováveis that became operational.

Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group in 2010, namely EDP Renewables Italia, and Repano Wind, and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, which has been consolidated under the full consolidation method, following the acquisition of an additional 12% interest.

The movement in Exchange differences in the period results mainly from the appreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the year ended 31 December 2010.

The movements in **Property, plant and equipment, for the Group**, for the year ended 31 December 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	129,936	1,926	-93	2,422	14,161	1,281	149,633
Buildings and other constructions	394,513	2,855	-1,400	8,448	69,892	-709	473,599
Plant and machinery	21,810,979	166,183	-21,065	2,470,615	192,278	777,478	25,396,468
Transport equipment	78,078	13,856	-11,825	2,321	5,840	86	88,356
Office equipment and tools	521,145	20,411	-146	48,424	4,777	6,179	600,790
Other	92,456	888	-19,991	1,880	-29	39,927	115,131
Assets under construction	3,505,873	2,695,229	-11,844	-2,534,110	64,608	-441,217	3,278,539
	<u>26,532,980</u>	<u>2,901,348</u>	<u>-66,364</u>	<u>-</u>	<u>351,527</u>	<u>383,025</u>	<u>30,102,516</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	112,915	10,756	-	-1,472	11,516	1,989	135,704
Plant and machinery	10,034,822	806,589	416	-16,427	35,356	101,708	10,962,464
Transport equipment	54,743	10,191	-	-11,062	4,964	238	59,074
Office equipment and tools	387,109	52,341	-	-94	4,845	-3,197	441,004
Other	53,324	3,023	-	-7,305	-29	20,451	69,464
	<u>10,642,913</u>	<u>882,900</u>	<u>416</u>	<u>-36,360</u>	<u>56,652</u>	<u>121,189</u>	<u>11,667,710</u>

Acquisitions include the investment in wind farms by the subgroups EDPR EU, in Europe, and EDPR NA, in the United States during 2009. Additionally, the Hidrocontábrico subgroup carried out investments related to the construction of the new CCGT Soto 5, as well as in new gas and electricity networks. In Portugal subgroup, in the energy distribution activity, investments were made in the electricity distribution network. In the Portuguese generation activity, the Group is carrying out hydroelectric investments on the construction of the new Baixo Sabor power station and on the power enhancement projects of Picote and Bemposta.

Transfers from assets under construction into operation in 2009, refer mainly to wind farms of EDP Renováveis that became operational and to the conclusion of the construction of CCGT Lares by the Portuguese Generation subgroup.

The Perimeter Variations/Regularisations include, among others, the effect of the 2009 acquisitions, by the EDPR EU subgroup, namely Mardelle, Quinze Mines, Vallé du Moulin, Renovatio Power and Aprofitament D'Energies Renovables de la Terra Alta, by the Naturgás subgroup, such as Gas Natural Cantabria, Gas Natural Murcia, GEM Suministro Gas, GEM Suministro Sur and GEM Suministro Servicios Comunes. This caption also includes 35,756 thousand Euros related with the effect of the Purchase Price Allocation for the companies acquired in 2009 namely, Elektrownia Wiatrowa Kresy, Bon Vent de L'Ebre, CENAEEL and Elebrás, subsidiaries of the EDP Renováveis Group.

The movement in Exchange differences for the period is essentially due to the appreciation of the Brazilian Real (BRL) against the Euro and the depreciation of the American Dollar (USD) against the Euro for the year ended 31 December 2009.

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As at 31 December 2010, Property, plant and equipment financed through lease contracts for the Group, amounts to 13,103 thousand Euros (12,133 thousand Euros at 31 December 2009), with accumulated depreciation of 4,186 thousand Euros (4,678 thousand Euros at 31 December 2009) and, the respective future lease payments amount to 7,572 thousand Euros (5,861 thousand Euros at 31 December 2009).

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2,857	146	3,003	2,325	97	2,422
Between one and three years	3,859	147	4,006	3,059	93	3,152
Between three and five years	548	15	563	279	8	287
	<u>7,264</u>	<u>308</u>	<u>7,572</u>	<u>5,663</u>	<u>198</u>	<u>5,861</u>

During 2010, the costs incurred with these assets amounted to 562 thousand Euros (31 December 2009: 607 thousand Euros) and are booked in the income statement under Maintenance and repairs.

The movements in **Property, plant and equipment, for the Company**, for the year ended 31 December 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	391	-1,887	-	813	24,569
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,788	754	-491	-	-	4,051
Office equipment and tools	98,114	6,476	-	164	-839	103,915
Other	14,246	-	-	66	-	14,312
Assets under construction	36,056	47,125	-	-230	-	82,951
	<u>224,360</u>	<u>54,746</u>	<u>-2,382</u>	<u>-</u>	<u>-26</u>	<u>276,698</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	443	-	-1,597	813	17,394
Plant and machinery	122	23	-	-	-	145
Transport equipment	1,483	754	-	-393	-	1,844
Office equipment and tools	72,757	9,405	-	-	-74	82,088
Other	8,701	1,421	-	-	-	10,122
	<u>100,798</u>	<u>12,046</u>	<u>-</u>	<u>-1,990</u>	<u>739</u>	<u>111,593</u>

The movements in **Property, plant and equipment, for the Company**, for the year ended 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,502	-	-	-	-	46,502
Buildings and other constructions	25,648	-	-1,222	-	826	25,252
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,262	1,358	-832	-	-	3,788
Office equipment and tools	85,001	5,991	-	7,054	68	98,114
Other	14,246	-	-	-	-	14,246
Assets under construction	26,834	16,276	-	-7,054	-	36,056
	<u>201,895</u>	<u>23,625</u>	<u>-2,054</u>	<u>-</u>	<u>894</u>	<u>224,360</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,647	469	-1,207	-	826	17,735
Plant and machinery	99	23	-	-	-	122
Transport equipment	1,469	687	-673	-	-	1,483
Office equipment and tools	68,354	4,335	-	-	68	72,757
Other	7,288	1,413	-	-	-	8,701
	<u>94,857</u>	<u>6,927</u>	<u>-1,880</u>	<u>-</u>	<u>894</u>	<u>100,798</u>

As at 31 December 2010 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,393 thousand Euros (3,177 thousand Euros at 31 December 2009), with accumulated depreciation of 1,318 thousand Euros (1,055 thousand Euros at 31 December 2009) and the respective future lease payments amount to 1,644 thousand Euros (1,751 thousand Euros at 31 December 2009). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	717	28	745	674	26	700
Between one and three years	816	25	841	949	25	974
Between three and five years	56	2	58	75	2	77
	<u>1,589</u>	<u>55</u>	<u>1,644</u>	<u>1,698</u>	<u>53</u>	<u>1,751</u>

During 2010, the costs incurred related to these assets amount to 155 thousand Euros (130 thousand Euros at 31 December 2009) and are booked under Maintenance and repairs in the income statement.

17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Industrial property, other rights and other intangibles	93,411	212,112	100	100
Concession rights	15,032,831	14,126,916	-	-
CO2 licenses	212,230	287,989	-	-
Intangible assets in progress	597,396	566,909	-	-
	<u>15,935,868</u>	<u>15,193,926</u>	<u>100</u>	<u>100</u>
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-445,768	-434,984	-	-
Amortisation of industrial property and other intangibles during the period	-5,788	-15,753	-8	-8
Accumulated amortisation in previous years	-8,870,173	-8,253,140	-68	-59
	<u>-9,321,729</u>	<u>-8,703,877</u>	<u>-76</u>	<u>-67</u>
Carrying amount	<u>6,614,139</u>	<u>6,490,049</u>	<u>24</u>	<u>33</u>

As referred under accounting policies - note 2 b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria S.A., GEM Suministro,S.L. and GEM Suministro Sur, S.L., in 2009, determined an increase of the fair value of Intangible assets of 21,529 thousand Euros and 1,013 thousand Euros, respectively, with reference to 31 December 2009.

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048, as well as the concession of the public hydric domain for hydroelectric generation.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straight line basis over the period of the concession, until 2032.

The movements in **Intangible assets** during 2010, for the Group, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles assets	212,112	3,235	-448	-135,925	11,841	2,596	93,411
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	63,727	-	1,254,421
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	43,924	-	-	-	14,867	470,228
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	218,001	-293,760	-	-	-	212,230
Intangible assets assigned to concessions	11,525,486	62,296	-31,348	470,825	281,624	-	12,308,883
Intangible assets assigned to concessions - in progress	254,238	329,721	-121	-337,842	11,302	-	257,298
Intangible assets not assigned to concessions - in progress	312,671	33,940	-4,010	-2,289	233	-447	340,098
	<u>15,193,926</u>	<u>691,117</u>	<u>-329,687</u>	<u>-5,231</u>	<u>368,727</u>	<u>17,016</u>	<u>15,935,868</u>



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	Balance at 1 January Euro'000	Charge for the Year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,729	5,788	-73,692	-305	5,680	-571	25,629
Concession rights	496,217	92,062	-	-	9,001	-	597,280
Intangible assets assigned to concessions	8,118,931	353,706	127,869	-14,812	113,126	-	8,698,820
	<u>8,703,877</u>	<u>451,556</u>	<u>54,177</u>	<u>-15,117</u>	<u>127,807</u>	<u>-571</u>	<u>9,321,729</u>

Transfers includes 97,814 thousand Euros that corresponds to the movement of the financial asset related with IFRIC 12 and also the impact of the change in the IFRIC 12 scope application in Brazil, which originated a transfer from tangible assets to this caption of 92,583 thousand Euros.

Acquisitions of CO2 Licenses as at 31 December 2010 includes 209,978 thousand Euros (31 December 2009: 234,817 thousands Euros) of CO2 licenses granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licenses is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousand Euros (31 December 2009: 366,115 thousand Euros) and 46,361 thousand Euros sold at market.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,924 thousand Euros (31 December 2009: 43,612 thousand Euros) relate to the power enhancement performed during the year. The movement in Perimeter variations/Regularisations of 14,867 thousand Euros (31 December 2009: 9,635 thousand Euros) relates to the update of the discount rate used in the calculation of the use rights to 6.66% (31 December 2009: 7.56%).

The movements in **Intangible assets** during 2009, **for the Group**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles	145,427	302	-6,855	49,014	27,694	-3,470	212,112
Concession rights							
Concession rights - Brazil	1,082,498	-	-	-	109,079	-883	1,190,694
Concession rights - Gas	152,232	-	-	-	-	-13,878	138,354
Use rights Alqueva/Pedrogão	377,460	43,612	-	-	-	-9,635	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	385,096	243,091	-366,115	25,917	-	-	287,989
Intangible assets assigned to concessions	10,792,886	-	-20,267	296,530	456,337	-	11,525,486
Intangible assets assigned to concessions - in progress	256,989	350,590	-	-393,367	40,026	-	254,238
Intangible assets not assigned to concessions - in progress	75,880	280,372	-	-49,014	2,737	2,696	312,671
	<u>14,129,413</u>	<u>917,967</u>	<u>-393,237</u>	<u>-70,920</u>	<u>635,873</u>	<u>-25,170</u>	<u>15,193,926</u>

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	64,953	15,753	-	-7,049	-	14,809	263	88,729
Concession rights	365,793	80,788	44,219	-	-	11,053	-5,636	496,217
Intangible assets assigned to concessions	7,548,201	309,977	-	-9,922	-	270,675	-	8,118,931
	<u>7,978,947</u>	<u>406,518</u>	<u>44,219</u>	<u>-16,971</u>	<u>-</u>	<u>296,537</u>	<u>-5,373</u>	<u>8,703,877</u>

In accordance with IFRS 3 - Business combinations, the adjustments resulting from the conclusion of the purchase price allocation performed during 2009 for the goodwill of Rôdão Power, Investco and Rede Lajeado resulted in a restatement of the comparative financial information which implied a decrease of 12,252 thousand Euros and an increase of 10,827 thousand Euros regarding Concession rights - Brazil and Other concession rights, respectively. The caption Accumulated amortisation and impairment losses - Concession rights was also restated with a decrease of 401 thousand Euros.

Accelerated depreciation / Impairment include the impairment booked through the dilution effect which resulted from the liquidation of EDP Energias do Brasil treasury stock of 44,219 thousand Euros, in accordance with Accounting policy — note 2 b).

Acquisitions of intangible assets in progress include 231,700 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Ocreza and Tâmega rivers, for a period of 65 years starting from the operation, of the hydroelectric power plants of Alvitto and Fridão.

In the caption Acquisitions of CO2 Licenses, transfers totalling 25,917 thousand Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidroantábrico Group, in order to cover the need for CO2 licenses arising from consumptions ("own use").

The movements in **Intangible assets in 2010**, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100
Accumulated amortisation:						
Industrial property and other rights	67	8	-	-	1	76
	67	8	-	-	1	76

The movements in **Intangible assets in 2009**, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100
Accumulated amortisation:						
Industrial property and other rights	59	8	-	-	-	67
	59	8	-	-	-	67

18. Goodwill

Goodwill for the Group, resulting from the difference between the acquisition value and the corresponding share of the fair value of the net assets acquired, at the acquisition date, is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Electric business:		
Hidroantábrico Group	952,387	969,050
EDPR EU Group	748,680	766,599
EDPR NA Group	592,915	550,868
Brazil Group	58,991	56,762
EDP Renováveis Brazil Group	1,699	1,501
Other (Portugal Group)	38,418	35,312
	2,393,090	2,380,092
Gas Distribution business:		
Naturgás Group	956,089	756,474
	3,349,179	3,136,566

During 2010, EDP Group performed the final allocation of the acquisition cost to the acquired assets, liabilities and contingent liabilities (PPA) of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Murcia Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. According to IFRS 3, any adjustment of the fair value of assets, liabilities and contingent liabilities that occurred in the subsequent period of 12 months, should be adjusted to the purchase date. As a consequence, the Group restated the goodwill value of EDPR Renewables Europe Group, as at 31 December 2009, in the amount of 1,324 thousand Euros (increase) and 24,590 thousands Euros (decrease) for the goodwill value of Naturgás group.



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The movements in **Goodwill** during the year ended 31 December 2010, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Electric business:							
Hidroantabrico Group	969,050	-	-16,663	-	-	-	952,387
EDPR EU Group	766,599	58,234	-72,170	-	-3,983	-	748,680
EDPR NA Group	550,868	-	-	-	42,047	-	592,915
Brazil Group	56,762	-	-	-	2,229	-	58,991
EDP Renováveis Brazil Group	1,501	-	-	-	198	-	1,699
Other (Portugal Group)	35,312	3,130	-24	-	-	-	38,418
	<u>2,380,092</u>	<u>61,364</u>	<u>-88,857</u>	<u>-</u>	<u>40,491</u>	<u>-</u>	<u>2,393,090</u>
Gas Distribution business:							
Naturgás Group	756,474	201,799	-2,184	-	-	-	956,089
	<u>3,136,566</u>	<u>263,163</u>	<u>-91,041</u>	<u>-</u>	<u>40,491</u>	<u>-</u>	<u>3,349,179</u>

The movements in **Goodwill** during the year ended 31 December 2009, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Electric business:							
Hidroantabrico Group	954,196	14,854	-	-	-	-	969,050
EDPR EU Group	735,229	39,383	-8,013	-	-	-	766,599
EDPR NA Group	569,777	-	-	-	-18,909	-	550,868
Brazil Group	57,288	-	-	-4,328	3,802	-	56,762
EDP Renováveis Brazil Group	-	1,225	-	-	276	-	1,501
Other (Portugal Group)	34,137	1,175	-	-	-	-	35,312
	<u>2,350,627</u>	<u>56,637</u>	<u>-8,013</u>	<u>-4,328</u>	<u>-14,831</u>	<u>-</u>	<u>2,380,092</u>
Gas Distribution business							
Naturgás Group	754,352	33,321	-31,199	-	-	-	756,474
	<u>3,104,979</u>	<u>89,958</u>	<u>-39,212</u>	<u>-4,328</u>	<u>-14,831</u>	<u>-</u>	<u>3,136,566</u>

Hidroantabrico Group

During 2010, the goodwill from Hidroantabrico Group decreased by 16,663 thousand Euros (31 December 2009: increase of 14,854 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renewables Europe Group

The goodwill held in EDP Renewables Europe Group, with reference to 31 December 2010 and 2009, is presented as follows:

	EDP Renewables Europe Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Genesa subgroup	408,554	477,522
Ceasa subgroup	117,637	117,513
EDPR Poland	23,266	25,410
Neo Galia subgroup	79,958	83,160
Romania subgroup	9,421	10,931
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
Italia subgroup	57,781	-
Other	3,174	3,174
	<u>748,680</u>	<u>766,599</u>

Genesa subgroup

The decrease in Genesa subgroup goodwill is related with the revaluation (in proportion of 20% of full equity valuation) of the put option of Caja Madrid over Genesa amounting to 68,968 thousand Euros (31 December 2009: increase of 36,139 thousand Euros).

In 2010, EDP Group increase its interest in share capital of Parque Eólico Altos del Voltoya, S.A. from 49% to 61% (see note 5) and concluded the purchase price allocation that led to the recognition of an operating income of 3,170 thousand Euros (see note 7).

Ceasa Subgroup

In 2010, the increase in Ceasa Group is related with an adjustment to the contingent price (124 thousand Euros) of Aprofitement D'Energies Renovables de la Terra Alta, S.A.

EDPR Poland subgroup

In 2010, the reduction of EDPR Polska subgroup goodwill (2,144 thousand Euros) results from the negative effect of exchange differences PLN/EUR (2,473 thousand Euros), which was compensated with the increase related with the acquisition of the 100% of share capital of Karpacka Mala Energetyka SP ZOO (329 thousand Euros). During 2010, the subgroup EDPR Poland acquired 100% of share capital of subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO and carried out the final PPA, that led to a recognition of an operating income of 15,000 thousand Euros, booked against operating income.

Neo Galia subgroup

The decrease in Neo Galia subgroup goodwill results from the reduction of the success fees payable estimation for the acquisition of the company EOLE 76 (3,202 thousand Euros).

Romania subgroup

In 2010, the reduction of goodwill of Romania subgroup (1,510 thousand Euros) results of the effect of exchange differences EUR/LEI.

EDPR Italy group

In 2010, EDP Group acquired, through its subsidiary EDP Renewables Europe (EDPR EU), 85% of the share capital of EDP Renewables Italy, S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remaining 15% of the company's share capital (see note 41). As a consequence, as at 31 December 2010, the EDP Group has consolidated 100% of EDP Renewables Italy, S.r.l., considering the put option as an anticipated acquisition of minority interests.

The goodwill of EDPR Italia subgroup (57,781 thousand Euros) results from the acquisition of the companies Italian Wind, S.r.l. (42,444 thousand Euros after the conclusion of the purchase price allocation), Repano, S.r.l. (46 thousand Euros) and Re Plus, S.r.l. (142 thousand Euros) and from the goodwill included in the financial statements of Italian Wind, S.r.l. (15,149 thousand Euros).

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determined in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 592,915 thousand Euros as at 31 December 2010 (31 December 2009: 550,868 thousand Euros), including transaction costs of 12,723 thousand Euros. The increase in this caption is related with the effect of exchange differences EUR/USD, which amounts to 42,047 thousand Euros (31 December 2009: decrease of 18,909 thousand Euros).

Brazil Group

The increase in Brazil Group goodwill of 2,229 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

EDP Renováveis Brazil Group

The increase in EDP Renováveis Brazil Group goodwill of 198 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

Other (Portugal group)

The variation of goodwill of the caption Other (Portugal Group) results essentially from the acquisition of an additional interest of 42% of the share capital of the company Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A. (2,626 thousand Euros) and from an anticipated acquisition of minority interests of the remaining 3% held by Martifer, as a result of the existence of a written put option held by this entity over EDP - Gestão da Produção, S.A. Additionally, it includes the effect of the acquisitions of 40% of Arquiled-Projetos de Iluminação, S.A. which generated a goodwill of 504 thousand Euros.

Naturgas Group

During 2010, the Naturgas goodwill increased 201,799 thousand Euros as a result of the revaluation of the liability related with the acquisition by Ente Vasco de la Energia (see note 37) of 29.43% of Naturgas Energia share capital.

The decrease in Naturgas goodwill is mainly related with the sale of the subsidiary Tecman (2,184 thousand Euros).

In 2009, the Naturgas Group acquired the companies Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. In 2010, the purchase price allocation related with these acquisitions was concluded, with the following impacts with reference to the date of acquisition:

	Book Value	PPA	Assets and liabilities at fair value
Property, plant and equipment	177.664	24.443	202.107
Other assets	41.657	23.495	65.152
Total Assets	219.321	47.938	267.259
Minority interests	3.831	-3.818	13
Deferred tax liabilities	5.554	11.499	17.053
Other liabilities	163.645	15.667	179.312
Total liabilities and minority interests	173.030	23.348	196.378
Net assets acquired	46.291	24.590	70.881
Acquisition cost	104.202		104.202
Goodwill	57.911		33.321



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Restatement related with Purchase Price Allocation (PPA):

During 2010, EDP Group restated the final allocation of the acquisition cost of the assets, liabilities and contingent liabilities acquired (PPA) from Bon Vent de L'Ébre, Kresy, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. Consequently, the Group restated the balance sheet captions as at 31 December 2009, as follows:

	31 Dec 2009 Before PPA	PPA reclassifica- tions	31 Dec 2009 After PPA
Property, plant and equipment	200,218	25,258	225,476
Intangible assets	42,757	22,542	65,299
Goodwill	-	-23,266	-23,266
Total Non-current Assets	242,975	24,534	267,509
Trade receivables	-	-508	-508
Debtors and other assets	-	1,461	1,461
Total Current Assets	-	953	953
Total Assets	242,975	25,487	268,462
Reserves and retained earnings	-	2,421	2,421
Minority interests	3,831	-3,096	735
Total Equity	3,831	-675	3,156
Provisions	-	1,628	1,628
Deferred tax liabilities	9,078	13,003	22,081
Trade and other payables	169,167	-2,508	166,659
Total Non-current liabilities	178,245	12,123	190,368
Trade and other payables	-	14,039	14,039
Total Non-current liabilities	-	14,039	14,039
Total Equity and Liabilities	182,076	25,487	207,563

Goodwill impairment tests

The recoverable amount of the goodwill of subsidiaries is assessed annually, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The recoverable amount calculation is made for each cash flow generating unit, identified in each country where EDP Group performs its activities, namely:

- EDP Brasil Group - Generation, Distribution and Supply;
- HC Energia Group (including Naturgás Group) - Generation, Distribution and Supply;
- EDPR EU Group - Wind generation;
- EDPR NA Group - Wind generation.

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments of the Group.

The cash flows were determined based on the production and consumption volume and estimated tariffs (EDP Brasil and Hidrocarbónico Groups) and installed capacity and tariff evolution prospects in the different markets / power purchase agreements (EDPR Group).

The period of considered cash flows corresponds to the useful life of the equipments (HC Energia, EDPR EU and EDPR NA Groups) or until the end of the concession (EDP Brasil Groups), if lower than the useful life.

The discount rates used (after tax) reflect the specific risks of each cash generating unit and are between 5.6% and 6.4% in HC Energia Group, 5.25% and 9.21% in EDPR Group and 8.68% and 9.1% in EDP Brasil Group.

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Historical acquisition cost	10,813,169	10,812,363
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,647,373	9,646,567
Impairment losses on equity investments in subsidiaries	-140,063	-110,724
	9,507,310	9,535,843

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2010	Dec 2009
	Net amount Euro'000	Net amount Euro'000
Investments in subsidiaries:		
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Comercial, S.A.	188,463	188,463
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,796	47,796
Energia RE	2,005	2,005
EDP Produção Bioelétrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroelétrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sávida, S.A.	4,452	4,452
EDP Investimentos, S.G.P.S., S.A.	46,592	46,592
EDP Imobiliária e Participações, S.A.	-	28,109
Balwerk, S.A.	1,686	1,686
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Inovação, S.A.	1,625	2,098
Other	1,956	1,907
	<u>9,507,310</u>	<u>9,535,843</u>

The decrease in Investments in subsidiaries (28,533 thousand Euros) results mainly from the impairment charge for the year in the investment in EDP Imobiliária e Participações, S.A. (28,109 thousand Euros).

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Associated companies:				
Investments in associates	147,008	175,409	137	45,535
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	<u>146,871</u>	<u>175,272</u>	<u>-</u>	<u>45,398</u>

As of 31 December 2010, for the Group, Investments in associates include goodwill of 33,454 thousand Euros (31 December 2009: 36,767 thousand Euros).

Investments in associates, for the Group, are analysed as follows:

	Group			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	64,294	-	57,132	-
DECA - Distribucion Eléctrica Centroamerica, S.A.	-	-	34,797	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	26,789	-	23,909	-
D. E. de Canarias, S.A.	11,566	-	11,235	-
Parque Eólico Altos del Voltoya, S.A.	-	-	8,995	-
Portsines - Terminal de Multipurpose de Sines, S.A.	6,236	-	7,489	-
ENEOP - Eólicas de Portugal, S.A.	12,869	-	6,907	-
Parque Eólico Sierra del Madero, S.A.	6,788	-	5,485	-
Subgroup Veinco Energia Limpia SL	4,790	-	4,792	-
Parque Eólico de Belmonte, S.A.	3,033	-	3,073	-
Hidroastur, S.A.	1,725	-	1,937	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	1,365	-	1,365	-
Carriço Cogeração, S.A.	607	-	1,102	-
Other	6,946	-137	7,191	-137
	<u>147,008</u>	<u>-137</u>	<u>175,409</u>	<u>-137</u>

EDP Group sold its 21% share capital of Distribuidora Electrica de Centro America Das (Deca II), together with the other shareholders of the company, Iberdrola and TECO (see note 13). Following this transaction, EDP, S.A. recognised in the company and consolidated accounts gains of 45,782 thousand Euros and 56,965 thousand Euros, respectively.

The participation in EDP's share capital in Parque Eólico Altos del Voltoya, SA increased 12% (from 49% to 61%) so this company in 2010 began to be consolidated by the full method.



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The movement in **Investments in associates**, for the Group, is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance as at 1 January	175,409	172,891
Acquisitions / Perimeter entries	3,904	7,248
Disposals	-33,229	-
Share of profit of associates	23,470	25,151
Dividends received	-20,074	-20,254
Exchange differences	6,523	-7,264
Transfers / Regularisations	-8,995	-2,363
Balance as at 31 December	147,008	175,409

Investments in associates, for the Company, are analysed as follows:

	Company			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies				
DECA - Distribuição Eléctrica Centroamerica, S.A.	-	-	45,398	-
Other	137	-137	137	-137
	137	-137	45,535	-137

During 2010, there were no movements in the impairment of Investments in associates.

21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	181,221	163,644	181,221	163,644
Ampla Investimentos e Serviços, S.A.	23,191	15,038	23,191	15,038
Banco Comercial Português, S.A.	72,901	104,118	-	-
Denerge - Desenvolvimento Energético, S.A.	18,398	15,563	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	48,220	55,883	48,220	55,883
Parque Eólico Montes de las Navas, S.L.	6,684	-	-	-
Sociedade Eólica de Andalucía, S.A.	10,832	11,766	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,253	25,636	-	-
Other	46,990	41,194	4,440	3,836
	443,965	443,117	257,072	238,401

At 31 December 2010, the investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., increased by 17,577 thousand Euros and 8,153 thousand Euros, respectively, as a consequence of the positive evolution in the listed market price of these shares. This increase in the fair value was booked against fair value reserves (see note 31).

At 31 December 2010, the investment held in BCP decreased by 32,243 thousand Euros, booked against fair value reserves in the amount of 28,036 thousand Euros and against impairment losses in the amount of 4,207 thousand Euros. During 2010, EDP acquired 1,750,000 shares of BCP at a price of 0.586 Euros per share for a total investment of 1,026 thousand Euros.

During 2010, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 7,663 thousand Euros and were booked against fair value reserves (see note 31).

In 2010, the movements in **Available for sale investments** are analysed as follows:

	Dec 2010						Balance at 31 December Euro'000
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Other variations Euro'000	
Ampla Energia e Serviços, S.A.	163,644	-	-	-	17,577	-	181,221
Ampla Investimentos e Serviços, S.A.	15,038	-	-	-	8,153	-	23,191
Banco Comercial Português, S.A.	104,118	1,026	-	-4,207	-28,036	-	72,901
Denerge - Desenvolvimento Energético, S.A.	15,563	-	-	-	478	2,357	18,398
EDA - Electricidade dos Açores, S.A.	8,213	-	-	-	-	-	8,213
Parque Eólico Montes de las Navas, S.L.	-	-	-	-	2,524	4,160	6,684
REN - Redes Energéticas Nacionais, SGPS, S.A.	55,883	-	-	-	-7,663	-	48,220
Sociedade Eólica de Andalucía, S.A.	11,766	-	-	-	-724	-210	10,832
Tagusparque, S.A.	2,062	-	-	-	-	-	2,062
Tejo Energia, S.A.	25,636	-	-	-	-383	-	25,253
Other	41,194	38,464	-32,083	-	-1,290	705	46,990
	443,117	39,490	-32,083	-4,207	-9,364	7,012	443,965

In 2009, the movements in **Available for sale investments** are analysed as follows:

	Dec 2009						Balance at 31 December Euro'000
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Other variations Euro'000	
Ampla Energia e Serviços, S.A.	68,939	-	-	-	94,705	-	163,644
Ampla Investimentos e Serviços, S.A.	9,073	-	-	-	5,965	-	15,038
Banco Comercial Português, S.A.	122,707	-	-17,351	-29,274	28,036	-	104,118
Denerge - Desenvolvimento Energético, S.A.	-	-	-	-	370	15,193	15,563
EDA - Electricidade dos Açores, S.A.	6,006	-	-	-	2,207	-	8,213
REN - Redes Energéticas Nacionais, SGPS, S.A.	52,332	-	-	-	3,551	-	55,883
Sociedade Eólica de Andalucía, S.A.	10,854	-	-	-	703	209	11,766
Sonaecom, S.A.	28,946	-	-28,946	-	-	-	-
Tagusparque, S.A.	1,097	-	-	-	965	-	2,062
Tejo Energia, S.A.	18,200	-	-	-	7,436	-	25,636
Other	32,733	17,869	-7,368	-15	991	-3,016	41,194
	<u>350,887</u>	<u>17,869</u>	<u>-53,665</u>	<u>-29,289</u>	<u>144,929</u>	<u>12,386</u>	<u>443,117</u>

In 2009, Other variations includes the transfer of 3.16% of the investment in Denerge - Desenvolvimento Energético, S.A. of 14,995 thousand Euros previously included under Assets held for sale.

Available for sale investments are booked at fair value being the changes from the date of acquisition recorded against fair value reserves (see note 31). The fair value reserves attributable to the Group as at 31 December 2010 and 2009 are analysed as follows:

	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	112,282	94,705
Ampla Investimentos e Serviços, S.A.	17,616	9,463
Banco Comercial Português, S.A.	-	28,036
Denerge - Desenvolvimento Energético, S.A.	848	370
EDA - Electricidade dos Açores, S.A.	1,322	1,322
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	22,400	30,063
Sociedade Eólica de Andalucía, S.A.	5,947	6,671
Tagusparque, S.A.	965	965
Tejo Energia, S.A.	18,898	19,281
Other	-273	1,017
	<u>182,529</u>	<u>191,893</u>

22. Deferred tax assets and liabilities

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Tax credits	96,546	110,310	-	-	96,546	110,310
Provisions	599,601	506,148	-	-	599,601	506,148
Financial instruments	150,575	77,900	65,674	69,043	84,901	8,857
Tangible and intangible fixed assets	263,221	251,212	47,528	10,807	215,693	240,405
Reinvested gains	-	-	8,258	8,083	-8,258	-8,083
Financial and available for sale investments	35,312	25,059	86,555	70,030	16,380	-44,971
Tariff adjustments and tariff deficit	65,081	303,349	113,038	168,501	-47,957	134,848
Reversal of regulatory assets and liabilities	10,540	18,196	-	-	10,540	18,196
Allocation of fair value to assets and liabilities acquired	22,030	30,944	758,015	703,215	-735,985	-672,271
Accounting revaluations	9,670	48,260	230,396	211,508	-220,726	-163,248
Deferred income relating to CMEC	-	-	245,274	222,871	-245,274	-222,871
Other temporary differences	5,795	39,773	44,373	57,654	-106,201	-17,881
Assets/liabilities compensation of deferred	-743,039	-749,816	-743,039	-749,816	-	-
	<u>515,332</u>	<u>661,335</u>	<u>856,072</u>	<u>771,896</u>	<u>-340,740</u>	<u>-110,561</u>

As referred under accounting policies - note 2 r), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.

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On a company basis, EDP, S.A. records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions	9,042	6,327	-	-	9,042	6,327
Financial instruments	28,442	33,123	31,218	47,736	-2,776	-14,613
Financial and available for sale investments	1,608	441	78,364	68,870	-76,756	-68,429
Accounting revaluations	10,691	9,043	13,132	12,023	-2,441	-2,980
Other temporary differences	5,005	4,193	-	4,987	5,005	-794
	<u>54,788</u>	<u>53,127</u>	<u>122,714</u>	<u>133,616</u>	<u>-67,926</u>	<u>-80,489</u>

The deferred tax movement, for the Group and for the Company, in 2010 and 2009 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
	Dec 2010 Euro '000	Dec 2009 Euro '000	Dec 2010 Euro '000	Dec 2009 Euro '000
Balance at 1 January	-110,561	-135,859	-80,489	60,716
Charges to the profit and loss account	-240,928	131,272	6,354	-54,519
Charges against reserves	37,433	-48,740	6,210	-26,632
Exchange differences and other variations	-26,684	-57,234	-1	-60,054
Balance at 31 December	<u>-340,740</u>	<u>-110,561</u>	<u>-67,926</u>	<u>-80,489</u>

As referred under accounting policies - note 2 a), in accordance with IFRS 3, in the period of 12 months following a business combination, the acquiring company may adjust the fair value of assets, liabilities or contingent liabilities, being those adjustments performed with effect from the date of acquisition.

The allocation of the fair value of assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre, S.L., Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. e GEM Suministro Sur, S.L., that occurred in 2009, implied an allocation of 13,003 thousand Euros to deferred tax liabilities, as at 31 December 2009 (see note 18).

Taxes recorded against reserves are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax				
Changes in fair value of derivative financial instruments	-1,782	-968	-1,782	-968
Gains/losses on the sale of treasury stock	-64	-366	-64	-366
	<u>-1,846</u>	<u>-1,334</u>	<u>-1,846</u>	<u>-1,334</u>
Deferred tax				
Financial instruments and fair value	10,419	-35,620	9,330	-17,014
Actuarial gains and losses	27,238	1,744	-	-
Changes in fair value of financial assets held for sale	-224	-14,864	-3,120	-9,618
	<u>37,433</u>	<u>-48,740</u>	<u>6,210</u>	<u>-26,632</u>
	<u>35,587</u>	<u>-50,074</u>	<u>4,364</u>	<u>-27,966</u>

The Group tax losses and tax credits carried forward are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Expiry date:		
2010	-	93
2011	344	348
2012	540	525
2013	1,659	2,132
2014	9,232	8,543
2015	28,971	32,415
2016 to 2029	1,338,613	831,430
Without expiry date	155,987	149,304
Without expiry date but limited to 30% of taxable income of each year	584,539	491,942
	<u>2,119,885</u>	<u>1,516,732</u>

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Merchandise	49,836	24,937	-	-
Advances on account of purchases	4,849	4,650	-	-
Finished and intermediate products	21,209	10,384	-	-
Sub-products, waste, residues and scrap	20,097	13,159	-	-
Raw and subsidiary materials and consumables:				
Coal	106,327	94,780	-	-
Fuel	27,991	41,041	-	-
Nuclear fuel	14,090	13,594	-	-
Other consumables				
CO2 licenses	51,745	11,351	51,745	11,351
Other	60,834	59,480	-	-
	<u>356,978</u>	<u>273,376</u>	<u>51,745</u>	<u>11,351</u>

CO2 licenses correspond to the amount of trading licenses held for sale, valued at market price against the income statement, as described in accounting policy 2 y).

24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	790,442	772,701	46,357	97,432
Spain	727,241	648,922	-	-
Brazil	354,640	332,441	-	-
U.S.A.	27,945	27,434	-	-
Poland	8,967	-	-	-
Other	11,106	12,429	-	-
Public Sector:				
Portugal				
State and official entities	16,360	16,674	-	-
Local government	37,455	33,769	-	-
Brazil				
State and official entities	9,004	8,306	-	-
Local government	23,475	20,132	-	-
Spain				
State and official entities	12,302	9,375	-	-
Local government	50,739	10,622	-	-
	<u>2,069,676</u>	<u>1,892,805</u>	<u>46,357</u>	<u>97,432</u>
Doubtful debts	276,312	231,359	9,960	9,941
Impairment losses	-276,312	-231,359	-9,960	-9,941
	<u>2,069,676</u>	<u>1,892,805</u>	<u>46,357</u>	<u>97,432</u>
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	32,553	38,386	-	-
Public Sector:				
Portugal - Local government	137,437	142,521	-	-
Brazil - Local government	8,831	-	-	-
	<u>178,821</u>	<u>180,907</u>	<u>-</u>	<u>-</u>
Impairment losses	-61,379	-66,086	-	-
	<u>117,442</u>	<u>114,821</u>	<u>-</u>	<u>-</u>
	<u>2,187,118</u>	<u>2,007,626</u>	<u>46,357</u>	<u>97,432</u>

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009 determined the allocation of 508 thousand Euros, with reference to 31 December 2009.



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The movement in **Impairment losses**, in 2010, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,514	-	47,800	-24,384	-20,897	-	130,033
Brazil	52,939	7,605	10,337	-218	-	1,521	72,184
Spain	24,651	-	22,343	-220	-	-753	46,021
Other	6	-	-	-6	-	-	-
Public sector :							
Portugal	90,068	-	1,261	-5,109	-	-	86,220
Brazil	609	70	253	-464	-	-	468
Spain	1,658	-	1,616	-	-	-509	2,765
	<u>297,445</u>	<u>7,675</u>	<u>83,610</u>	<u>-30,401</u>	<u>-20,897</u>	<u>259</u>	<u>337,691</u>

The movement in **Impairment losses**, in 2009, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,587	-	35,214	-14,275	-856	-20,156	127,514
Brazil	50,263	13,467	28,858	-740	-14,693	-24,216	52,939
Spain	15,667	-	6,827	98	-48	2,107	24,651
Other	-	-	-	-	-	6	6
Public sector :							
Portugal	94,969	-	314	-5,215	-	-	90,068
Brazil	624	182	-	-	-197	-	609
Spain	1,604	-	114	-568	-	508	1,658
	<u>290,714</u>	<u>13,649</u>	<u>71,327</u>	<u>-20,700</u>	<u>-15,794</u>	<u>-41,751</u>	<u>297,445</u>

The movement in **Impairment losses**, in 2010, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	19	-	-	9,960
	<u>9,941</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>9,960</u>

The movement in **Impairment losses**, in 2009, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	-	-	-	9,941
	<u>9,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,941</u>

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The caption Amounts receivable for concessions - IFRIC 12 in the amount of 468,071 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 a) and note 45).

The amounts receivable from Portuguese current and non-current tariff adjustments by 394,057 thousand Euros and 29,726 thousand Euros respectively (31 December 2009: 559,724 thousand Euros and 76,127 thousand Euros in current and non-current respectively), relate to the tariff adjustment (see note 3) from the Portuguese electric system (SEP) in 2010 and 2009 of regulated companies in Portugal.

The amount included in Dividends on a company basis is related with dividends granted by subsidiaries EDP - Gestão da Produção, S.A., EDP Distribuição, S.A. and Hidroantábrico of 185,000 thousand Euros, as well as reserves distribution of EDP - Gestão da Produção, S.A. and EDP Distribuição, S.A. (183,859 thousand Euros), which as at 31 December 2010 are outstanding.

The movement for the period in Amounts receivable from Portuguese tariff adjustments (Current and Non current) is analysed as follows:

	Current Euro'000	Non Current Euro'000
Balance as at 1 January 2009	10,444	1,435,033
Receipts through the electric energy tariff	-11,015	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-1,672,845
Tariff adjustment of 2008	-	49,435
Tariff adjustment for the exercise	-	748,172
Interest expense	571	76,056
Transfer from Non-Current to Current	559,724	-559,724
Balance as at 31 December 2009	<u>559,724</u>	<u>76,127</u>
Receipts through the electric energy tariff	-571,337	-
Tariff adjustment of 2009	20,147	-
Tariff adjustment for the exercise	295,821	29,726
Interest expense	13,575	-
Transfer from Non-Current to Current	76,127	-76,127
Balance as at 31 December 2010	<u>394,057</u>	<u>29,726</u>

On 5 March 2009 and 3 December 2009, EDP - Serviço Universal, S.A. entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus - Sociedade de Titularização de Créditos, S.A. ("Tagus"), of the rights to receive the full amount of the positive adjustments to the electricity tariffs, as endorsed by Decree-Law n.º 165/2008 of 21 August.

In the first operation, EDP - Serviço Universal, S.A. granted the rights to receive the non regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousand Euros. With the sale of those rights, EDP Group has received 1,204,422 thousand Euros, generating a loss of 22,969 thousand Euros including financial expenses incurred (see note 14).

In the second operation, was granted the right to receive the non regular tariff adjustments (tariff deficit) related to the estimated over cost concerning to generation in special regime related to 2009 of 447,469 thousand Euros. The transaction totalised 434,720 thousand Euros, net of expenses, and generated a loss of 12,749 thousand Euros (see note 14).

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	74,191	2,280	-2,666	1,099	8	74,912
	<u>74,191</u>	<u>2,280</u>	<u>-2,666</u>	<u>1,099</u>	<u>8</u>	<u>74,912</u>

As at 31 December 2010 the balance mainly includes the impairment losses booked for the receivable of telecommunications business (ONI Multimédia) of 55,640 thousand Euros as detailed in the caption Short term debtors - Current.

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	67,481	7,297	-831	166	78	74,191
	<u>67,481</u>	<u>7,297</u>	<u>-831</u>	<u>166</u>	<u>78</u>	<u>74,191</u>

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	908	6	-	-	-	914
	<u>908</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>914</u>

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	897	11	-	-	-	908
	897	11	-	-	-	908

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2010, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,839	-	19	-	2,858
	2,839	-	19	-	2,858

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2009, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,782	72	-15	-	2,839
	2,782	72	-15	-	2,839

26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	253,331	144,016	34,854	14,077
- Value added tax (VAT)	280,816	334,110	54,221	30,468
- Turnover tax (Brazil)	92,556	72,786	-	-
- Social tax (Brazil)	406	288	-	-
- Other taxes	13,376	6,441	3,255	-
	640,485	557,641	92,330	44,545

27. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Fixed income securities:				
Listed funds	35,335	33,012	-	-
Bonds and other listed fixed income securities	1	47,749	-	-
	35,336	80,761	-	-
Variable income securities:				
Listed funds	409	4,091	-	-
	409	4,091	-	-
	35,745	84,852	-	-

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cash:				
- Cash in hand	72	124	-	-
Bank deposits:				
- Current deposits	413,831	333,102	28,475	13,856
- Term deposits	1,038,821	613,506	114,200	-
- Other deposits	19,682	505	-	-
	1,472,334	947,113	142,675	13,856
Other short term investments:				
- Banks - Euros	5,893	915,156	-	877,500
- Banks - Other currencies	32,925	327,167	-	-
	38,818	1,242,323	-	877,500
Cash and cash equivalents	1,511,224	2,189,560	142,675	891,356

The caption Other short term investments includes very short term investments promptly convertible into cash.



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29. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.69% of the share capital of EDP, S.A.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each. Of this amount, 2,936,222,980 are class A shares and 720,314,735 are class B shares. The class B shares are held by Portuguese public entities.

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2009	3,656,538	501,992
Movements during the year	-	1,931
Balance as at 31 December 2010	3,656,538	503,923

The movement for the year in Share premium is related with the reimbursement of capital tax paid incorrectly in 2004, net of tax effect, when the share capital was increased, through a public offer reserved for EDP shareholders with preference rights, of 656,537,715 nominative shares.

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Net profit attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684	725,135,695	630,020,903
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684		
Weighted average number of ordinary shares outstanding	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Weighted average number of diluted ordinary shares outstanding	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Basic earnings per share from continuing operations (in Euros)	0.30	0.28		
Diluted earnings per share from continuing operations (in Euros)	0.30	0.28		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-33,619,187	-35,118,323	-32,106,187	-33,605,323
Average number of shares during the year	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Effect of stock options	690,252	1,038,669	690,252	1,038,669
Diluted average number of shares during the year	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061

30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Book value of EDP, S.A. treasury stock (thousand Euros)	115,731	119,784	109,636	113,689
Number of shares	33,324,941	34,212,975	31,811,941	32,699,975
Market value per share (in Euros)	2.491	3.108	2.491	3.108
Market value of EDP, S.A.'s treasury stock (thousand Euros)	83,012	106,334	79,244	101,632
Operations performed from 1 January 2010 to 31 December 2010:				
	EDP, S.A.	Energia RE		
Volume acquired (number of shares)	918,738	-		
Purchased price average (in Euros)	2.67	-		
Purchase total value (thousand Euros)	2,454	-		
Volume sold (number of shares)	-1,806,772	-		
Selling price average (in Euros)	2.66	-		
Sold total value (thousand Euros)	4,802	-		
Final position (number of shares)	31,811,941	1,513,000		
Highest market price (in Euros)	3.18	-		
Lowest market price (in Euros)	2.21	-		
Average market price (in Euros)	2.70	-		

The treasury stock held by EDP, S.A., is within the limits established by the Company's articles of association and by the 'Código das Sociedades Comerciais' (Companies Commercial Code). The treasury stock is stated at acquisition cost.

31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Legal reserve	502,888	471,387	502,888	471,387
Fair value reserve (cash flow hedge)	45,180	80,444	25,722	56,561
Tax effect of fair value reserve (cash flow hedge)	-10,069	-18,650	-7,909	-15,457
Fair value reserve (available-for-sale investments)	182,529	191,893	147,843	129,809
Tax effect of fair value reserve (available-for-sale investments)	-17,845	-17,790	-15,197	-12,077
Exchange differences arising on consolidation	312,823	165,859	-	-
Treasury stock reserve (EDP, S.A.)	109,636	113,689	109,636	113,689
Other reserves and retained earnings	1,605,761	1,244,149	1,163,205	1,124,095
	<u>2,730,903</u>	<u>2,230,981</u>	<u>1,926,188</u>	<u>1,868,007</u>

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.



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Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the year are as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2008	322,565	-275,601
Changes in fair value	179,756	-29,841
Transfer of impairment to profit or loss	-	29,289
Transfer to the income statement relating to assets sold	-34,275	-
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	28,899	-41,397
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 31 December 2010	495,872	-313,343

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2010 are analysed as follows:

	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	17,577	-
Ampla Investimentos e Serviços, S.A.	8,153	-
BCP	-	-32,243
Denerge - Desenvolvimento Energético, S.A.	478	-
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-7,663
Sociedade Eólica de Andalucía, S.A.	-	-724
Tejo Energia, S.A.	-	-383
Other	167	-384
	28,899	-41,397

Exchange difference on consolidation

Exchange difference on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

Currency		Exchange rates at Dec 2010		Exchange rates at Dec 2009	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.336	1.326	1.441	1.390
Brazilian Real	BRL	2.218	2.331	2.511	2.783
Macao Pataca	MOP	10.697	10.611	11.506	11.088
Quetzal	GTQ	10.708	10.708	12.003	11.332
Zloty	PLN	3.975	3.995	4.105	4.362
Lei	RON	4.262	4.212	4.236	4.245
Pound Sterling	GBP	0.861	0.858	0.888	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the booking amount of treasury stock held.

Dividends

On 16 April 2010, the Shareholders General Meeting of EDP, S.A. approved the dividend distribution to shareholders which occurred on 13 May 2010 over the net profit for the year 2009 in the amount of 566,763 thousand Euros, corresponding to a dividend of 0.155 Euros per share (including the treasury stock dividend amounting to 4,944 thousand Euros).

Proposal for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008 - Donations to Fundação EDP

In accordance with article 30, n.º 1 f) of EDP - Energias de Portugal, S.A. Articles, the General Assembly of Shareholders approved on 16 April 2010 and 15 April 2009, the proposals for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008, attributing for 2009 and 2008 annual donations to Fundação EDP of 6,000,000 Euros, in each year. The referred donations for IFRS accounting purposes were recognised as Donations in Other operating expenses (see note 10) in 2010 and 2009, respectively.

32. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Minority interests in income statement	155,676	144,102
Minority interests in reserves	2,774,725	2,540,339
	<u>2,930,401</u>	<u>2,684,441</u>

Minority interests, by company, are made up as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
EDP Renováveis Group	1,306,194	1,282,394
Energias do Brasil Group	1,570,666	1,346,792
Hidroantábrico Group	22,428	31,716
Other	31,113	23,539
	<u>2,930,401</u>	<u>2,684,441</u>

During 2010, EDP Group generated profits of 155,676 thousand Euros attributable to minority interests (31 December 2009: 144,102 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 16,876 thousand Euros, negative exchange differences of 4,772 thousand Euros and variations resulting from acquisitions and share capital increases attributable to minority interests totalling 12,316 thousand Euros.

The movement booked in minority interests of Energias do Brasil Group includes 132,329 thousand Euros of profits attributable to minority interests, 156,927 thousand Euros from the positive exchange difference and a decrease of 56,272 thousand Euros related to dividends paid. Additionally, during the year ended at 31 December 2010, the variation of fair value reserve associated to available for sale financial assets, has originated an increase in the minority interests of 258 thousand Euros and the effect of changes in actuarial losses net of taxes has originated a decrease in the minority interests of 9,190 thousand Euros.

The movement in minority interests of the Hidroantábrico Group includes, mainly, a decrease of 4,019 thousand Euros related to dividends paid.

The caption Other minority interests includes 30,120 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2009: 22,287 thousand Euros).

33. Hydrological account

The movements in the **Hydrological account** are analysed as follows:

	Group and Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	112,631	237,822
Amounts received / (paid) during the year	-41,272	-135,069
Financial charges	3,739	9,878
Balance at the end of the year	<u>75,098</u>	<u>112,631</u>

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up in 1994 when the actual EDP Group was owned by the State, through a charge against the income statement. In 2000, through a spin-off of EDP, REN was set up, and new regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's balance sheet.

As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the split of REN in June 2000, EDP, S.A. (the Group parent company) has paid to or received cash from REN, which is booked against the hydrological correction account in the balance sheet and the related financial charges are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above. Therefore, REN is effectively a pass-through entity for the purposes of the hydrological correction account.

In 2004, Decree-law 240/2004 was issued which establishes that, in respect to the free electricity market, the government must publish specific regulations applicable to the hydrological correction account. Based on these regulations and due to the government announcement mentioned above, the EDP Group's Executive Board of Directors expects with a high probability that the recorded liability, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP — Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements. At extinction date, and for purpose of extinction movement, until 31 December 2016, the government will incorporate a team/workforce composed by representatives of ERSE, of National Electricity Distribution Network (RND), of National Electricity High Tension Transport (RNT) and National Council of Consumption, to determine such final movements.

The nominal value of **Bond loans issued and outstanding**, as at 31 December 2010, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar/03	Euribor 6 months + 0.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
					<u>450,000</u>	<u>450,000</u>
Issued under the Euro Medium Term Notes program						
EDP, S.A.	Mar/01	Fixed rate EUR 5.875%	Fair Value	Mar/11	747,352	747,352
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	748,391	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	748,391	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	Fair Value	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	Net Investment	Jun/19	78,259	-
EDP Finance B.V.	Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000,000	-
EDP Finance B.V.	Sep/09	Fixed rate USD 4.90 %	Net Investment	Oct/19	748,391	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,839	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Jun/10	Variable Rate EUR (iv)	n.a.	Jun/11	500,000	-
					<u>9,429,294</u>	<u>747,352</u>
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov/01	IGPM + 10.5%	n.a.	Nov/11	15,047	-
Bandeirante	Apr/06	104.4% do CDI	n.a.	Mar/11	37,576	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	175,858	-
Escelsa	Jun/06	104.4% do CDI	n.a.	Jun/11	39,681	-
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	112,729	-
					<u>380,891</u>	<u>-</u>
					<u>10,260,185</u>	<u>1,197,352</u>

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.

(ii) Fixed in each year, varies during the useful life of the loan.

(iii) Part of this loan has associated interest rate swaps.

(iv) These issues correspond to private placements.

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Bank loans and overdrafts:				
Up to 1 year	562,399	324,586	28,853	52,513
From 1 to 5 years	4,644,826	4,012,942	170,592	131,155
More than 5 years	1,393,476	1,319,327	700,401	627,869
	<u>6,600,701</u>	<u>5,656,855</u>	<u>899,846</u>	<u>811,537</u>
Bond loans:				
Up to 1 year	1,590,549	820,699	786,380	34,726
From 1 to 5 years	4,232,741	3,232,718	140,382	891,685
More than 5 years	4,513,744	4,825,988	300,000	311,684
	<u>10,337,034</u>	<u>8,879,405</u>	<u>1,226,762</u>	<u>1,238,095</u>
Commercial paper:				
Up to 1 year	837,607	1,638,513	4,964,503	4,107,601
Other loans:				
Up to 1 year	13,896	10,683	-	-
From 1 to 5 years	50,866	42,921	-	-
More than 5 years	51,542	52,603	-	-
	<u>116,304</u>	<u>106,207</u>	<u>-</u>	<u>-</u>
	<u>17,891,646</u>	<u>16,280,980</u>	<u>7,091,111</u>	<u>6,157,233</u>

The fair value of EDP Group's debt is analysed as follows:

	Dec 2010		Dec 2009	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	3,004,451	2,764,591	2,794,481	2,547,504
Medium/Long term debt and borrowings - Non current	14,887,195	14,634,186	13,486,499	14,110,568
	<u>17,891,646</u>	<u>17,398,777</u>	<u>16,280,980</u>	<u>16,658,072</u>

In accordance with Accounting policies - note 2 f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements as in IAS 39, are stated at fair value. However, the remaining financial liabilities are booked at amortised cost.



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As at 31 December 2010, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	2,013,432	2,550,417	2,480,825	1,883,759	5,958,762	14,887,195
Short term debt and borrowings	3,004,451	-	-	-	-	-	3,004,451
	<u>3,004,451</u>	<u>2,013,432</u>	<u>2,550,417</u>	<u>2,480,825</u>	<u>1,883,759</u>	<u>5,958,762</u>	<u>17,891,646</u>

Future payments of capital in debt and interests and guarantees are detailed in note 41.

Future debt and borrowings payments and interest for type of loan and currency are analysed as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Bank loans:							
Euro	305,174	460,527	2,228,270	112,530	99,334	1,042,082	4,247,917
Brazilian Real	218,274	251,884	118,524	104,743	128,093	251,859	1,073,377
US Dollar	-	-	-	1,122,586	-	-	1,122,586
Others	38,951	2,855	4,008	4,855	6,617	99,535	156,821
	<u>562,399</u>	<u>715,266</u>	<u>2,350,802</u>	<u>1,344,714</u>	<u>234,044</u>	<u>1,393,476</u>	<u>6,600,701</u>
Bond loans:							
Euro	1,498,245	500,000	150,000	1,008,995	1,497,100	2,903,532	7,557,872
Brazilian Real	92,304	37,576	37,576	107,920	70,343	35,172	380,891
US Dollar	-	748,391	-	-	74,839	1,575,041	2,398,271
	<u>1,590,549</u>	<u>1,285,967</u>	<u>187,576</u>	<u>1,116,915</u>	<u>1,642,282</u>	<u>4,513,745</u>	<u>10,337,034</u>
Commercial paper:							
Euro	837,607	-	-	-	-	-	837,607
	<u>837,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,607</u>
Other loans:							
Euro	5,256	3,292	2,994	10,694	1,052	10,504	33,792
Brazilian Real	7,705	7,890	7,937	7,295	6,381	41,037	78,245
US Dollar	935	1,017	1,108	1,207	-	-	4,267
	<u>13,896</u>	<u>12,199</u>	<u>12,039</u>	<u>19,196</u>	<u>7,433</u>	<u>51,541</u>	<u>116,304</u>
	<u>3,004,451</u>	<u>2,013,432</u>	<u>2,550,417</u>	<u>2,480,825</u>	<u>1,883,759</u>	<u>5,958,762</u>	<u>17,891,646</u>

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions for social liabilities and benefits	1,104,406	1,109,347	-	-
Provisions for medical liabilities and other benefits	800,473	770,357	-	-
	<u>1,904,879</u>	<u>1,879,704</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 31 December 2010 include 1,093,075 thousand Euros relating to retirement pension defined benefit plans (31 December 2009: 1,095,981 thousand Euros) and 11,331 thousand Euros (31 December 2009: 13,366 thousand Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

The movement in Provisions for social liabilities and benefits is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	1,109,347	1,082,905	-	-
Charge for the year	56,705	62,274	-	-
Pre-retirements (curtailments)	31,248	32,757	-	-
Actuarial (gains)/losses	88,582	84,005	-	-
Charge-off	-186,690	-150,267	-	-
Transfers, reclassifications and exchange differences	5,214	-2,327	-	-
	<u>1,104,406</u>	<u>1,109,347</u>	<u>-</u>	<u>-</u>

The movement in **Provisions for Medical and other benefits** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	770,357	750,982	-	-
Charge for the year	49,201	49,955	-	-
Pre-retirements (curtailments)	1,916	1,736	-	-
Benefits Reduction	-4,805	-	-	-
Actuarial (gains)/losses	19,333	2,479	-	-
Charge-off	-42,851	-42,905	-	-
Transfers, exchange differences and "mútua"	7,322	8,110	-	-
Balance at the end of the year	800,473	770,357	-	-

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2010 and 2009, losses of 107,915 thousand Euros and of 86,484 thousand Euros, respectively.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement. The responsibilities with early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, a closed supplementary welfare entity with its own assets, segregated from those of its Sponsors (Bandeirante and other Brazilian electricity companies) and with no common contributions or funding between these funds:

- BD Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan.

- the BD plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement due to age, disability, and survivor pensions. Escelsa also has a special complementary retirement pension plan for war veterans.

As at 31 December 2010 and 2009 the number of participants covered by the pension plans was as follows:

	Portugal	Spain	Brazil	Portugal	Spain	Brazil
	2010	2010	2010	2009	2009	2009
Number of participants						
Retirees and pensioners	18,205	1,644	1,507	18,309	1,631	1,610
Active workers	6,384	1,294	1,975	6,608	1,263	1,951
	24,589	2,938	3,482	24,917	2,894	3,561

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

Assumptions	Dec 2010				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Expected return of plan assets	5.60%	not applicable	11.63%	11.63%	11.63%
Discount rate	5.00%	3.40%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	2,75% (CPI + 0,5%); In 2011 - 3% (CPI + 0,75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age >60 -- TV88/90 // Age <=60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	40.00%	not applicable	not applicable	not applicable	not applicable



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	Dec 2009				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	6.00%	not applicable	11.49%	11.49%	11.49%
Discount rate	5.20%	5% / 4,5%	11.20%	11.20%	11.20%
Salary increase rate	3.70%	2.75% (CPI+0.5%); In 2011 - 3% (CPI+0.75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2010.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2010 and 2009 is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207
Fair value of plan assets at the end of the year	-1,013,829	-	-277,036	-1,290,865
Asset ceiling	-	-	43,733	43,733
Provision at the end of the year	947,589	92,936	52,550	1,093,075
	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307
Fair value of plan assets at the end of the year	-1,011,986	-	-221,776	-1,233,762
Asset ceiling	-	-	27,436	27,436
Provision at the end of the year	972,779	91,679	31,523	1,095,981

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods.

The evolution of the present value of the plan liability and fair value of the plan assets of the related Funds is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for Pension Plans					
Liability at the end of the year	2,340,207	2,302,307	2,192,985	2,217,351	2,247,023
Fair value of plan assets at the end of the year	-1,290,865	-1,233,762	-1,146,273	-1,389,997	-1,316,748
Asset ceiling	43,733	27,436	20,841	-	-
Provision at the end of the year	1,093,075	1,095,981	1,067,553	827,354	930,275

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	11,939	-9,112	-33,781	7,315	-9,987
Experience adjustments for the Plan assets	-33,724	13,676	-136,929	-12,027	12,538

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	-3,238	2,701	4,693	4,907	-8,654
Experience adjustments for the Plan assets	4,244	5,160	-18,938	16,401	7,694

The past service liability of the pension plans for the Group, as at 31 December 2010 and 2009 is as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,984,765	91,679	225,863	2,302,307
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Benefits paid	-189,374	-10,689	-15,562	-215,625
Curtailements / Settlements	31,248	-	-	31,248
Actuarial losses and gains	23,178	6,582	17,254	47,014
Currency fluctuation	-	-	31,370	31,370
Other	-	24	975	999
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,930,534	93,990	168,461	2,192,985
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Benefits paid	-187,949	-7,984	-12,297	-208,230
Curtailements / Settlements	32,757	-	-	32,757
Actuarial losses and gains	101,453	2,559	-2,438	101,574
Currency fluctuation	-	-	49,955	49,955
Other	-8,849	-2,262	141	-10,970
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307

The components of consolidated net cost of the plans recognised in the year were as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Expected return on plan assets	-59,053	-	-27,136	-86,189
Curtailements / Settlements	31,248	-	-	31,248
Plan participants contributions	-	-	-	-
Net cost for the year	83,796	5,340	-1,183	87,953

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Expected return on plan assets	-61,085	-	-19,940	-81,025
Curtailements / Settlements	32,757	-	-	32,757
Plan participants contributions	-	-	-937	-937
Net cost for the year	88,491	5,376	1,164	95,031

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	1,011,986	-	221,776	1,233,762
Group contribution	31,043	-	7,888	38,931
Plan participants contributions	-	-	948	948
Benefits paid	-54,529	-	-15,372	-69,901
Actual return on plan assets	59,053	-	27,136	86,189
Actuarial gains/(losses)	-33,724	-	4,037	-29,687
Currency fluctuation	-	-	30,623	30,623
Assets value at the end of the year	1,013,829	-	277,036	1,290,865

The actuarial gains/losses in Brazil include the amount of 11,881 thousand Euros (28,087 thousand BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2009: 674 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 43,733 thousand Euros, converted at closing rate of BRL (96,987 thousand BRL). As at 31 December 2009 the value of the asset ceiling was 27,436 thousand Euros.

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	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	991,453	-	154,820	1,146,273
Group contribution	-	-	6,086	6,086
Plan participants contributions	-	-	805	805
Benefits paid	-54,228	-	-11,806	-66,034
Actual return on plan assets	61,085	-	19,940	81,025
Actuarial gains/(losses)	13,676	-	4,567	18,243
Currency fluctuation	-	-	47,364	47,364
Assets value at the end of the year	1,011,986	-	221,776	1,233,762

As at 31 December 2010 and 2009, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	19,256	548,353	233,230	165,430	47,560	1,013,829
31 December 2009	26,818	541,817	230,227	165,460	47,664	1,011,986

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	1.90%	54.09%	23.00%	16.32%	4.69%	100.00%
31 December 2009	2.65%	53.54%	22.75%	16.35%	4.71%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousand Euros at 31 December 2010 (124,722 thousand Euros at 31 December 2009). Bonds include the amount of 4,046 thousand Euros (2,227 thousand Euros as at 31 December 2009) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

	2010	2009
	Euro'000	Euro'000
Shares:		
EDP Renováveis	4,554	2,815
	<u>4,554</u>	<u>2,815</u>

Pension fund assets in Brazil as at 31 December 2010 and 2009 are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	-	226,577	42,779	1,255	6,425	277,036
31 December 2009	-	182,637	32,362	1,071	5,706	221,776

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	-	81.79%	15.44%	0.45%	2.32%	100.00%
31 December 2009	-	82.35%	14.59%	0.48%	2.58%	100.00%

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at the date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods the benefits are expected to be paid.

The expected return rate of assets for 2011 and subsequent years, in accordance with expectations in January 2011, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

Portugal	2010		Expected return rate for 2011 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	54.00%	4.40%	52.50%	4.10%
European shares	14.00%	7.90%	14.00%	8.00%
Global shares	9.00%	8.00%	10.00%	8.10%
Hedge Funds	3.00%	5.80%	3.00%	5.70%
Property	16.00%	6.90%	18.50%	6.40%
Other	4.00%	8.40%	2.00%	8.30%
Total	<u>100.00%</u>	<u>6.00%</u>	<u>100.00%</u>	<u>5.60%</u>

The real return rate of assets in 2010 was 2.55% (2009: 7.47%).

Brazil	2010		Expected return rate for 2011 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	82.40%	11.20%	82.40%	10.84%
European shares	-	-	-	-
Global shares	14.40%	13.29%	14.40%	16.31%
Hedge Funds	-	-	-	-
Property	0.60%	11.20%	0.60%	10.77%
Other	2.60%	10.77%	2.60%	10.77%
Total	100.00%	11.49%	100.00%	11.63%

As at 31 December 2010 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

Portugal	Expected future benefits to be paid			Total
	Pensions	Medical plans	Other benefits	
2011	187,280	20,411	15,916	223,607
2012	182,578	20,816	16,326	219,720
2013	176,410	21,276	16,685	214,371
2014	170,434	21,752	17,074	209,260
2015	161,908	22,286	17,667	201,861
2016	154,279	22,869	18,162	195,310
2017	148,862	23,564	18,954	191,380
2018	141,434	24,321	19,501	185,256
2019	136,882	25,117	20,021	182,020
2020	131,389	25,981	20,551	177,921

The contributions made in Portugal to the pension Funds in 2010 amounted to 31,043 thousand Euros (December 2009: were not made contributions to the pension Funds) and were fully paid in cash.

In 2010, the pensions paid by the Funds in Portugal totalled 54,529 thousand Euros (54,228 thousand Euros in December 2009).

Spain	Expected future benefits to be paid
	Other Benefits
2011	12,176
2012	13,065
2013	13,308
2014	7,632
2015	5,854
2016	5,121
2017	4,338
2018	3,557
2019	2,777
2020	2,000

In 2010, the pensions paid by the Funds in Spain totalled 10,689 thousand Euros (7,984 thousand Euros in December 2009).

The amount of 92,912 thousand Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 40,478 thousand Euros (31 December 2009: 37,801 thousand Euros) relating to provisions for revision of the collective labour agreement. The provision includes 52,434 thousand Euros (31 December 2009: 53,878 thousand Euros) related to responsibilities with pre-retirement before 31 December 2007.

Brazil	Expected future benefits to be paid			Total
	Pensions	Medical Plans	Other Benefits	
2011	36,941	3,509	262	40,712
2012	40,710	3,769	153	44,632
2013	44,257	4,044	393	48,694
2014	48,797	4,305	153	53,255
2015	52,671	4,596	197	57,464
2016	57,450	4,877	343	62,670
2017	62,782	5,130	195	68,107
2018	68,209	5,430	281	73,920
2019	73,500	5,738	157	79,395
2020	79,312	6,062	156	85,530

The contributions made to the pension Funds in 2010 amounted to 7,888 thousand Euros (6,086 thousand Euros in 2009) and were fully paid in cash.

The pensions paid by the Funds in 2010 totalled 15,372 thousand Euros (11,806 thousand Euros in 2009).

II. Defined contribution pension plan

Subsidiaries of EDP Group from Spain, Brazil and Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa and Energest in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

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The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Dec 2010		Dec 2009	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	5.00%	10.75%	5.20%	11.20%
Annual increase rate of medical service costs	4.00%	9,5% (b)	4.00%	9,5% (b)
Estimated administrative expenses per beneficiary per year (Euros)	175	not applicable	150	not applicable
Mortality table	Age >60 -- TV88/90 // Age<=60 years - - TV99/01	RP-2000 Geracional	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	RP-2000 Geracional
Disability table	50%EKV 80	Wyatt 85 Class 1	50% EKV 80	Wyatt 85 Class 1
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

(b) 9.5% in the first year, decreasing to 5.5% in 8 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2010 and 2009 is as follows:

	Portugal 2010	Brazil 2010	Portugal 2009	Brazil 2009
Number of participants				
Retirees and pensioners	18,205	1,918	18,300	856
Current employees	6,384	1,068	6,608	656
	<u>24,589</u>	<u>2,986</u>	<u>24,908</u>	<u>1,512</u>

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for medical care					
Liability at the end of the year	800,473	770,357	750,982	779,784	760,460
Provision at the end of the year	<u>800,473</u>	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Medical Care Plans are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	15,249	57,164	-4,160	-69,385	-9,693
	<u>15,249</u>	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Medical Care Plans is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	-7,931	-9,771	2,717	1,542	-2,853
	<u>-7,931</u>	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability						
Liability at the beginning of the year	741,722	28,635	770,357	734,934	16,048	750,982
Current service cost	6,965	144	7,109	6,622	166	6,788
Current interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Benefits reduction	-	-4,805	-4,805	-	-	-
Benefits paid	-37,885	-4,966	-42,851	-39,034	-3,871	-42,905
Curtailments / Settlements	1,916	-	1,916	1,736	-	1,736
Actuarial gains and losses	4,911	14,422	19,333	-6,338	8,817	2,479
Currency fluctuation	-	4,266	4,266	-	5,449	5,449
Other and "mútua"	3,056	-	3,056	2,661	-	2,661
Liability at end of the year	<u>758,314</u>	<u>42,159</u>	<u>800,473</u>	<u>741,722</u>	<u>28,635</u>	<u>770,357</u>
Provision at end of the year	<u>758,314</u>	<u>42,159</u>	<u>800,473</u>	<u>741,722</u>	<u>28,635</u>	<u>770,357</u>

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the net consolidated cost with this plan recognised during the year are as follows:

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	6,965	145	7,110	6,622	166	6,788
Interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Curtailement	1,916	-	1,916	1,736	-	1,736
Net cost for the year	46,510	4,608	51,118	49,499	2,192	51,691

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1%	-1%
Liabilities at the end of the year	758,314	811,605	714,388
2011 cost for the year			
Current service cost	7,130	8,075	6,405
Interest cost	37,008	39,673	34,812
	44,138	47,748	41,217

Medical Care Plan and Other Benefits in Brazil includes liabilities of 53,321 thousand Euros relating to medical care, which sensitivity analysis is as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1%	-1%
Liabilities at the end of the year	53,231	59,527	47,908
2011 cost for the year			
Current service cost	-	-	-
Interest cost	2,860	3,118	2,633
	2,860	3,118	2,633

36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provision for legal and labour matters and other contingencies	92,406	94,520	-	-
Provision for customer guarantees under current operations	108,480	28,561	-	-
Provision for other liabilities and charges	230,308	221,302	21,867	18,637
	431,194	344,383	21,867	18,637

The changes in the **Provisions for legal and labour matters and other contingencies** are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	94,520	116,528	-	-
Charge for the year	19,423	26,502	-	-
Reversals	-16,676	-10,354	-	-
Charge-off for the year	-10,005	-65,551	-	-
Other and exchange differences	5,144	27,395	-	-
Balance at the end of the year	92,406	94,520	-	-

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has reexpressed the comparative figures as at 31 December 2009 of the value of the Provisions for liabilities and charges in 1,628 thousand Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists in investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2010, the amount of this Tax contingency totals 200.5 million Euros.

Considering the analysis made and the technical advice received, and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes, as established in article 75, no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law at the date of the transaction.

Consequently, EDP Group is currently executing all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and a tax perspective. The Group intends to, at a final instance, call upon a judicial proceeding, if necessary.



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Provision for legal and labour matters and other contingencies of 92,406 thousand Euros, includes provisions for litigation in progress and other labour contingencies of 76,392 thousand Euros.

The provisions for legal litigations in process against subsidiaries of the EDP Group amounting to 76,392 thousand Euros (2009: 78,693 thousand Euros), relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 18,207 thousand Euros (2009: 15,607 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of approximately 11,200 thousand Euros;
- iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the public thoroughfare for the years 2004 and 2005 of 3,172 thousand Euros each year, in a total amount of 6,344 thousand Euros;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

The opening balance as at 31 December 2010 relating to tax litigation includes 9,564 thousand Euros relating to taxes to be returned to the Spanish State by the subsidiary Naturgás Distribucion for specific deductions made in the Basque Country under Norma Foral 7/1996 of 4 July, which establishes that 45% of the amounts invested in new fixed assets by residents in the Basque Country could be considered as tax deductible. The subsidiary applied the referred deductions, however, following a process brought by the European Community Authorities, a court decision was issued under which the entities making such deductions should return them to the State. The company awaits for the final court decision.

The movement in **Provision for customer guarantees under current operations** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	28,561	14,993	-	-
Charge for the year	85,698	30,992	-	-
Reversals	-680	-	-	-
Charge-off for the year	-14,366	-17,457	-	-
Other and exchange differences	9,267	33	-	-
Balance at the end of the year	108,480	28,561	-	-

Provisions for customer guarantees under current operations of 108,480 thousand Euros (2009: 28,561 thousand Euros) includes essentially provisions for commercial losses.

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	221,302	192,198	18,637	79,014
Changes in the consolidation perimeter	723	184	-	-
Charge for the year	29,024	34,828	7,927	187
Reversals	-13,211	-7,283	-2,509	-57,190
Charge-off for the year	-7,218	-36,211	-1,425	-7,500
Other and exchange differences	-312	37,586	-763	4,126
Balance at the end of the year	230,308	221,302	21,867	18,637

As at 31 December 2010, Provision for other liabilities and charges on a consolidated basis of 230,308 thousand Euros (31 December 2009: 221,302 thousand Euros) mainly includes the following situations:

- i) The Group holds a provision of 22,136 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it.
- ii) Provisions for dismantling of wind farms of 53,156 thousand Euros (2008: 63,956 thousand Euros) to cover the costs of returning the locations and land to their original state, from which 28,813 thousand Euros referring to the wind farms of the EDPR NA Group, 23,703 thousand Euros to the wind farms of the EDPR EU Group and 640 thousand Euros to the wind farms of the EDPR Brasil Group.
- iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of lands where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 (o), these provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Current:				
Suppliers	1,182,508	804,718	119,507	110,501
Property, plant and equipment suppliers	805,531	901,417	2,414	7,217
Advances from customers	86,935	29,500	43	43
Other payables:				
- Employees	32,579	56,949	8,023	6,901
- Supply of other goods and services	150,703	193,914	20,354	9,777
- Concession rents	16,729	15,822	-	-
- Amount payable to the regulatory entity in Brazil	26,710	11,988	-	-
- Amount to be invested in research and development - Brazil	26,573	16,449	-	-
- Amounts payable for electricity transactions in MIBEL	68,257	-	68,257	-
Payables - related companies	90,258	30,481	-	-
Payables from the Regulated Activity	87,517	40,159	-	-
Energetic efficiency program - Brazil	33,588	21,056	-	-
Holiday pay, bonus and other charges	97,246	96,606	510	587
Derivative financial instruments	27,310	88,745	87,216	132,349
Government grants and co-participation in investment in fixed assets	1,407	1,322	-	-
Accrued costs - Energy management business	53,812	17,132	179,481	102,176
Accrued costs - Energy purchase (PRE)	134,118	143,280	-	-
Accrued income - supply energy	24,572	20,395	-	-
Accrued costs relating to the fix network utilization tariff	30,464	72,140	-	-
CO2 emission licenses	170,919	341,446	-	-
Accrued costs - Subcontracts (EDPR NA)	52,775	22,841	-	-
Deferred income - CMEC	3,769	92,446	-	-
Amounts payable for tariff adjustments - Portugal	173,831	1,056,236	-	-
Amounts payable for tariff adjustments - Spain	55,009	65,231	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	467,188	621,941
Put options over minority interests liabilities	234,754	710,113	-	-
Amounts payable for the acquisition of companies	210,852	-	-	-
Other creditors and sundry operations	279,789	320,843	32,562	40,888
	<u>4,172,832</u>	<u>5,185,546</u>	<u>985,555</u>	<u>1,032,380</u>

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has restated the value of the Creditors and other liabilities - Medium / Long term and Short-term by -2,508 thousand Euros and 14,039 thousand Euros, respectively, as at 31 December 2009.

The caption Group companies on a Company basis includes 99,506 thousand Euros (2009: 558,061 thousand Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 170,387 thousand Euros, 55,398 thousand Euros and 84,492 thousand Euros, relating to debt financing obtained near EDP Renováveis, EDP Renewables Europe e Naturgás Energia Grupo, S.A., respectively (see note 43).

In the caption Put options over minority interests liabilities — current, as referred in accounting policy 2 b), the Group accounts for its put options regarding interests held by minority interests in group subsidiaries, at the acquisition date or in a subsequent date as an anticipated acquisition of those minority interests, booking a financial liability by the present value of the best estimate of the amount payable, regardless the exercise probability of the options. As at 31 December 2010 the liabilities with options over minority interests include a put option of Caja Madrid to EDPR EU regarding 20% of its interests in Genesa of 234,754 thousand Euros (31 December 2009: 303,722 thousand Euros). The option was exercised by Caja Madrid during the option exercise period.

- The timeframe is from 1 January 2010 to 2011, inclusive.
- The contract is for the total shares held by Caja Madrid in the Genesa Group (20%).
- The strike price will be reflected to the market value determined according to the shareholders agreement.

As at 31 December 2010, the assessment process that under the contract terms will serve as the basis for determining the put option exercise price was still in progress.

In 31 December 2009, the caption Put options over minority interests liabilities — current also includes a put option from Ente Vasco de la Energia to HC Energia of 30.4% of its interests in Naturgas totalling 406,391 thousand Euros.

The caption CO2 emission licenses includes 89,398 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 81,521 thousand Euros related to the HC Energia Group in Spain, regarding the CO2 consumptions made during the year.



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	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,062	10,893	11,062	10,893
Deposits received from customers and other debtors	32,859	37,670	3	3
Payables to associates	144,554	121,006	-	-
Suppliers of property, plant and equipment	10,056	6,789	1,791	1,888
Government grants for investment in fixed assets	563,477	413,897	-	-
Put options over minority interests liabilities	123,492	101,622	-	-
Amounts payable for tariff adjustments - Portugal	61,557	88,479	-	-
Energy sales contracts - EDPR NA	71,991	97,951	-	-
Deferred income - CMEC	377,508	381,278	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,644,048	1,353,612	-	-
Amounts payable for concessions	265,341	235,903	-	-
Derivative financial instruments	169,383	178,628	-	773
Payables - Group companies (EDP Finance BV)	-	-	3,207,855	2,809,277
Amounts payable for the acquisition of companies	210,859	21,230	-	-
Success fees payable related to companies acquisitions	76,621	53,034	-	-
Other creditors and sundry operations	57,009	50,753	2,003	1,907
	3,819,817	3,152,745	3,222,714	2,824,741

Deferred income - CMEC current and non current includes 381,277 thousand Euros (31 December 2009: 473,724 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) net of the amortisations of initial CMEC of the years 2007 to 2010 and including financial expenses (20,274 thousand Euros in 2010), as referred in note 14.

Subsidies for investment in fixed assets current and non current corresponds to the amount of customer contributions for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12).

In the caption Put options over minority interests liabilities medium / long term at 31 December 2010 the Group books the put options related to interests held by minority interests. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 84,149 thousand Euros (31 December 2009: 100,812 thousand Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 36,494 thousand Euros.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 December 2010 the captions amounts payable for the acquisition of companies - Current and Non current include the amounts of 210,852 thousand Euros and 210,859 thousand Euros, respectively.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flows models and market assumptions at 190,400 thousand USD, being booked as a non current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts under Other operational income (see note 7).

Amounts payable for concessions refers to the amounts payable, in the medium/long term, related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 168,049 thousand Euros as at 31 December 2010 (31 December 2009: 154,301 thousand Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 97,292 thousand Euros as at 31 December 2010 (31 December 2009: 81,602 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 27,310 thousand Euros and 169,383 thousand Euros, respectively, includes the trading and hedge portfolios (see note 40).

Success fees payable related to companies acquisitions refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás.

The caption Payables - Group companies (EDP Finance B.V.) non current on a company basis, of 3,207,855 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Amounts payable for tariff adjustments - Portugal current and non-current of 173,831 thousand Euros and 61,557 thousand Euros, respectively (2009: 1,056,236 thousand Euros in current and 88,479 thousand Euros in non current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal.

The movement for the period in Amounts payable for tariff adjustments - Portugal (Current and Non-Current) is analysed as follows:

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2009	300,073	-
Payment through the electricity tariff	-315,995	-
Tariff adjustment of 2008	-	34,144
Tariff adjustment of the year	-	1,109,252
Interest expense	15,922	1,319
Transfer from Non-Current to Current	1,056,236	-1,056,236
Balance as at 31 December 2009	1,056,236	88,479
Payments through the electric energy tariff	-1,080,476	-
Tariff adjustment of 2009	14,378	-
Tariff adjustment for the year	69,480	61,557
Interest expense	25,734	-
Transfer from Non-Current to Current	88,479	-88,479
Balance as at 31 December 2010	173,831	61,557

The caption Liability to institutional investors in corporate partnership is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Deferred income related to benefits provided	635,271	433,763
Liabilities arising from institutional partnerships in US wind farms	1,008,777	919,849
	<u>1,644,048</u>	<u>1,353,612</u>

EDPR NA book the receipts of institutional investors associated with wind projects as non-current liabilities under "Liabilities arising from institutional partnerships in US wind farms". This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 14).

During 2010 EDP Group, through its subsidiary EDPR NA, has secured 141 million of USD (approximately 106 million Euros) institutional equity financing from Wells Fargo Wind Holdings LLC ("Wells Fargo") in exchange for an interest in the Vento III portfolio, 99 million of USD (approximately 75 million Euros) in exchange for an interest in the Vento VIII portfolio and 85 million of USD (approximately 64 million Euros) for an interest in Vento VII portfolio.

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	149,183	599,032	-	483,912
- Withholding tax	59,045	40,186	234	277
- Social Security contributions	10,183	9,982	19	20
- Value added tax (VAT)	62,531	42,344	935	385
- Turnover tax (Brazil)	78,846	57,179	-	-
- Social tax (Brazil)	49,309	41,402	-	-
- Other taxes	143,259	137,881	-	-
	<u>552,356</u>	<u>928,006</u>	<u>1,188</u>	<u>484,594</u>

As at 31 December 2010, Other taxes include foreign taxes regarding HC Energia Group of 51,196 thousand Euros, Naturgas Group of 35,140 thousand Euros (31 December 2009: HC Energia Group 44,225 thousand Euros and Naturgas Group of 31,671 thousand Euros) and Energia do Brazil Group of 51,364 thousand Euros (31 December 2009: 55,347 thousand Euros).

39. Assets and liabilities classified as held for sale

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, is under accounting policies - note 2 u).

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidroantábrico	30,952	-	-	-
	<u>30,952</u>	<u>-</u>	<u>-</u>	<u>-</u>

In 2010, EDP Group has reclassified to held for sale the electricity lines and substations belonging to Hidroantábrico which results from the legal obligation to sell these electricity transport assets of Rede Eléctrica de España ("REE"). During 2010, EDP Group celebrated a sell contract related with those assets with REE in the amount of 57,8 million Euros, being the sale recognition pending of the Comisión Nacional de la Competencia approvals.

40. Derivative financial instruments

In accordance with IAS 39, the Group classifies the derivative financial instruments as a fair value hedge of an asset or liability recognised, as a cash flow hedge of recorded liabilities and forecast transactions considered highly probable or net investment hedged in foreign operations.

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In 2010 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			Total Euro'000
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	
Net Investment hedge						
Cross currency rate swaps	-	-1,074	-	59,627	-	59,627
	-	-1,074	-	59,627	-	59,627
Fair value hedge						
Interest rate swaps	86,470	-	750,000	1,250,000	-	2,000,000
Cross-currency interest rate swaps	-	-64,492	-	-	730,313	730,313
	86,470	-64,492	750,000	1,250,000	730,313	2,730,313
Cash flow hedge						
Commodities swaps	48,337	-7,750	690,479	57,968	-	748,447
Interest rate swaps	328	-26,962	106,102	169,197	288,748	564,047
Foreign exchange forwards	2,143	-36,203	476,597	253,468	-	730,065
	50,808	-70,915	1,273,178	480,633	288,748	2,042,559
Trading						
Commodities swaps	30,431	-4,789	2,261,956	269	-	2,262,225
Interest rate swaps	28,188	-28,411	489,976	-	845,683	1,335,659
Cross-currency interest rate swaps	13,299	-5,335	-	23,450	92,039	115,489
Currency forwards	3,580	-10,787	228,834	48,100	-	276,934
Commodities forwards	9,847	-10,367	735,631	-	-	735,631
OMIP futures	430	-523	77,852	-	-	77,852
	85,775	-60,212	3,794,249	71,819	937,722	4,803,790
	223,053	-196,693	5,817,427	1,862,079	1,956,783	9,636,289

In 2009 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			Total Euro'000
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	
Net Investment hedge						
Cross currency rate swaps	663	-94	-	-	75,098	75,098
	663	-94	-	-	75,098	75,098
Fair value hedge						
Interest rate swaps	82,347	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	34,388	-143,821	-	-	730,313	730,313
	116,735	-143,821	-	1,000,000	730,313	1,730,313
Cash flow hedge						
Commodities swaps	85,261	-465	566,141	56,018	-	622,159
Interest rate swaps	96	-23,721	35,355	215,156	216,988	467,499
Currency forwards	1,805	-23,236	319,364	442,444	-	761,808
	87,162	-47,422	920,860	713,618	216,988	1,851,466
Trading						
Commodities swaps	30,317	-1,634	1,009,027	8,372	-	1,017,399
Interest rate swaps	29,495	-23,240	9,082	-	837,532	846,614
Cross-currency interest rate swaps	-	-8,603	-	27,003	-	27,003
Currency forwards	2,672	-27,191	480,337	132,959	-	613,296
Commodities forwards	8,755	-10,989	82,926	-	-	82,926
Options purchased and sold	-	-1,157	-	-	-	-
OMIP futures	512	-3,222	487,695	34,374	-	522,069
	71,751	-76,036	2,069,067	202,708	837,532	3,109,307
	276,311	-267,373	2,989,927	1,916,326	1,859,931	6,766,184

The fair value of the derivative financial instruments is booked in Debtors and other assets (see note 25) and Creditors and other liabilities (see note 37), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use discount cash flows techniques usually accepted and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Hedged risk	2010		2009	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	-17,553	17,553	-2,286	2,286
- Fair value	Cross-currency interest rate swaps	Exchange and interest rate	49,210	-49,210	26,547	-26,547
- Cash flow hedge	Interest rate swap	Interest rate	-3,009	-	-3,242	-
- Cash flow hedge	Currency forwards	Exchange rate	-12,629	-	-29,177	-
- Cash flow hedge	Commodities swaps	Commodity prices	-44,209	-	79,498	-
			<u>-28,190</u>	<u>-31,657</u>	<u>71,340</u>	<u>-24,261</u>

The changes in the fair value reserve related to cash flow hedges in 2010 and 2009 were as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	80,444	-54,653
Fair value changes	-59,847	47,079
Transfers to results	24,583	88,018
Balance at the end of the year	<u>45,180</u>	<u>80,444</u>

The gains and losses on the financial instruments portfolio booked in the income statement in 2010 and 2009 are as follows:

	Group		Company	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Derivatives held for trading	-20,614	34,123	113,201	-10,474
Fair value hedges				
- Derivatives	31,657	24,261	-28,596	-2,852
- Hedged liabilities	-31,657	-24,261	28,596	2,852
Cash flow hedges				
- Transfer to results	-24,583	-88,018	27,094	-42,505
- Ineffectiveness	44	977	44	977
	<u>-45,153</u>	<u>-52,918</u>	<u>140,339</u>	<u>-52,002</u>

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2010 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,054,878	EUR	[5.01% - 0.49%]	[5.88% - 0.49%]
Interest rate swaps	735,658	USD	[5.82% - 2.09%]	0.46%
Interest rate swaps	109,170	PLN	5.41%	1.00%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.88% - 2.53%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	6,069	USD / BRL	[12.66% - 11.14%]	4.68%
CIRS (currency interest rate swaps)	92,039	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR/PLN	[2.96% - 2.86%]	1.01%
Exchange rate contracts				
Currency forwards	244,724	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2009 were as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,314,113	EUR	[5.01% - 0.19%]	[5.88% - 0.71%]
Interest rate swaps	246,614	USD	[5.82% - 2.09%]	0.43%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.74% - 2.51%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	27,004	USD / BRL	[10.25% - 9.44%]	4.86%
CIRS (currency interest rate swaps)	75,098	USD / JPY	6.84%	3.11%
Exchange rate contracts				
Currency forwards	226,989	BRL / USD		



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41. Commitments

Financial and real guarantees granted by the EDP Group, not included in the balance sheet as at 31 December 2010 and 2009, are analysed as follows:

Type	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Guarantees of a financial nature				
EDP, S.A.	381,332	396,175	381,332	396,175
Hidroantábrico Group	36,271	36,858	-	-
Brazil Group	13,244	46,587	-	-
EDP Renováveis Group	24,999	9,465	-	-
Other	3,711	3,720	-	-
	<u>459,557</u>	<u>492,805</u>	<u>381,332</u>	<u>396,175</u>
Guarantees of an operating nature				
EDP, S.A.	911,218	829,891	911,218	829,891
Hidroantábrico Group	348,543	324,839	-	-
Brazil Group	120,663	102,732	-	-
EDP Renováveis Group	1,893,862	1,613,885	-	-
Other (Portugal)	32,280	25,191	-	-
	<u>3,306,566</u>	<u>2,896,538</u>	<u>911,218</u>	<u>829,891</u>
Total	<u>3,766,123</u>	<u>3,389,343</u>	<u>1,292,550</u>	<u>1,226,066</u>
Real guarantees	<u>13,335</u>	<u>12,504</u>	-	-

The financial guarantees contracted include, at 31 December 2010 and 2009, 358,631 thousand Euros and 452,063 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 320,287 thousand Euros at 31 December 2010 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 120,404 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2010 and 2009, 553,274 thousand Euros and 439,030 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2010 and 2009 these loans amounted to 862,625 thousand Euros and 716,429 thousand Euros, respectively, and are included in the Group's consolidated debt.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the balance sheet) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 31 December 2010 and 2009, by maturity, as follows:

	Dec 2010				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	<u>71,793,576</u>	<u>9,514,638</u>	<u>15,957,600</u>	<u>12,852,301</u>	<u>33,469,037</u>
	Dec 2009				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	19,905,950	3,145,007	3,679,269	5,477,719	7,603,955
Finance lease commitments	7,178	2,957	3,862	359	-
Operating lease commitments	476,479	36,143	61,991	54,383	323,962
Purchase obligations	40,463,940	4,762,822	7,578,651	5,990,735	22,131,732
Other long term commitments	2,510,646	243,036	498,702	485,940	1,282,968
	<u>63,364,193</u>	<u>8,189,965</u>	<u>11,822,475</u>	<u>12,009,136</u>	<u>31,342,617</u>

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Europe, United States of America and Brazil.

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period-end.

Finance lease commitments relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include capital outstanding and interests.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated balance sheet (note 35).

As at 31 December 2010, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- Put option of Caja Madrid over EDP Renewables Europe, S.A. for 20% of its investment in Genesa. The option can be exercised between 1 January 2010 and 2011, being the price of exercising the option determined by shareholders agreement. This options was exercised during 2010;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over the shares held by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quiñeria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;
- Soporcel holds a call option over the shares held by EDP, exercisable on 30 September 2015, with an exercise price of 5 Euros, to be paid in proportion to the shares held by Alstom Portugal, S.A. and EDP Produção S.A.;
- Soporcel holds a call option exercisable at any time of the shares held by EDP Produção, S.A. in Soporgen. This option is exercisable at any time until 31 December 2014. The exercise price is fixed depending on the date of exercise of the option;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurrence of one of the following events:
 - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
 - When EDP Renewables Italy is able to build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Gant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousand Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remain shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousand Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2,67% of the share capital of Greenvoug and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2,67% of the share capital of Greenvoug and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousand Euros.

42. Share based payments

EDP implemented a stock option program applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote value enhancement.

EDP Group has the following three stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expire eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.

The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2008	1,117,485	2.21
Options exercised	105,088	
Options granted	-	
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 31 December 2010	605,477	2.22

Information regarding stock options as at 31 December 2010:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	2.94	605,477	438,389

During 2010 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the year ended at 31 December 2010, EDP Group granted treasury stocks to employees (744,935 shares) totalling 2,118 thousand Euros.



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43. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2010 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	915,977,598	25.05%	24.09%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	23,365,116	0.64%	0.61%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,340,958	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	123,241,223	3.37%	3.37%
Banco Espírito Santo Group	99,173,971	2.71%	2.71%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	97,247,888	2.66%	2.66%
EDP Group (Treasury stock)	33,324,941	0.91%	
Remaining shareholders	1,526,025,916	41.75%	
	3,656,537,715	100.0%	

The number of shares of EDP S.A. held by company officers in 2010 and 2009 are as follows:

	2010 Nr. of shares	2009 Nr. of shares
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,745	57,745
Executive Board of Directors		
António Luís Guerra Nunes Mexia	31,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	62,497	12,497
Nuno Maria Pestana de Almeida Alves	80,000	50,000
	222,613	112,613

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2010 was as follows:

	EBD Euro'000	GSC Euro'000
President	1,055	639
Members	5,287	870
	6,342	1,509

The remuneration of the members of the Executive Board of Directors includes a variable component of 2,007 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

During 2010 the costs incurred with the fees of the Statutory Auditor was 180,000 Euros.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries, which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

Balances and transactions with subsidiaries and associates

As at 31 December 2010, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Produção Bioelétrica	-	12,458	90	12,548
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Comercial	32,156	54,551	35,957	122,664
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás.Com	-	-	13,342	13,342
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Inovação	2,662	7,071	844	10,577
EDP Soluções Comerciais	-	-	6,588	6,588
EDP Renováveis	-	-	161,909	161,909
EDP Renewables Europe	-	-	8,162	8,162
EDP Serviço Universal	-	-	3,922	3,922
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Valor	-	-	4,743	4,743
EDP Energias do Brasil	-	-	10,643	10,643
Electrica Ribera del Ebro	-	-	813	813
Sávida	-	-	715	715
Energin	-	-	911	911
Hidrocantábrico Energia	-	-	1,512	1,512
HDC Gestion de Energia	-	14,433	-	14,433
Hidroelétrica del Cantábrico	1,841	131,313	7,371	140,525
EDP Internacional	2,295	1,349	749	4,393
Naturgas Comercializadora	-	-	4,226	4,226
Naturgas Energia Servicios	-	-	2,968	2,968
EDP Investimentos	1,137	15,000	538	16,675
Pebble Hydro	-	-	4,793	4,793
Portgás	-	-	1,168	1,168
Other	25	-	7,364	7,389
	325,149	6,242,157	1,394,625	7,961,931

As at 31 December 2009, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	17,741	265,000	1,604	284,345
EDP Produção Bioelétrica	-	13,045	94	13,139
EDP Gestão da Produção	2,459	3,693,962	213,626	3,910,047
EDP Energias do Brasil	-	-	14,947	14,947
EDP Distribuição	3,960	628,125	120,967	753,052
EDP Comercial	115,409	-	50,365	165,774
EDP Finance BV	-	15,183	1,190	16,373
EDP Gás.Com	-	-	3,902	3,902
EDP Imobiliária e Participações	4,349	206,622	505	211,476
EDP Inovação	3,893	2,545	269	6,707
EDP Soluções Comerciais	-	-	22,828	22,828
EDP Renováveis	-	-	17,016	17,016
EDP Serviço Universal	-	-	254,574	254,574
EDP Gás - SGPS	35,944	47,452	1,115	84,511
EDP Valor	-	-	13,837	13,837
Electrica Ribera del Ebro	-	-	8,443	8,443
Energin	-	-	1,135	1,135
EDP Renováveis Portugal S.A.	-	-	1,177	1,177
HDC Gestion de Energia	-	303,139	-	303,139
Hidroelétrica del Cantábrico	-	55,616	32,082	87,698
EDP Internacional	1,007	1,047	336	2,390
Labelec	-	-	2,138	2,138
EDP Investimentos	-	17,000	976	17,976
Soporgen	-	-	877	877
Other	-	-	5,910	5,910
	184,762	5,248,736	769,913	6,203,411



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As at 31 December 2010, the **debts** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	-	-	168,342	168,342
EDP Distribuição	-	-	45,341	45,341
EDP Comercial	-	-	1,548	1,548
EDP Estudos e Consultoria	6,624	-	6,220	12,844
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás.Com	-	-	4,286	4,286
EDP Imobiliária e Participações	-	-	2,731	2,731
EDP Inovação	-	-	4,981	4,981
EDP Soluções Comerciais	19,581	-	817	20,398
EDP Renováveis	-	170,387	-	170,387
EDP Renewables Europe	-	55,398	-	55,398
EDP Serviner	1,051	-	231	1,282
EDP Serviço Universal	-	-	230,712	230,712
EDP Valor	18,082	-	1,863	19,945
Electrica Ribera del Ebro	-	-	11,220	11,220
Hidroeléctrica do Guadiana	-	-	4,818	4,818
Hidroeléctrica del Cantábrico	-	5	32,071	32,076
Hidrocentrábrico Energia	-	-	2,992	2,992
Labelec	499	-	672	1,171
Naturgás	-	84,492	-	84,492
Natargas Comercializadora	-	-	2,513	2,513
EDP Gás III SGPS	62,488	-	277	62,765
ENERGIN	-	-	1,030	1,030
Soporgen	-	-	1,074	1,074
OPTEP	-	-	910	910
Sávida	13,816	-	361	14,177
Other	100	1	1,770	1,871
	122,241	3,585,252	571,238	4,278,731

As at 31 December 2009, the **debts** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	-	-	102,718	102,718
EDP Distribuição	-	-	16,041	16,041
EDP Comercial	-	-	6,354	6,354
EDP Estudos e Consultoria	3,284	-	6,562	9,846
EDP Finance BV	-	3,337,359	36,740	3,374,099
EDP Imobiliária e Participações	-	-	6,402	6,402
EDP Inovação	-	-	4,599	4,599
EDP Soluções Comerciais	38,123	-	-	38,123
EDP Renováveis	-	37,690	-	37,690
EDP Serviner	1,304	-	24	1,328
EDP Valor	31,308	-	792	32,100
Electrica Ribera del Ebro	-	-	28,933	28,933
Energim	-	-	2,446	2,446
Hidrocentrábrico Energia	-	-	1,219	1,219
Hidroeléctrica do Guadiana	-	-	1,143	1,143
Hidroeléctrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
EDP Renewables Europe	-	21,554	11,377	32,931
EDP Gás III SGPS	62,147	-	381	62,528
EDP Investimentos	1,919	-	-	1,919
Sávida	12,163	-	2	12,165
Soporgen	-	-	1,507	1,507
Other	-	-	704	704
	158,559	3,401,239	244,775	3,804,573

Expenses related to intra-Group transactions as at 31 December 2010, at Company level, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	43	-	902,490	902,533
EDP Distribuição	-	-	10,465	10,465
EDP Estudos e Consultoria	22	-	20,248	20,270
EDP Finance BV	-	183,957	12,066	196,023
EDP Gás.Com	-	-	8,476	8,476
EDP Inovação	-	-	4,081	4,081
EDP Renováveis	-	440	3,324	3,764
EDP Renewables Europe	-	-	12,518	12,518
EDP Valor	102	-	4,454	4,556
Electrica Ribera del Ebro	-	-	27,013	27,013
Hidrocantábrico Energia	-	-	7,124	7,124
Hidrocantábrico Serviços	-	-	1,021	1,021
Hidroeléctrica do Guadiana	-	-	32,360	32,360
Hidroeléctrica del Cantábrico	-	-	62,375	62,375
Naturgas Comercializadora, S.A.	-	-	2,513	2,513
Other	236	552	2,669	3,457
	403	184,949	1,113,197	1,298,549

Expenses related to intra-Group transactions as at 31 December 2009, at Company level, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	52	-	924,086	924,138
EDP Distribuição	1,398	-	8,642	10,040
EDP Estudos e Consultoria	22	-	20,098	20,120
EDP Finance BV	-	168,347	99,216	267,563
EDP Gás.Com	-	-	1,700	1,700
EDP Imobiliária e Participações	-	-	922	922
EDP Inovação	19	-	3,447	3,466
EDP Soluções Comerciais	781	-	180	961
EDP Renováveis	-	257	77,813	78,070
EDP Valor	217	-	5,405	5,622
Electrica Ribera del Ebro	-	-	44,890	44,890
Hidrocantábrico Energia	-	-	13,806	13,806
Hidroeléctrica do Guadiana	-	-	7,130	7,130
Hidroeléctrica del Cantábrico	-	-	47,934	47,934
Naturgás	-	850	-	850
EDP Renewables Europe	-	-	24,857	24,857
Other	109	131	1,446	1,686
	2,598	169,585	1,281,572	1,453,755

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Income related to intra-Group transactions as at 31 December 2010, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	135	7,375	71	7,581
EDP Gestão da Produção	2,007	206,868	44,975	253,850
EDP Energias do Brasil	-	-	5,595	5,595
EDP Distribuição	7,245	39,861	37,810	84,916
EDP Comercial	677	1,410	390,304	392,391
EDP Gás.Com	-	-	63,070	63,070
EDP Imobiliária e Participações	21	4,950	323	5,294
EDP Inovação	17	312	392	721
EDP Soluções Comerciais	134	-	26,588	26,722
EDP Renováveis	-	-	155,083	155,083
EDP Renewables Europe	-	-	18,233	18,233
EDP Serviço Universal	-	-	11,165	11,165
EDP Gás - SGPS	295	3,840	1,887	6,022
EDP Valor	-	-	8,167	8,167
EDP Finance BV	-	149	643	792
Electrica Ribera del Ebro	-	-	19,946	19,946
Hidroantábrico Distribución Eléctrica S.A.U.	-	-	2,123	2,123
Hidroantábrico Energia	-	-	2,395	2,395
HC Soluciones Comerciales	-	-	2,000	2,000
HDC Gestión de Energia	-	3,317	291	3,608
Hidroeléctrica do Guadiana	-	-	1,060	1,060
Hidroeléctrica del Cantábrico	-	-	43,429	43,429
Naturgas Energía Servicios	-	-	3,344	3,344
Naturgas Comercializadora	-	-	4,221	4,221
Other	43	861	8,359	9,263
	<u>10,574</u>	<u>268,943</u>	<u>851,474</u>	<u>1,130,991</u>

Income related to intra-Group transactions as at 31 December 2009, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
2007 Vento I LLC	-	-	743	743
Balwerk	54	9,646	144	9,844
EDP Produção Bioeléctrica	-	466	1	467
EDP Gestão da Produção	1,863	194,523	128,129	324,515
EDP Distribuição	6,097	70,299	39,554	115,950
EDP Comercial	682	-	253,211	253,893
EDP Finance BV	-	113	91,265	91,378
EDP Imobiliária e Participações	161	11,657	489	12,307
EDP Ásia - Investimento e Consultadoria	-	-	712	712
EDP Soluções Comerciais	1,106	-	29,757	30,863
EDP Renováveis	-	34,311	13,827	48,138
EDP Serviço Universal	-	-	16,049	16,049
EDP Gás SGPS	284	1,712	1,786	3,782
EDP Valor	-	-	9,298	9,298
Electrica Ribera del Ebro	-	-	16,602	16,602
Hidroantábrico Distribuição Eléctrica S.A.U.	-	-	1,000	1,000
Hidroeléctrica do Guadiana	-	-	1,577	1,577
Hidroeléctrica del Cantábrico	-	17	66,031	66,048
EDP Investimentos	-	797	-	797
Sávida	-	-	721	721
Other	75	577	4,632	5,284
	<u>10,322</u>	<u>324,118</u>	<u>675,528</u>	<u>1,009,968</u>

Assets and Liabilities with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	<u>175,490</u>	<u>16,422</u>	<u>159,068</u>

Assets and Liabilities with related companies at 31 December 2009, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	123,327	2,086	121,241
Jointly controlled entities	49,261	12,063	37,198
	<u>172,588</u>	<u>14,149</u>	<u>158,439</u>

Transactions with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	9,502	3,334	-887	-9
Jointly controlled entities	53,821	5,432	-23,638	-7,835
	<u>63,323</u>	<u>8,766</u>	<u>-24,525</u>	<u>-7,844</u>

Transactions with related companies at 31 December 2009, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	8,762	2,641	-1,871	-14
Jointly controlled entities	29,251	852	-20,002	-546
	<u>38,013</u>	<u>3,493</u>	<u>-21,873</u>	<u>-560</u>

44. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2010 and 2009, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2010			31 December 2009		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.01%	0.30%	10.90%	0.70%	0.25%	8.74%
6 months	1.23%	0.46%	11.61%	0.99%	0.43%	9.22%
1 year	1.51%	0.78%	12.04%	1.25%	0.98%	10.50%
2 years	1.56%	0.79%	12.27%	1.89%	1.42%	11.86%
3 years	1.89%	1.26%	12.15%	2.25%	2.06%	12.43%
4 years	2.20%	1.74%	12.04%	2.56%	2.58%	12.65%
5 years	2.49%	2.17%	11.95%	2.80%	2.98%	12.79%
6 years	2.74%	2.53%	11.89%	3.03%	3.29%	12.90%
7 years	2.93%	2.83%	11.85%	3.22%	3.54%	13.10%
8 years	3.09%	3.06%	11.87%	3.36%	3.70%	13.30%
9 years	3.21%	3.25%	11.88%	3.49%	3.85%	13.31%
10 years	3.32%	3.41%	11.90%	3.58%	3.97%	13.31%

Fair value of assets and liabilities as at 31 December 2010 and 2009 is analysed as follows:

	Group Dec 2010			Group Dec 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	443,965	443,965	-	443,117	443,117	-
Trade receivables	2,187,118	2,187,118	-	2,007,626	2,007,626	-
Derivative financial instruments	223,053	223,053	-	276,311	276,311	-
Financial assets at fair value through profit or loss	35,745	35,745	-	84,852	84,852	-
Cash and cash equivalents (assets)	1,511,224	1,511,224	-	2,189,560	2,189,560	-
	<u>4,401,105</u>	<u>4,401,105</u>	<u>-</u>	<u>5,001,466</u>	<u>5,001,466</u>	<u>-</u>
Financial liabilities						
Loans	17,891,646	17,398,777	-492,869	16,280,980	16,658,072	377,092
Trade payables	1,988,039	1,988,039	-	1,706,135	1,706,135	-
Derivative financial instruments	196,693	196,693	-	267,373	267,373	-
	<u>20,076,378</u>	<u>19,583,509</u>	<u>-492,869</u>	<u>18,254,488</u>	<u>18,631,580</u>	<u>377,092</u>

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.



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	31 December 2010			31 December 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	302,342	49,725	91,898	323,645	47,570	71,902
Derivative financial instruments	-	223,053	-	-	276,311	-
Financial assets at fair value through profit or loss	35,745	-	-	84,852	-	-
	<u>338,087</u>	<u>272,778</u>	<u>91,898</u>	<u>408,497</u>	<u>323,881</u>	<u>71,902</u>
Financial liabilities						
Derivative financial instruments	-	196,693	-	-	267,373	-
	<u>-</u>	<u>196,693</u>	<u>-</u>	<u>-</u>	<u>267,373</u>	<u>-</u>

As at 31 December 2010 and 2009, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2010	Dec 2009
Balance at beginning of year	<u>71,902</u>	<u>55,584</u>
Change in fair value reserve	7,964	17,277
Disposals	-	-1,168
Transfers and other changes	12,032	209
Balance at year end	<u>91,898</u>	<u>71,902</u>

45. Adoption of IFRIC 12 - Service concession arrangements

IFRIC 12 is designated to provide an accounting framework to businesses developed by operators in public-private infrastructure concessions with underlying services of public interest.

IFRIC 12 was adopted by the EU Commission on 25 March 2009 and applies to annual periods that begin after that date. In EDP, the application of this interpretation is mandatory from January 1, 2010, being mandatory the presentation of comparative information for the year of 2009.

IFRIC 12 applies to contracts of public-private concessions in which the grantor:

- Controls or regulates the type of services that can be provided using the underlying infrastructure;
- Controls or regulates the price at which services are provided;
- Controls / holds a significant interest in the infrastructure at the end of the concession.

Under IFRIC 12, a public-private concession will present, typically, the following characteristics:

- An infrastructure underlying the grant which is used to provide services;
- An agreement / contract between the grantor and operator;
- The operator provides a range of services during the concession;
- The operator receives a fee throughout the concession contract, either directly from the grantor or the users of the infrastructure, or both;
- Infrastructures are transferred to the grantor at the end of the concession, typically for free or even for reward.

In the business of **Generation of electricity**, IFRIC 12 applies to the operation of mini-hydroelectric generation plants (with regulated electricity prices), being applicable the Intangible Assets Model, as described in accounting policy 2 aa).

In the business of **Distribution of electricity**, IFRIC 12 applies to the High / Medium Voltage (RND) and Low Voltage (Municipalities - Local Authorities) concessions of EDP Distribuição and also to the electricity distribution concessions granted to the Brazilian subsidiaries Bandeirante and Escelsa, being for all cases applied the mixed model, as described in accounting policy 2 aa).

In the business of **Gas distribution**, IFRIC 12 applies to the concession attributed to EDP Gás in Portugal being applicable the mixed model, as described in accounting policy 2 aa).

In the business of **Electricity transportation**, IFRIC 12 applies to the Brazilian subsidiary Évrecy - Transmission, applying the Financial Model, as described in accounting policy 2 aa).

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 2aa) and 6).

The impacts of the adoption of IFRIC 12 are presented as follows:

Balance Sheet	31.12.2009 *	Adjustments	31.12.2009	01.01.2009	Adjustments	01.01.2009
	(Thousand Euros)	IFRIC 12	Adjusted		IFRIC 12	Adjusted
Assets						
Property, plant and equipment	24,118,996	-5,684,190	18,434,806	21,249,965	-5,359,898	15,890,067
Intangible assets	2,829,256	3,660,793	6,490,049	2,648,792	3,501,674	6,150,466
Goodwill	3,136,566	-	3,136,566	3,104,979	-	3,104,979
Investments in associates	175,272	-	175,272	172,754	-	172,754
Available for sale investments	443,117	-	443,117	350,887	-	350,887
Deferred tax assets	661,335	-	661,335	539,878	-	539,878
Trade receivables	114,821	-	114,821	112,044	-	112,044
Debtors and other assets	1,942,970	370,257	2,313,227	2,637,703	273,420	2,911,123
Total Non-Current Assets	33,422,333	-1,653,140	31,769,193	30,817,002	-1,584,804	29,232,198
Inventories	273,376	-	273,376	276,800	-	276,800
Trade receivables	1,892,805	-	1,892,805	1,646,613	-	1,646,613
Debtors and other assets	1,866,477	-	1,866,477	1,632,172	-	1,632,172
Tax receivable	557,641	-	557,641	544,740	-	544,740
Financial assets at fair value through profit or loss	84,852	-	84,852	83,227	-	83,227
Cash and cash equivalents	2,189,560	-	2,189,560	713,587	-	713,587
Assets classified as held for sale	-	-	-	30,828	-	30,828
Total Current Assets	6,864,711	-	6,864,711	4,927,967	-	4,927,967
Total Assets	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165
Equity						
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-119,784	-	-119,784	-126,532	-	-126,532
Share premium	501,992	-	501,992	501,992	-	501,992
Reserves and retained earnings	2,230,981	-	2,230,981	1,243,293	-	1,243,293
Consolidated net profit attributable to equity holders of EDP	1,023,845	-	1,023,845	1,091,529	-	1,091,529
Total Equity attributable to equity holders of EDP	7,293,572	-	7,293,572	6,366,820	-	6,366,820
Minority interests	2,684,441	-	2,684,441	2,200,605	-	2,200,605
Total Equity	9,978,013	-	9,978,013	8,567,425	-	8,567,425
Liabilities						
Financial debt	13,486,499	-	13,486,499	10,874,311	-	10,874,311
Employee benefits	1,879,704	-	1,879,704	1,833,887	-	1,833,887
Provisions	344,383	-	344,383	323,719	-	323,719
Hydrological correction account	112,631	-	112,631	237,822	-	237,822
Deferred tax liabilities	771,896	-	771,896	675,737	-	675,737
Trade and other payables	4,671,761	-1,519,016	3,152,745	4,862,651	-1,493,431	3,369,220
Total Non-Current Liabilities	21,266,874	-1,519,016	19,747,858	18,808,127	-1,493,431	17,314,696
Financial debt	2,794,481	-	2,794,481	3,812,014	-	3,812,014
Trade and other payables	5,319,670	-134,124	5,185,546	4,153,100	-91,373	4,061,727
Tax payable	928,006	-	928,006	388,462	-	388,462
Liabilities classified as held for sale	-	-	-	15,841	-	15,841
Total Current Liabilities	9,042,157	-134,124	8,908,033	8,369,417	-91,373	8,278,044
Total Liabilities	30,309,031	-1,653,140	28,655,891	27,177,544	-1,584,804	25,592,740
Total Equity and Liabilities	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165

* This column includes, under the terms of IFRS 3, the effect of the adjustments resulting from the final purchase price allocation of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L., which led to a reclassification of comparative financial information as of 31 December 2009, increasing the value of property plant and equipment by 25,258 thousand Euros, increasing the value of intangible assets of 22,542 thousand Euros, decreasing the goodwill by 23,266 thousand Euros, decreasing the value of trade and receivables (current) of 508 thousand Euros, increasing the value of trade and other payables of 1,461 thousand Euros, increasing reserves and retained earnings by 2,421 thousand Euros, decreasing noncontrolling interests by 3,096 thousand Euros, increasing provisions for liabilities and charges of 1,628 thousand Euros, increasing deferred tax liabilities by 13,003 thousand Euros, decreasing Trade and other payables (current) by 2,508 thousand Euros and increasing Trade and other payables (non current) by 14,039 thousand Euros.



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The impact of the adoption of IFRIC 12 in EDP Group's income statement is presented as follows:

	31.12.2009	Adjustments IFRIC 12	31.12.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Income Statement			
Turnover	12,198,183	-174	12,198,009
Cost of consumed electricity	-5,340,458	-	-5,340,458
Cost of consumed gas	-641,183	-	-641,183
Changes in inventories and cost of raw materials and consumables used	-1,111,229	-	-1,111,229
	<u>5,105,313</u>	<u>-174</u>	<u>5,105,139</u>
Other operating income / (expenses)			
Other operating income	224,790	-	224,790
Supplies and services	-768,202	-	-768,202
Personnel costs	-540,036	-	-540,036
Employee benefits	-158,353	-	-158,353
Other operating expenses	-500,564	-	-500,564
	<u>-1,742,365</u>	<u>-</u>	<u>-1,742,365</u>
Provisions	-74,685	-	-74,685
Depreciation and amortisation expense	-1,429,711	95,658	-1,334,053
Compensation of amortisation and depreciation	111,015	-95,484	15,531
	<u>-1,393,381</u>	<u>174</u>	<u>-1,393,207</u>
Gains / (losses) on the sale of financial assets	1,969,567	-	1,969,567
Other financial income	59,703	-	59,703
Other financial expenses	1,036,374	-	1,036,374
Other financial expenses	-1,523,083	-	-1,523,083
Share of profit in associates	25,151	-	25,151
Profit before income tax	<u>1,567,712</u>	<u>-</u>	<u>1,567,712</u>
Income tax expense	-399,765	-	-399,765
Net profit for the period	<u>1,167,947</u>	<u>-</u>	<u>1,167,947</u>
Attributable to:			
Equity holders of EDP	1,023,845	-	1,023,845
Minority interests	144,102	-	144,102
Net profit for the period	<u>1,167,947</u>	<u>-</u>	<u>1,167,947</u>
Earnings per share (Basic and Diluted) - Euros	<u>0.28</u>	<u>-</u>	<u>0.28</u>

The impacts of the adoption of IFRIC 12 per business are presented as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Intangible assets		
Concession rights		
Portugal		
Electricity		
Distribution	2,397,876	2,424,483
Generation	121,911	122,970
Gas	287,423	263,979
Brazil		
Electricity		
Distribution and transport	1,060,151	849,361
Tangible and intangible fixed assets not related to concessions	-6,067,419	-5,684,190
Receivables from concessions - IFRIC 12 - Non current	468,071	370,257
Total impact on assets	<u>-1,731,987</u>	<u>-1,653,140</u>
Allowances and asset investment - non current	-2,855,676	-2,672,251
Allowances and investment assets - current	1,123,689	1,019,111
Total impact on liabilities	<u>-1,731,987</u>	<u>-1,653,140</u>

The value of grants and contributions obtained related to investment assets was considered in the gross value of intangible fixed assets allocated to concessions - IFRIC 12 and the amortisation of these grants and contributions was considered in the accumulated amortisation of intangible fixed assets allocated to concessions - IFRIC 12.

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Amortisation of concession rights	353,706	309,977
Depreciation of tangible fixed assets	-458,637	-405,635
Compensation for depreciation	104,578	95,484
Other	353	174
Total impact on results	<u>-</u>	<u>-</u>

46. CO₂ licenses

The movements in the portfolio of CO₂ licenses are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses as at 1 January	415,685	1,373,457
Licenses granted free of charge	15,877,527	15,713,069
Licenses purchased	6,740,686	6,390,760
Licenses transferred (from own consumption to trading)	-8,094,155	-3,105,000
	14,939,743	20,372,286
Licenses to be returned (consumed)	14,699,504	19,956,601
Excess/(Lack) of licenses	240,239	415,685

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).

The movements in the portfolio of CO₂ licenses held for trading and classified as inventories are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses held for trading on 1 January	954,739	1,830,009
Licenses acquired in the market	6,280,700	5,860,583
Emission licenses transferred to the trading portfolio	8,094,155	3,105,000
Licenses sold	-11,398,266	-9,840,853
CO ₂ licenses held for trading on 31 December	3,931,328	954,739
CO ₂ Licenses for trading on 31 December 2010 (in thousand Euros)	51,745	11,351

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 II).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

47. Subsequent events

EDP receives the first part of Spanish tariff adjustments

On 13 January 2011, EDP Group announced that should receive through subsidiary Hidroeléctrica del Cantábrico, S.A, 102,5 million euros related with the first part of the amounts payable for tariff adjustments of Spain.

EDP issues a 5 years bond of 750.000.000 Euros

On 25 January 2011, EDP Finance BV issued and priced a Eurobond in the total amount of 750 million euros maturing in January 2016 with a coupon of 5,875%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

EDP contracts a 15 years loan of 300.000.000 Euros

On 10 February 2011, the EDP Group has contracted a loan of 300.000.000 Euros for a period of 15 years with the European Bank of Investment.

EDP issues a 3 years bond of 230.000.000 CHF

On 4 February 2011, EDP Finance BV issued and priced a Swiss Franc bond in the total amount of 230 million swiss franc maturing in February 2014 with a coupon of 3,5%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of reinforcing its financial flexibility.

48. Recent accounting standards and interpretations issued

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements can be analysed as follows:

IAS 39 (Amended) — Financial Instruments: Recognition and measurement — Eligible hedged items

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 - Financial Instruments: Recognition and measurement — Eligible hedged items, which is of mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on a hedged operation.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 1 (Amended) — First time adoption of the International Financial Reporting Standards and IAS 27 — Consolidated and Separate Financial Statements

The changes to IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective for periods beginning on or after 1 July 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

No significant impact in the Group resulted from the adoption of this amendment.



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IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards

The changes to IFRS 1 — First time adoption of the International Financial Reporting Standards are as follows:

- According to the amendments issued on 23 July 2009, entities with oil and gas activities transitioning to IFRSs are allowed to use carrying amounts for oil and gas assets determined under their previous accounting rules. Those entities that decide to use that exception should measure decommissioning, restoration and similar liabilities relating to oil and gas assets in accordance with IAS 37 — Provisions, contingent liabilities and contingent assets against retained earnings, with effective date of mandatory application of annual periods beginning on or after 1 January 2010, being allowed its early adoption.

- Realising that the relief regarding restatement of comparative disclosures in IFRS 7 concerning fair value measurements and liquidity risk if those comparative periods end before 31 December 2009 is not available to entities that apply IFRS for the first time, the aim of the amendment to IFRS 1 is to provide for an optional relief for those entities. Thus, to avoid the potential use of hindsight and to ensure that the first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRS that are included in Improving Disclosures about financial Instruments. This amendment occurred in January 2010 with effective date of mandatory application on the first financial year starting after 30 June 2010.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 2 (Amended) - Group Cash-settled Share-based Payment Transactions

The International Accounting Standards Board (IASB) issued in March 2010, the amended IFRS 2 - Group Cash-Settled Share-based Payment Transactions, with effective date of mandatory application of 31 December 2009.

This change to IFRS 2 clarifies how an individual subsidiary in a group should account the share-based payments in its financial statements.

The amendments make clear that:

- An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash;
- The expression "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 3 (Revised) - Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial statements

The International Accounting Standards Board (IASB) issued in January 2008 the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its early adoption.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as minority interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as component attributable to non-controlling interest on the fair value of the net assets acquired (as currently required); (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition; (iii) the costs directly related with the acquisition of a subsidiary will be directly accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, following the changes to IAS 27, the accumulated losses of a subsidiary will be attributed to the non-controlling interests (recognition of negative non-controlling interests) and when a subsidiary is sold with a subsequent loss of control, the remaining non-controlling interests are measured at the fair value determined at the date of the transaction.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 12 — Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 IFRIC 12 — Service Concession Arrangement. The EU endorsement of this interpretation was on 25 March 2009, which is mandatory for annual periods beginning on or after 29 March 2009. The IFRIC 12 applies to public-to-private service concession arrangements. Therefore IFRIC 12 shall be applied to EDP Group consolidated financial statements, from 1 January 2010, including the comparative amounts disclosed for 2009.

The IFRIC 12 applies to public-to-private service concession arrangements and establishes the accounting framework to the activity made by infrastructure operators under service concession arrangements, whose objective is to render a public service.

This interpretation is applicable when the grantor maintains the control of the services rendered by the operator, in what concerns its nature and type, maintains the control over the prices and controls any significant residual interest in the infrastructure comprised by the arrangement.

The Group EDP is evaluating the impact in its subsidiaries in Portugal and in other locations of adopting this interpretation. Following this assessment, the main activities which fall under the scope of IFRIC 12 are analysed as follows:

Portugal

In the distribution activity in Portugal, the concessions with the municipalities for the low-tension electricity, the State concession for the distribution of high and medium tension (EDP Distribuição), as well as the State concession for the distribution of low and medium pressure gas (EDP Gás) were identified. In the production of electricity were also identified exploration licenses of mini-hydric in EDP Produção and in Pebble Hydro Group, where the IFRIC 12 is applicable, and that will be reclassified under the application of this standard.

Brazil

It was identified that the distribution activity rendered under concessions falls under IFRIC 12, namely the concessions of Bandeirante and Escelsa.

The group presents the impact from the adoption of this interpretation in note 45.

IFRIC 17 — Distributions of Non-cash Assets to Owners

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 17 — Distributions of Non-cash Assets to Owners, with effective application date to years started after 1 July 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognised in profit and loss in the period of the distribution.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 18 — Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early adoption being allowed.

As such, IFRIC 18 shall be applied to the Group's financial statements starting after 1 January 2010.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The assets recognition and initial measurement;
- The identification of the identifiable services (one or more services in exchange for the transferred asset);
- Revenue recognition and;
- Accounting of money transfers from customers.

The Group presents the impact from the adoption of this interpretation in note 7.

Annual Improvement Project

In May, 2008, as referred previously IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 5 — Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

This standard will be adopted prospectively by the Group.

In May, 2009, the IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 2 - Share-based Payment, which is applicable from 1 Janeiro de 2010. The change clarified that an entity shall not apply this IFRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (Revised) - Business Combinations.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 5 - Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2010. This change clarifies (i) the specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; (ii) disclosures about measurement of assets and liabilities within a disposal groups that are not within the scope of the measurement requirement of the IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 8 - Operating Segments, which is applicable from 1 January 2010. The change established that the revenues from external customers should be reportable by segment. Segment information for prior years that is reported as comparative information for the initial year of application shall be restated to confront to the requirements if this IFRS, unless the necessary information is no available and the cost to develop it would be excessive.

No significant impact in the Group resulted from the adoption of this change.

- Change to IAS 1 - Presentation of Financial Statements, which is effective from 1 January 2010. The change establishes the conditions to account a current liability.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 7 - Statement of Cash Flows, which is effective from 1 January 2010. The change establishes that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 17 - Leases, which is effective from 1 January 2010. The change establish when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease. Regarding the transitional provisions an entity shall reassess the classification of land elements of unexpired leases at the date it adopts this amendments. Additionally, shall be recognised a lease newly classified as a finance lease retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 36 - Impairment of Assets, which is applicable from 1 January 2010. The change clarifies that each unit or group of units to which the goodwill is so allocated shall (i) represent the lowest level within the entity at which the goodwill is monitored for internal management purpose and (ii) not be larger than an operating segment as defined by paragraph 5 of IFRS 8-Operating Segments before aggregation.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 38 - Intangible Assets, which is applicable from 1 January 2010. The changes clarifies that can be developed techniques for estimating their initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs.

No significant impact in the Group resulted from the adoption of this change.



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- Changes to IAS 39 - Financial Instruments : Recognition and Measurement, which is effective from January 2010. The change establishes that this standard is not applicable to a forward contract between an acquirer and a selling shareholder to buy or sell an acquire that will result in a business combination at a future acquisition date and the term of the forward contract should not exceed a reasonable period normally necessary to obtain any required approvals to complete the transaction. The change also clarifies that a call, put, or prepayment option embedded in a host debt contract insurance is not closely related to the host contract unless (i) the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument or the carrying amount of the host insurance contract or (ii) the exercise price of a prepayment option reimburses the lender for an amount up to the approximate present value of lost interest for the remaining term of the host contract.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 9 - Reassessment of Embedded Derivatives, which is effective from 1 January 2010. The change establishes that this interpretation does not apply to embedded derivatives in contracts acquired in (i) a business combination, (ii) a combination of entities or businesses under common control as described in paragraphs B1-B4 of IFRS 3 (revised in 2008), or (iii) the formation of a joint venture as defined in IAS 31 — Interests in Joint Venture.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, which is effective from 1 January 2010. The changes establish that an hedging instrument(s) may be held by any entity or entities within the group, as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 relate to a net investment hedge are satisfied.

No significant impact in the Group resulted from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IAS 24 (Revised) - Related Party Disclosures

The International Accounting Standards Board (IASB) issued in November 2009, the IAS 24 (Revised) - Related Party Disclosures, with effective date of mandatory application of 1 January 2011, being allowed its early adoption.

This revised version simplifies the disclosure requirements for government related parties and clarifies the definition of a related party. Therefore, this standard establishes that the companies disclose in its financial statements the information regarding the transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The principal changes are the following:

- Partial exemption of the requirements on the paragraph 18 for transactions with government related entities ;
- Simplification of "Related Party" definition.

No significant impact in the Group resulted from the adoption of this change is expected.

IFRS 9 - Financial Instruments

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;
- Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value; and
- Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

The Group is evaluating the impact of adopting this standard.

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

The International Accounting Standards Board (IASB), issued in November 2009, amendments to IFRIC 14 — Prepayments of a Minimum Funding Requirement, with effective date of mandatory application of 1 January 2011, being early adoption allowed. These amendments were adopted by European Union in July 2010.

The amendment to IFRIC 14, is itself an interpretation of IASB 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The Group is evaluating the impact of adopting this standard.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

This interpretation cannot be applied if:

- the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder;
- the creditor and the entity are controlled by the same party or parties before and after the transaction, and the substance of the transaction includes an equity distribution from, or contribution to the entity;
- extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

This interpretation clarifies:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished ;
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the equity's profit or losses for the year.

The Group is evaluating the impact of adopting this standard.

IFRS 7 - Financial Instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, the IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets, with effective application date to years started after 1 July 2011, early adoption being allowed. This amendment was not adopted by the European Union.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets.

The adoption of this amendment will only have impact on the financial statements disclosures.

49. EDP Branch in Spain

The aim of "EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España" is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and a Coordination Committee.

The Executive Committee of EDP is composed of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Shared Services ("Direcção de Serviços Partilhados") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Generation, Distribution, Trading and Gas Coordination Committees are composed and chaired by the respective Directors from the Board of Executive Directors of EDP in order to ensure synergies with Spain and eliminate inefficiencies and redundancies.

The balance sheet of the Branch as at 31 December 2010 and 2009 is analysed as follows:

	EDP Branch	
	Dec 2010	Dec 2009
	Euro'000	Euro'000
Assets		
Property, plant and equipment	104	-
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Other debtors	144,462	1,478
Total Non-Current Assets	5,066,313	4,923,225
Trade receivables	15,253	16,157
Debtors and other assets	343,553	376,013
Tax receivable	20,211	10,442
Cash and cash equivalents	15,661	10,885
Total Current Assets	394,678	413,497
Total Assets	5,460,991	5,336,722



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	EDP Branch Dec 2010 Euro'000	Euro'000 Dec 2009 Euro'000
Equity	1,797,905	1,852,407
Financial debt	3,207,855	2,809,277
Total Non-Current Liabilities	3,207,855	2,809,277
Financial debt	33	22,771
Trade and other payables	454,192	651,760
Tax payable	1,006	507
Total Current Liabilities	455,231	675,038
Total Liabilities	3,663,086	3,484,315
Total Equity and Liabilities	5,460,991	5,336,722

50. Environmental matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2010 and 2009 are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	47,108	59,062
Biodiversity and landscape protection	16,831	16,150
Waste management	2,250	1,485
Research and development in the environmental area	508	-
Soil, subterranean and superficial water protection	866	1,104
Residual water management	349	1,403
Noise and radiation reduction	107	27
Other environmental management and protection activities	6,923	7,439
	<u>74,942</u>	<u>86,670</u>

Investments recognised in Air and climate protection as Property, plant and equipment in 2010 include costs incurred by EDP Produção of 42,152 thousand Euros. The main assets correspond to gas desulphurisation and denitrification equipment of the Sines thermoelectric plant, which at 31 December 2010, had a net book value of 283 million Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	8,624	9,582
Biodiversity and landscape protection	2,992	3,635
Waste management	2,433	3,477
Research and development in the environmental area	352	2,765
Soil, subterranean and superficial water protection	2,957	1,577
Residual water management	1,487	106
Noise and radiation reduction	138	296
Other environmental management and protection activities	4,452	10,747
Other expenses	99	43
	<u>23,534</u>	<u>32,228</u>

Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of land where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to the accounting policy referred in note 2 o), these provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2010, the provisions amount to 53,156 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 22,136 thousand Euros (see note 36).

During the year 2010, EDP Group incurred in fines and other penalties for breaching environmental regulations of 36 thousand Euros.

Environmental income recognised in 2010 relates to the sale of environmental subproducts of 3,477 thousand Euros, the sale of environmental waste of 2,238 thousand Euros and public environmental protection incentives of 1,854 thousand Euros.

51. Segmental reporting

A business segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services within a particular economic environment which is subject to risks and returns that are different from those of components operating in other economic environments.

The Group develops a set of activities in the energy sector in Portugal and abroad, with special emphasis in generation, distribution and supply of electricity and distribution and supply of gas.

The Group internal reporting system produces reports with business segments organised by geography and responsibility area for each member of the Board of Directors.

Based on these reports, the Board of Directors assumes the function of Chief Operating Decision Maker ("CODM"), evaluating the performance of the various segments and deciding on resource allocations to each identified segment.

The Group manages its activities based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other Operations.

The segments defined by the Group are the following:

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP - Energias do Brasil
- Iberian Gas
- Other Operations

The EDP Group makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

The **Iberian Generation** segment corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.
- Eléctrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Grupo 4, S.A.
- Patrimonial de La Ribera del Ebro, S.L.

The **Iberian Distribution** segment corresponds to the activities of electricity distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- Fuerzas Eléctricas Valencianas, S.A.
- Electra de Llobregat Energia, S.L.
- HDC Explotacion Redes
- Hidroantábriico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the Iberian distribution activity. This segment includes, namely, the following companies:

- EDP Comercial - Comercialização de Energia, S.A.
- Hidroantábriico Energia, S.A.U.
- EDP Soluções Comerciais, S.A.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDP Renewables Europe and EDPR NA subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Energias do Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

The **Gas** segment includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

- EDP Gás, SGPS
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Gas de Euskadi Transporte de Gas, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Grupo, S.A.

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The balance sheet captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement captions for each business segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.



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52. Companies in the Consolidation perimeter

The companies included in the consolidation perimeter are presented in the Appendix I.

53. Explanation added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

52. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2010 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Portugal									
Group Parent Company and Related Activities:									
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	289,251	279,805	9,446	18,327	7,404	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435 EUR	3,338	3,047	291	-	-679	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	15,625	10,920	4,705	37,972	1,683	100.00%	100.00%
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715 EUR	14,984,228	7,971,649	7,012,578	3,485,356	783,989	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	201,759	204,027	-2,268	7,069	-5,439	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	13,941	12,368	1,573	4,427	-718	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006 EUR	263,205	168,786	94,419	28,098	22,853	100.00%	-
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000 EUR	309,988	112,217	197,771	20,074	8,425	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	58,129	46,027	12,102	59,232	1,721	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000 EUR	4,327	3,421	906	-	-167	100.00%	-
EDP Internacional S.A.	Lisbon	50,000 EUR	11,315	8,736	2,579	6,130	1,574	100.00%	100.00%
Labelec - Estudos, Desenvolvimento e Atividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	13,910	9,636	4,275	11,587	-304	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100 EUR	162,512	145,009	17,503	31,978	14,252	100.00%	-
Sávida - Medicina Apoiada de Energia, S.A.	Lisbon	450,000 EUR	19,397	14,369	5,028	34,680	1,172	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	168	107	61	337	-3	100.00%	-
Electricity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	7,534,253	5,369,147	2,165,106	1,604,530	375,614	100.00%	100.00%
Energim, S.A.	Lisbon	50,000 EUR	40,972	40,718	254	4,753	513	65.00%	-
FSIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	42,634	42,295	339	23,626	301	51.00%	-
Greenvauga - Soc. Gestora do Aproveitamento Hidroelétrico de Ribeiro-Ermida,S.A.	Oliveira de Frades	1,000,000 EUR	17,642	15,059	2,583	-	-116	100.00%	-
Empresa Hidroelétrica da Guadiana, S.A.	Lisbon	48,750,000 EUR	473,731	453,555	20,176	44,324	2,377	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	6,145	4,904	1,241	17,754	17	100.00%	-
Sopargem, S.A.	Lisbon	50,000 EUR	28,804	21,075	7,729	38,783	1,277	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoelétricas, S.A.	Carregado	250,000 EUR	2,714	1,504	1,210	3,534	115	100.00%	-
Renewable Energies:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	755,714	683,702	72,013	135,201	33,908	77.53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50,000 EUR	11,885	9,080	2,805	3,195	1,026	46.51%	-
Eólica de Montenegro, Lda	Vila Paiva de Aguiar	50,000 EUR	25,844	20,749	5,095	4,889	1,513	38.84%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000 EUR	14,566	12,008	2,558	2,556	664	38.84%	-
Malhadizes, SA	Oporto	50,000 EUR	24,727	24,178	549	4,883	399	77.53%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	4,182,977	3,696,619	486,357	3,422,051	242,384	100.00%	100.00%
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695 EUR	220,031	204,914	15,118	750,694	-8,246	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	132	98	35	-	-15	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Massama	50,000 EUR	6,456	8,452	-1,997	2,332	-2,337	100.00%	-
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000 EUR	2,539	2,077	462	4,894	43	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	1,446,518	1,412,613	33,905	4,142,670	931	100.00%	-
Gas Supply and Distribution:									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	92,444	73,651	18,793	441,039	16,706	100.00%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998 EUR	7,046	3,921	3,125	3,741	730	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	27,522	21,901	5,621	101,166	2,072	71.97%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	14,537	13,790	748	372	86	60.00%	-
EDP Gás III S.G.P.S., S.A.	Lisbon	5,500,000 EUR	63,286	34,877	28,409	2	-738	100.00%	-
EDP Gás II S.G.P.S., S.A.	Lisbon	5,000,000 EUR	53,635	18,940	34,695	893	154	100.00%	-
EDP Investimentos, S.G.P.S., S.A.	Lisbon	5,489,000 EUR	62,311	16,683	45,628	938	344	100.00%	100.00%
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	348,437	260,650	87,787	72,179	20,913	71.97%	-
Related Activities:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	93,386	93,389	-3	166,688	5,603	100.00%	100.00%
Other Activities:									
EDP - Projectos S.G.P.S., S.A.	Lisbon	50,000 EUR	257	784	-527	-	-577	100.00%	100.00%
FCIE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000 EUR	7	516	-509	1	-8	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000 EUR	1,858	64,654	-62,797	16	-104	100.00%	-
OPTEP S.G.P.S., S.A.	Lisbon	5,500,000 EUR	22,428	880	21,547	1,831	-137	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	81	180	-100	-	-150	100.00%	-
Spain									
Parent Company and Related Activities:									
EDP Renováveis, S.A.	Oviedo	4,361,540,810 EUR	8,173,091	3,072,575	5,100,517	518,282	44,091	77.53%	62.02%
EDP Renovables Europe, S.L.	Oviedo	30,000,000 EUR	4,704,748	4,550,885	153,863	240,783	-20,674	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	6,165,312	4,047,273	2,118,039	1,652,717	47,783	100.00%	96.60%
Electricity - Spain:									
Electricity Generation:									
Ceprastur, AIE	Oviedo	360,607 EUR	417	6	411	-	-4	44.01%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	1,349	442	907	1,807	144	50.00%	-
Cogeneración Monjuic, S.L.U.	Bilbao	1,250,000 EUR	4,311	1,701	2,609	544	340	100.00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	12,084	7,390	4,694	360	117	70.00%	-
Eléctrico de la Ribera del Ebro, S.A.	Pamplona	5,000,000 EUR	351,802	313,269	38,532	177,814	-15,196	100.00%	-
Energia e Industria de Toledo, S.A.	Madrid	2,139,603 EUR	2,998	6,407	-3,410	5,239	340	90.00%	-
Fuerzas Eléctricas de Valencia, SA	Sagunto	1,021,700 EUR	9,302	10,959	-1,657	526	-936	100.00%	-
Central Térmica Ciclo Combinado Grupo 4	Oviedo	2,117,000 EUR	195,996	222,897	-26,902	86,993	-22,069	75.00%	-
HC Soluciones Comerciales, S.A.	Oviedo	60,300 EUR	20,296	13,764	6,532	46,024	6,460	100.00%	-
HDC Explotación Centrales, S.A.U.	Oviedo	60,150 EUR	36,789	55,534	-18,745	1,184	-1,423	100.00%	-
HDC Explotación Redes, S.A.U.	Oviedo	70,000 EUR	2,432	1,985	448	6,382	158	100.00%	-
HDC Gestión de Energía, S.A.U.	Oviedo	5,078,029 EUR	709,320	222,710	486,611	17,073	7,542	100.00%	-
Hidrocarbónico Servicios, S.A.	Oviedo	60,150 EUR	3,642	2,515	1,127	9,050	107	100.00%	-
Instalaciones Eléctricas Rio Isabena, S.L.	Zaragoza	3,006 EUR	5,172	4,712	461	605	172	90.02%	-
Millenium Energy, S.L.	Bilbao	2,830,247 EUR	202,523	201,545	978	280	-367	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150,000,000 EUR	704,009	47,147	656,862	30,691	20,527	100.00%	-
Rasacal Cogeneración, S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Ciclo Combinado Soto 5, S.L.	Oviedo	1,000,000 EUR	321,067	325,278	-4,211	15,433	-5,153	100.00%	-
HC Tudela Cogeneración, S.L.	Careno	306,030 EUR	7,838	7,538	300	42	4	50.10%	-
Renewable Energies:									
Acampo Atlas,S.L.	Zaragoza	3,314,300 EUR	23,278	20,559	2,719	2,637	-270	76.12%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	22,622	21,406	1,216	692	-232	37.75%	-
Agrupación Eólica, S.L.U.	Zaragoza	649,836 EUR	81,002	46,417	34,585	2,351	1,209	77.53%	-
Parque Eólico Plano de Artajona, S.L.U.	Zaragoza	12,024 EUR	67	58	9	-	-	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,532	369	1,163	514	162	58.79%	-
Cia. Eléctrica de Energías Renovables Alternativas, S.A.U.	Zaragoza	69,116 EUR	74	20	55	-	-	77.53%	-
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza	86,480 EUR	85	1	84	-	-	77.53%	-
Hidrocarbónico Congeneración, S.L.	Oviedo	2,914,650 EUR	43,666	18,582	25,084	29,733	769	100.00%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	3,005 EUR	48,986	48,978	8	1,633	-	46.52%	-
Parc Eólic Coll de la Garganta, S.L.	Barcelona	1,693,010 EUR	42,415	40,722	1,693	1,008	-	77.53%	-
Eólica Curiscoo Pumar, S.A.	Madrid	60,200 EUR	84,301	83,509	792	11,151	718	77.53%	-



notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Spain									
Electricity - Spain:									
Renewable Energies:									
Desarrollo Eólico Almarochal, S.A.U.	Cádiz	2,061,190 EUR	19,481	15,465	4,015	3,444	686	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cádiz	1,712,369 EUR	11,253	7,211	4,042	2,615	803	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600 EUR	46,162	24,396	21,766	1,614	256	46.52%	-
Desarrollo Eólico de Corme, S.A.	La Coruña	3,666,100 EUR	9,826	1,048	8,779	3,871	1,329	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruña	61,000 EUR	79,667	64,975	14,692	16,709	4,257	77.53%	-
Desarrollos Eólicos de Galicia, S.A.	La Coruña	6,130,200 EUR	13,374	2,592	10,782	4,161	1,044	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	67,646	51,275	16,371	15,641	4,834	77.53%	-
Desarrollos Eólicos Promoción, S.A.	Sevilla	8,061,000 EUR	69,064	2,422	66,643	11,895	11,688	77.53%	-
Desarrollo Eólico Robosera, S.A.	Huesca	7,560,950 EUR	35,042	23,424	11,618	7,632	2,569	73.65%	-
Desarrollos Eólicos, S.A.	Sevilla	1,056,225 EUR	60,154	43,181	16,973	5,969	-1,152	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cádiz	5,799,650 EUR	11,367	1,414	9,954	5,240	1,953	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	268	208	60	58	79	39.54%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	51,803	49,998	1,805	9,321	1,802	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	32,077	31,204	873	5,510	691	77.53%	-
Eólica Alfoz, S.L.	Madrid	10,000 EUR	181,015	182,190	-1,175	13,512	-1,185	65.88%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	29,573	20,078	9,495	6,540	1,878	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994 EUR	103,067	77,670	25,397	21,062	4,737	58.15%	-
Eneroliva, S.A.	Sevilla	75,120 EUR	209	141	68	-	-	77.53%	-
Fontesilva	La Coruña	470,000 EUR	51,666	52,841	-1,174	3,292	-1,643	77.53%	-
Hidroeléctrica Fuentesosa, S.L.	Oviedo	77,036 EUR	310	36	274	89	13	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	10,000 EUR	362	352	10	3	-	77.53%	-
Parques de Generación Eólica, S.L.	Burgos	1,924,000 EUR	37,055	34,066	2,989	5,365	457	46.52%	-
Genesa I, S.L.	Madrid	28,562,170 EUR	529,320	331,494	197,826	60,901	740	77.53%	-
Ceasa Promociones Eólicas, S.L.U.	Zaragoza	1,205,029 EUR	103,330	97,448	5,882	68,583	812	77.53%	-
Subgrupo Veinco	Zaragoza	188,047 EUR	5,580	19	5,561	899	740	77.53%	-
Guadaleba	Sevilla	1,460,000 EUR	201,056	193,644	7,412	31,477	5,162	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	456	542	-86	27	-30	58.15%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	27,577	25,484	2,093	4,640	153	77.53%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	15,717,845 EUR	161,237	152,932	8,305	15,962	-2,424	46.20%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Eólica La Janda, S.L.	Madrid	2,050,000 EUR	169,199	164,601	4,599	25,747	1,441	77.53%	-
Eólica La Navca, S.L.	Madrid	10,000 EUR	37,852	35,535	2,318	6,616	996	77.53%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	25,095	20,417	4,678	6,082	1,585	77.53%	-
Energía Eólica La Manchuela, S.L.U.	Madrid	1,141,900 EUR	20,139	16,878	3,260	4,298	958	77.53%	-
Parc Eolic Molinars, S.L.	Girona	3,006 EUR	217	214	3	-	-	41.87%	-
Molino de Caragüeyes, S.L.	Zaragoza	180,300 EUR	567	344	223	181	47	62.02%	-
Parque Eólico Montes de Castejón, S.L.	Zaragoza	12,024 EUR	49	40	9	-	-	77.53%	-
Muxia I e II	La Coruña	10,000 EUR	71,100	71,093	7	4,506	-2	77.53%	-
Naturmeo Energía, S.L.	Bilbao	3,020 EUR	4	2	2	-	-	86.44%	-
NEO Energía Aragón, S.L.	Madrid	10,000 EUR	10	2	8	-	-	77.53%	-
NEO Catalunya, S.L.	Barcelona	10,000 EUR	73,975	75,281	-1,305	1,380	-406	77.53%	-
Neomai Inversiones SICAV, S.A.	Madrid	33,358,370 EUR	40,485	37	40,448	674	591	77.53%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	27,230	13,630	13,601	7,245	2,567	45.22%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	42,694	33,646	9,048	8,910	2,228	77.53%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	52,376	26,842	25,534	10,802	1,352	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000 EUR	19,704	14,476	5,228	4,629	1,503	50.27%	-
Parque Eólico Altos del Volvayo, S.A.	Madrid	6,444,956 EUR	37,640	25,079	12,561	10,279	2,114	47.29%	-
Santa Quiteria Energía, S.L.U.	Zaragoza	3,043 EUR	4,954	4,298	656	163	91	77.53%	-
Eólica de Radona, S.L.	Madrid	6,888,000 EUR	64,923	59,253	5,670	7,119	-1,114	77.53%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	34,887	32,937	1,949	5,959	726	69.78%	-
Hidroeléctrica del Rumberal, S.L.	Madrid	276,460 EUR	1,402	1,157	245	411	170	62.02%	-
Eólica Sierra de Avila, S.L.	Madrid	10,000 EUR	117,223	118,869	-1,646	7,296	-1,656	69.77%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	65,188	57,406	7,782	11,057	1,726	65.82%	-
Sinoe Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	130,646	88,902	41,744	12,401	10,193	77.53%	-
Sotomai, S.A.	Soria	112,880 EUR	30	206	-176	-	-	69.78%	-
Parc Eólic de Torre Madrina, S.L.	Barcelona	3,005 EUR	70,404	70,397	7	2,269	-	46.52%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	67	51	16	-	-1	62.02%	-
Bon Vent de Corbera, S.L.	Barcelona	3,330,000 EUR	74,486	73,776	710	4,847	-2,617	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90,000 EUR	51,004	50,949	55	113	-	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	69,944	67,287	2,657	10,083	-224	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3,006 EUR	44,430	43,745	685	3,837	682	46.52%	-
Parc Eólic Serra Voltorera, S.L.	Barcelona	1,283,010 EUR	34,393	33,644	749	2,960	-534	77.53%	-
Electricity Distribution:									
Electra de Llobregat Energía, S.L.	Llobregat	150,000 EUR	5,760	7,440	-1,681	219	-120	75.00%	-
Solanar Distribución Eléctrica, S.L.	Zaragoza	421,000 EUR	7,196	6,697	499	574	72	90.00%	-
Gas Supply and Distribution:									
Naturgas Energía Distribución Cantabria, S.A.	Santander	2,857,388 EUR	100,476	68,579	31,897	29,036	7,925	95.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	6,141,185 EUR	150,998	99,394	51,604	21,954	1,541	94.98%	-
Naturgas Energía Transporte, S.A.U.	Bilbao	12,880,200 EUR	174,816	108,981	65,835	25,475	8,629	95.00%	-
HC Energía Gas, S.L.	Oviedo	214,293,400 EUR	972,152	22,224	949,928	264	-	100.00%	-
HC Naturgas Último Recurso, S.A.	Oviedo	3,000,000 EUR	36,978	35,954	1,024	39,500	-1,970	97.50%	-
HC Naturgas Servicios Energéticos S.L.	Oviedo	60,000 EUR	71	22	49	-	-11	97.50%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	17,990	17,234	756	23,162	684	95.00%	-
Naturgas Energía Grupo, S.A.	Bilbao	316,516,400 EUR	1,390,646	297,334	1,093,312	270,843	36,606	95.00%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,655,390	280,873	1,374,517	188,289	76,931	95.00%	-
Naturgas Energía Comercializadora, S.A.	Bilbao	8,255,306 EUR	428,661	452,969	-24,309	1,057,076	-34,425	95.00%	-
Naturgas Energía Participaciones, S.A.U.	Bilbao	300,500 EUR	9,200	8,177	1,024	1,155	663	95.00%	-
Naturgas Energía Comercializadoras Último Recurso S.A.	Bilbao	2,000,000 EUR	2,033	21	2,012	14	8	95.00%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191,010 EUR	8,902	8,594	309	7,532	123	95.00%	-
Electricity Supply:									
EDP Energía Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	-	-	100.00%	-
Hidrocarbónico Energía, S.A.U.	Oviedo	500,000 EUR	499,451	645,616	-146,165	1,533,315	20,151	100.00%	-
Other Activities:									
Cerámica Técnica de Ilescas Cogeneración S.A.	Madrid	62,247 EUR	763	1,978	-1,214	1,203	-150	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Madrid	2,996,022 EUR	11,298	9,233	2,065	14,796	2,035	100.00%	-
Renovamed, S.A.	Madrid	60,200 EUR	318	1,351	-1,033	864	62	75.00%	-
Sinova Medioambiental, S.A.	Soria	2,687,364 EUR	17,092	12,567	4,525	15,497	1,642	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Madrid	3,731,202 EUR	16,286	5,256	11,030	16,480	1,989	88.00%	-
Brazil									
Parent Company and Related Activities:									
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954 BRL	2,238,650	111,236	2,127,415	318,332	244,595	64.91%	25.02%
Elebras Projetos, Ltda	Sao Paulo	1,626,013 BRL	74,015	74,114	-99	2,544	-292	71.85%	-
Energest, S.A.	Sao Paulo	226,911,842 BRL	256,735	53,006	203,729	7,444	43,079	64.91%	-
Escelsapar	Espirito Santo	2,800,000 BRL	2,407	2,761	-354	1,073	720	64.91%	-
Evecy Participações Ltda	Sao Paulo	21,512,267 BRL	13,274	825	12,449	2,731	2,050	64.91%	-
Santo-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	80,977	37,516	43,461	9,907	4,788	64.91%	-
Electricity - Brazil:									
Electricity Generation:									
CESA - Castelo Energética, S.A.	Sao Paulo	37,308,269 BRL	105,486	69,004	36,482	21,441	7,096	64.91%	-
Costa Rica Energética, Ltda.	Mato Grosso Sul	14,318,185 BRL	11,544	1,084	10,460	7,452	6,094	33.11%	-
Enercouth, S.A.	Sao Paulo	5,316,118 BRL	2,405	265	2,140	-	-46	64.91%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Brazil									
Electricity - Brazil:									
Electricity Generation:									
Enerpêta, S.A.	Sao Paulo	882,627,748 BRL	938,523	396,272	542,251	147,363	51,863	38.95%	-
Investco, S.A.	Sao Paulo	804,458,842 BRL	636,137	179,294	456,843	84,973	31,190	26.47%	-
Ipeiras Energia S.A.	Sao Paulo	14,721,836 BRL	2	23	-21	-	-22	64.91%	-
Omega Engenharia e Assessoria, Ltda	Porto Alegre	131,000 BRL	282	235	47	-	-4	64.91%	-
Pantanal	Sao Paulo	23,390,369 BRL	35,360	9,106	26,254	18,662	10,783	64.91%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541 BRL	734,715	104,714	630,002	208,468	88,323	36.26%	-
Renewable Energies:									
Central Nacional de Energia Eólica, S.A.	Sao Paulo	14,035,000 BRL	16,532	9,464	7,068	3,633	803	71.85%	-
EDP Renováveis Brasil, SA	Sao Paulo	62,219,027 BRL	30,824	5,576	25,248	222	-2,569	71.85%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	4,728	7,058	-2,330	1	-1,641	59.72%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	254,628,684 BRL	1,234,597	848,407	386,191	1,041,079	133,327	64.91%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630 BRL	1,058,042	686,867	371,176	706,586	72,887	64.91%	-
Electricity Supply:									
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758 BRL	60,841	40,790	20,051	316,483	7,546	64.91%	-
France									
Electricity - France:									
Renewable Energies:									
Parc Eolien D'Ardennes, S.A.S.	Elbeuf	1,000 EUR	34	174	-141	-	-19	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001 EUR	11,557	12,843	-1,286	1,564	-92	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	17	44	-27	-	-	77.53%	-
Eolienne de Collangeville, S.A.S.	Elbeuf	37,004 EUR	34	22	12	-	-5	77.53%	-
C.E. Canef-Point de Salars, S.A.S.	Paris	125,000 EUR	16,047	16,256	-208	2,286	317	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000 EUR	81	151	-70	1	-2	77.53%	-
EDP Renewables France, S.A.S.	Paris	48,526,642 EUR	271,722	233,764	37,958	21,097	-4,507	77.53%	-
Eolienne D'Estalondes, S.A.R.L.	Elbeuf	1,000 EUR	17	47	-31	-	-4	77.53%	-
C.E. Gueltas Noyal-Portivy, S.A.S.	Paris	2,261,000 EUR	8,818	4,694	4,123	1,465	494	77.53%	-
Parc Eolien de La Héroye, S.A.S.	Elbeuf	37,004 EUR	15	10	5	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	15,447	15,466	-19	870	23	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000 EUR	17	58	-41	-	-2	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000 EUR	9,232	9,435	-203	778	-199	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000 EUR	16,099	12,731	3,368	2,708	770	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	140	301	-161	7	-	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000 EUR	4,120	4,228	-108	116	-33	77.53%	-
Plouvin Breiz, S.A.S.	Carhaix	40,000 EUR	11,979	13,739	-1,761	1,345	-188	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000 EUR	19,491	19,838	-347	1,742	-330	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000 EUR	10,036	10,150	-114	114	-13	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000 EUR	15,343	13,149	2,194	2,359	534	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000 EUR	11	44	-33	-	-7	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000 EUR	10,094	10,134	-40	1,143	-9	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000 EUR	15,058	12,660	2,398	2,507	658	77.53%	-
C.E. NEO Truc l'homme, S.A.S.	Paris	37,500 EUR	34	7	27	-	-1	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000 EUR	18,864	19,148	-284	1,832	-269	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003 EUR	14,197	15,775	-1,578	2,169	45	77.53%	-
Parc Eolien des Valines, S.A.S.	Elbeuf	37,004 EUR	13,799	15,579	-1,781	1,973	-36	77.53%	-
United Kingdom									
Electricity - United Kingdom:									
Renewable Energies:									
EDPR UK Limited	Cardiff	100,000 GBP	2,137	2,763	-627	1,822	-743	77.53%	-
Moray Offshore Renewables Limited	Cardiff	- GBP	6,081	5,923	158	1,316	158	58.15%	-
MacColl Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Stevenson Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Telford Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Poland									
Electricity - Poland:									
Renewable Energies:									
Farma Wiatrowa Bodzanow SP ZOO	Warsaw	64,780 EUR	809	788	21	26	-40	77.53%	-
EDP Renewables Polska SP.ZOO	Warsaw	109,394,969 EUR	282,810	175,675	107,135	75,364	-4,168	77.53%	-
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	17,610 EUR	5,767	5,813	-46	339	-52	77.53%	-
Relax Wind Park I, SP. ZOO	Warsaw	538,365 EUR	249,144	244,274	4,870	23,275	4,786	74.76%	-
Relax Wind Park II, SP. ZOO	Warsaw	110,692 EUR	505	451	54	32	-17	39.54%	-
Relax Wind Park III, SP. ZOO	Warsaw	105,660 EUR	56,114	56,152	-38	185	-66	77.53%	-
Relax Wind Park IV, SP. ZOO	Warsaw	98,113 EUR	718	734	-16	62	2	39.54%	-
Karpocka Mala Energetyka SP ZOO	Warsaw	12,579 EUR	184	186	-2	-	-7	77.53%	-
Farma Wiatrowa Sturozreby SP ZOO	Warsaw	117,107 EUR	825	728	97	24	-15	77.53%	-
Farma Wiatrowa Wyszogrod SP ZOO	Warsaw	165,409 EUR	820	675	145	21	-16	77.53%	-
United States of America									
Parent Company:									
Horizon Wind Energy LLC	Houston, Texas	4,135,453,714 USD	3,023,081	51,024	2,972,057	34,138	-22,350	77.53%	-
Electricity - United States of America:									
Renewable Energies:									
Headwaters Wind Farm LLC	Indiana	- USD	-	-	-	-	-	77.53%	-
17th Star Wind Farm LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Stone Wind Power LLC	New York	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Cherokee Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-



notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
United States of America									
Electricity - United States of America:									
Renewable Energies:									
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
East Kickat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind, Freepart Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pacific Southwest Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection LLC	Texas	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
WTP Management Company LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm III LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, LLC	New York	61,015,975 USD	45,658	-	45,658	-	-	77.53%	-
Wind Turbine Prometheus, LP	California	5,990 USD	-	-	-	-	-	77.53%	-
Last Lakes Wind Farm, LLC	Minnesota	202,189,348 USD	148,131	3,542	144,589	4,652	-6,579	77.53%	-
Quill Block Wind Farm, LLC	Minnesota	4,122,745 USD	3,077	6	3,072	-	-	77.53%	-
Whitestone Wind Purchasing, LLC	Texas	2,437,781 USD	1,357	348	1,008	-	-41	77.53%	-
Blue Canyon Windpower V, LLC	Oklahoma	185,153,528 USD	144,392	1,602	142,789	14,094	3,671	77.53%	-
Horizon Wind Energy International	Texas	5,966,523 USD	4,661	-	4,661	4	4	77.53%	-
Sagebrush Power Partners, LLC	Washington	203,868,999 USD	222,093	70,326	151,767	142	-779	77.53%	-
Marble River, LLC	New York	60,958,843 USD	46,166	679	45,487	-	-11	77.53%	-
Blackstone Wind Farm, LLC	Illinois	156,018,857 USD	156,932	44,241	112,691	9,295	-3,047	77.53%	-
Aroostook Wind Energy LLC	Maine	11,990,587 USD	9,029	138	8,891	-	-3	77.53%	-
Jericho Rise Wind Farm LLC	New York	5,422,195 USD	4,027	3	4,024	-	-2	77.53%	-
Marlinsdale Wind Farm LLC	Colorado	4,351,425 USD	3,254	4	3,250	5	-2	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	4,452 USD	2	-	2	-	-	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	3,953 USD	-	-	-	-	-	77.53%	-
Stronon Mills Wind Farm, LLC	Colorado	3,061,885 USD	2,220	3	2,216	-	-2	77.53%	-
OPQ Property LLC	Illinois	- USD	104	-	104	7	5	77.53%	-
Meadow Lake Wind Farm, LLC	Indiana	295,414,573 USD	301,079	85,543	215,536	18,033	-4,072	77.53%	-
Wheatfield Wind Power Project, LLC	Oregon	101,881,926 USD	118,176	34,529	83,647	13,472	4,142	77.53%	-
High Trail Wind Farm, LLC	Illinois	390,988,575 USD	302,924	6,782	296,143	23,999	-2,602	77.53%	-
Madison Windpower LLC	New York	10,633,581 USD	6,211	498	5,713	646	-1,049	77.53%	-
Mesquite Wind, LLC	Texas	259,390,109 USD	238,070	26,737	211,333	24,270	2,298	77.53%	-
BC2 Maple Ridge Wind LLC	Texas	394,343,621 USD	305,882	5	305,877	4,041	1,024	77.53%	-
Blue Canyon Windpower II LLC	Oklahoma	167,170,955 USD	145,875	12,129	133,746	14,615	708	77.53%	-
Telocaset Wind Power Partners, LLC	Oregon	135,804,747 USD	133,314	17,861	115,453	16,226	4,188	77.53%	-
Post Oak Wind, LLC	Texas	293,550,188 USD	265,676	18,516	247,160	39,139	16,234	77.53%	-
High Prairie Wind Farm II, LLC	Minnesota	153,690,294 USD	123,778	9,518	114,261	9,896	-1,154	77.53%	-
Old Trail Wind Farm, LLC	Illinois	411,687,570 USD	305,997	4,092	301,905	22,949	-3,101	77.53%	-
Cloud County Wind Farm	Kansas	324,444,400 USD	246,405	2,703	243,702	18,767	-1,208	77.53%	-
Pioneer Prairie Wind Farm I, LLC	Iowa	597,578,067 USD	443,653	4,486	439,167	30,866	-5,133	77.53%	-
Arlington Wind Power Project LLC	Oregon	182,605,602 USD	140,680	1,804	138,876	11,912	-235	77.53%	-
Rail Splitter	Illinois	237,809,344 USD	174,735	4,401	170,333	7,839	-6,036	77.53%	-
Meadow Lake Wind Farm II LLC	Texas	203,587,242 USD	159,350	8,242	151,108	3,436	-1,254	77.53%	-
Black Prairie Wind Farm LLC	Texas	5,081,947 USD	3,803	-	3,803	-	-1	77.53%	-
Meadow Lake Wind Farm IV LLC	Indiana	53,368,850 USD	135,406	95,387	40,019	2,198	78	77.53%	-
Blackstone Wind Farm II LLC	Texas	116,789,390 USD	325,932	238,790	87,142	4,082	-261	77.53%	-
Saddleback Wind Power Project LLC	Texas	1,362,468 USD	1,017	1	1,016	-	-	77.53%	-
Meadow Lake Wind Farm III LLC	Indiana	65,889,309 USD	160,967	111,696	49,271	2,909	-40	77.53%	-
Lexington Chenoa Wind Farm LLC	Texas	7,356,840 USD	5,631	125	5,506	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	280,355 USD	253	44	210	-	-	77.53%	-
Paulding Wind Farm LLC	Ohio	5,427,120 USD	4,073	11	4,061	-	-	77.53%	-
Paulding Wind Farm II LLC	Ohio	11,013,472 USD	10,843	2,605	8,237	-	-5	77.53%	-
Antelope Ridge Wind Power Project LLC	Texas	10,557,923 USD	8,158	258	7,901	-	-1	77.53%	-
Blackstone Wind Farm III LLC	Texas	3,682,918 USD	2,808	60	2,749	-	-7	77.53%	-
Meadow Lake Wind Farm V, LLC	Indiana	929,813 USD	696	-	696	-	-	77.53%	-
Waverly Wind Farm LLC	Kansas	1,690,746 USD	1,291	26	1,265	-	-	77.53%	-
Blue Canyon Windpower VI LLC	Texas	2,314,139 USD	1,955	223	1,732	-	-	77.53%	-
2007 Vento I LLC	Texas	1,147,652,609 USD	865,027	3,427	861,600	3,386	134	77.53%	-
2007 Vento II	Texas	1,008,427,726 USD	753,232	808	752,424	4	-806	77.53%	-
2008 Vento III	Texas	1,115,816,765 USD	834,271	444	833,827	5	-570	77.53%	-
2009 Vento IV, LLC	Texas	238,057,776 USD	178,006	-	178,006	-	-80	77.53%	-
2009 Vento V, LLC	Texas	185,267,562 USD	138,570	36	138,534	-	-113	77.53%	-
2009 Vento VI, LLC	Texas	202,302,814 USD	151,320	146	151,174	-	-152	77.53%	-
2010 Vento VII, LLC	Texas	203,615,853 USD	152,364	136	152,228	-	-156	77.53%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
United States of America									
Electricity - United States of America:									
Renewable Energies:									
2010 Vento VIII, LLC	Texas	204,868,999 USD	153,322	12	153,311	-	-12	77.53%	-
2010 Vento IX, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I LLC	Texas	1,459,281,035 USD	2,465,035	1,327,506	1,137,530	37,869	18,113	77.53%	-
Horizon Wind Ventures IB, LLC	Texas	12,829,982 USD	451,749	406,598	45,152	32,122	15,798	77.53%	-
Horizon Wind Ventures IC, LLC	Texas	6,702,543 USD	384,019	373,073	10,946	26,092	6,385	77.53%	-
Horizon Wind Ventures II LLC	Texas	141,509,304 USD	179,039	72,254	106,785	2,471	1,490	77.53%	-
Horizon Wind Ventures III, LLC	Texas	78,415,590 USD	140,611	82,492	58,119	5,926	-556	77.53%	-
Horizon Wind Ventures IV, LLC	Texas	113,432,330 USD	152,836	69,662	83,174	409	-1,716	77.53%	-
Horizon Wind Ventures VI, LLC	Texas	120,001,219 USD	153,792	64,545	89,247	144	-561	77.53%	-
Horizon Wind Ventures VIII, LLC	Texas	111,591,410 USD	157,821	74,681	83,141	-5	-373	77.53%	-
Horizon Wind Ventures IX, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Other Countries									
Related Activities:									
EDP Finance BV	Amsterdam	2,000,000 EUR	13,876,267	13,811,226	65,041	655,237	64,418	100.00%	100.00%
EDP Finance Company (Ireland), Ltd	Dublin	1,000,001 EUR	634	355	280	1	-42	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	2,000,000 EUR	58,196	40,137	18,059	13,643	2,430	100.00%	100.00%
EDP - Ásia Soluções Energéticas, Lda	Macao	1,500,000 MOP	140	-	140	-	-	60.00%	-
EDP ASIA - Investimento e Consultoria, Lda	Macao	200,000 MOP	63,285	239	63,046	7,935	7,468	100.00%	100.00%
Electricity - Other Countries:									
Renewable Energies:									
EDP Renewables Canada	Ontario	- CAD	3,777	3,879	-101	-	-101	77.53%	-
EDP Renewables Italia, S.R.L.	Varese	19,555,320 EUR	25,576	7,201	18,375	3,463	-1,180	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	85,267	58,478	26,790	12,942	1,947	54.27%	-
Repano Wind S.R.L.	Varese	161,675 EUR	296	151	144	-	-9	77.53%	-
Re Plus - S.R.L.	Varese	100,000 EUR	2,488	1,375	1,113	-	-60	62.02%	-
Tarcan, BV	Amsterdam	20,000 EUR	19,480	12,822	6,658	2,668	2,008	77.53%	-
Cernavoda Power SRL	Bucharest	40,317,400 LEI	186,404	179,936	6,468	11,642	-2,193	65.90%	-
EDP Renewables Romania, S.R.L.	Bucharest	28,650,270 LEI	143,069	138,339	4,730	11,810	-1,088	65.90%	-

The EDP Group holds, through EDP Renováveis a number of subsidiaries legally constituted, without share capital, and that at the year end do not have any assets, liabilities, or any operational activity.

When applicable, the interest held by EDP Group include the effect of the acquisition of minority interests by means of written put options as described under the accounting policy 2 b).

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2010 are as follows:

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-10 Euro'000	Current Assets 31-Dec-10 Euro'000	Non-current Liabilities 31-Dec-10 Euro'000	Current Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Total Costs 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Arquiled - Proj. Iluminação, S.A.	Lisbon	166,700 EUR	217	965	85	608	488	788	-908	-120	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000 EUR	159	71	167	72	-9	34	-45	-11	35.21%	-
Bioastur, AIE	Gijón	60,101 EUR	43	896	-	730	209	1,829	-1,898	-69	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	211	3,856	-	2,353	1,713	3,642	-3,575	67	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	49,736	8,604	26,168	6,993	25,180	16,808	-10,103	6,705	38.76%	-
Desarrollos Energéticos Canarias, S.A.	Las Palmas	15,025 EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	82,759	7,210	81,804	4,777	3,387	18,107	-17,005	1,102	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	24,435	7,102	20,293	4,073	7,172	4,988	-3,490	1,498	38.11%	-
Futurcompact, Lda	Lisbon	5,000 EUR	9	1	-	-	11	-	-	-	40.01%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	2,241	2,164	168	1,743	2,494	836	-467	369	47.50%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	16,135	5,398	14,611	1,900	5,022	4,044	-3,433	611	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	3,201	-	3,201	-	1,392	-1,392	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000 EUR	8,027	1,722	22	9,538	190	4,134	-3,906	228	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	610,473,962 BRL	561,039	31,334	438,098	47,802	106,473	12,935	-30,748	-17,813	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187 USD	64,868	1,026	437	55	65,402	2,908	-5,132	-2,224	38.76%	-
Flat Rock Windpower LLC	Portland	522,818,885 USD	162,186	3,686	1,146	43	164,682	11,813	-15,578	-3,765	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	144	21,480	-	21,349	275	119,135	-119,224	-89	50.00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	2,635	-	2,635	-	853	-853	-	55.00%	-
WINDPLUS, S.A.	Lisbon	85,750 EUR	2,332	261	1,418	1,061	114	-	-10	-10	41.63%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2009 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-09 Euro'000	Current Assets 31-Dec-09 Euro'000	Non-current Liabilities 31-Dec-09 Euro'000	Current Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Total Costs 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101 EUR	23	997	-	572	447	1,652	-1,376	276	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	50	2,463	-	1,106	1,407	3,647	-3,050	597	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	105,014	9,088	44,313	13,357	56,433	14,805	-11,946	2,859	38.76%	-
Desarrollos Energéticos Canarias, S.A.	Las Palmas	15,025 EUR	-8	4	-	9	-13	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	68,776	3,379	69,887	6,559	-4,291	10,192	-10,402	-210	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	22,690	5,694	23,366	3,895	1,124	5,273	-3,955	1,318	38.11%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	571	1,822	194	735	1,464	544	-234	309	47.99%	-
Murciassal 1 Sala Térmica, S.L.	Almería	3,340 EUR	84	16	-	100	-	-	-	-	38.76%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	15,436	4,992	14,981	2,845	2,601	4,054	-3,449	606	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	1,082	-	1,082	-	645	-645	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000 EUR	8,219	376	2	9,359	-766	6,572	-7,084	-512	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	507,594,744 BRL	183,315	81,966	242,064	36,049	-12,832	24,828	-28,264	-3,436	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187 USD	-7,899	849	387	43	-7,479	2,743	-4,387	-1,644	38.76%	-
Flat Rock Windpower LLC	Portland	525,479,601 USD	-19,659	3,694	1,049	66	-17,081	11,353	-13,386	-2,033	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	-166	37,002	-	36,722	114	52,664	-52,550	114	50.00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	266	-	266	-	362	-362	-	55.00%	-



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for the years ended 31 December 2010 and 2009

The associated companies included in the consolidation under the equity method as at 31 December 2010 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	26,420	22,917	3,503	-	-	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carrizo Cogeração, S.A.	Lisbon	50,000 EUR	15,932	14,199	1,733	22,786	-1,416	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	475,796	215,486	260,310	421,066	48,216	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	137	-115	252	-	-	23.26%	-
D.E. de Canarias, S.A.	Gran Canaria	4,291,140 EUR	12,190	820	11,369	4,041	1,242	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000 EUR	917	-	917	-	-34	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525 EUR	917,038	881,252	35,786	43,998	5,917	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	28,797	24,344	4,454	1,413	1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	6,899	-	6,899	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	298	138	160	472	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuniza, A.I.E.	Bilbao	1,502,500 EUR	8,680	5,235	3,445	9,490	907	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	31,893	27,520	4,373	5,174	-69	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	27,089	10,926	16,163	10,989	-	32.56%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	18,988	3,241	15,747	14,908	3,535	39.60%	-
SETGÁS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000 EUR	177,690	132,899	44,791	27,953	8,712	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,706	409	2,297	1,460	699	38.00%	-

The associated companies included in the consolidation under the equity method as at 31 December 2009 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.S.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carrizo Cogeração, S.A.	Vila Rei	50,000 EUR	17,308	14,158	3,149	23,763	2,113	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	429,127	199,585	229,543	388,150	46,918	21.19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227,275 EUR	879	315	564	971	-14	34.00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	252	-	252	-	-	23.26%	-
D.E. de Canarias, S.A.	Gran Canaria	4,291,140 EUR	11,435	807	10,628	4,108	1,115	34.69%	-
DECA - Distribucion Eléctrica Centroamericana Dos Ill, S.A.	Guatemala	1,141,092,000 GTQ	476,890	275,631	201,259	450,449	24,794	21.00%	21.00%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000 EUR	951	-	951	-	-19	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5,000,000 EUR	440,141	404,900	35,241	12,462	2,151	15.20%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	27,598	26,605	992	2,002	-1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	7,749	-	7,749	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	247	133	114	372	-	41.13%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuniza, A.I.E.	Bilbao	1,502,500 EUR	9,158	5,692	3,466	10,180	1,031	23.99%	-
Parque Eólico Altos del Valtaya, S.A.	Madrid	6,444,956 EUR	39,395	28,398	10,997	7,343	1,066	37.99%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	4,506	-	4,506	-	576	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	13,059	-	13,059	-	3,843	32.56%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	21,180	2,201	18,979	15,759	1,708	39.60%	-
SETGÁS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000 EUR	126,578	90,499	36,078	26,197	8,079	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,617	364	2,253	1,369	655	38.39%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	24,547	21,044	3,503	-	-366	14.71%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2010, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tojo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-
Sociedad Eólica de Andalucía, S.A.	Sevilla - Spain	16.67%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-





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EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2010

(Amounts in thousand Euros)

	Iberian Generation			Iberian Distribution *			Iberian Supply			Electricity			EDP Renováveis
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations
Turnover	2,378,934	1,765,913	-13,166	4,131,681	5,099,338	183,595	5,282,933	887,766	1,887,596	2,775,362	565,203	276,494	4,222
Revenues from external customers	1,776,377	565,893	4,965	2,347,235	4,806,553	-	4,806,553	737,579	1,771,488	2,509,067	476,529	276,494	3,359
Revenues from transactions with other operating segments	602,557	1,200,020	-18,131	1,784,446	292,785	183,595	476,380	150,187	116,108	266,295	88,674	-	863
Cost of consumed electricity	-519,041	-1,037,238	-	-1,556,279	-3,751,449	115	-3,751,334	-694,126	-1,770,244	-2,464,370	-1,262	-1,525	-130
Cost of consumed gas	-	-255	-	-255	-	-	-	-752	-5,776	-6,528	-	-	-
Change in inventories and cost of raw materials and consumables used	-641,252	-405,864	22,454	-1,024,662	-6,833	91	-6,742	-5,051	-26,229	-31,280	-1,709	-	-
	1,218,641	322,556	9,288	1,550,485	1,341,056	183,801	1,524,857	187,837	85,347	273,184	562,232	274,969	4,092
Other operating income / (expenses)													
Other operating income	8,937	3,504	-	12,441	61,719	33,312	95,031	7,755	32,201	39,956	26,882	153,027	1,197
Supplies and services	-97,355	-58,618	1,902	-154,071	-322,136	-53,820	-375,956	-118,215	-43,899	-162,114	-87,409	-93,026	-17,684
Personnel costs	-74,418	-31,669	1,582	-104,505	-128,705	-19,646	-148,351	-35,917	-8,907	-44,824	-19,824	-22,735	-10,047
Employee benefits	-26,433	-1,599	-	-28,032	-102,406	-3,567	-105,973	-5,309	-440	-5,749	-302	-1,598	-340
Other operating expenses	-18,126	-23,314	220	-41,220	-286,800	-5,050	-291,850	-10,748	-31,525	-42,273	-19,913	-22,303	-14,681
	-207,395	-111,696	3,704	-315,387	-778,328	-48,771	-827,099	-162,434	-52,570	-215,004	-100,566	13,365	-41,555
	1,011,246	210,860	12,992	1,235,098	562,728	135,030	697,758	25,403	32,777	58,180	461,666	288,334	-37,463
Provisions	-433	-29,132	-	-29,565	-4,804	-1,004	-5,808	-11,549	-12,961	-24,510	155	-	-
Depreciation and amortisation expense	-295,030	-134,132	-	-429,162	-243,217	-34,329	-277,546	-16,898	-3,731	-20,629	-209,185	-222,146	-1,883
Tangible and intangible assets impairment	416	26	-	442	-	-	-	-	-	-	-	-117	-
Compensation of amortisation and depreciation	7,905	452	-	8,357	-	1,112	1,112	19	-	19	1,536	9,869	-
	724,104	48,074	12,992	785,170	314,707	100,809	415,516	-3,025	16,085	13,060	254,172	75,940	-39,346
Gain/(losses) from the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-	-
Other financial income	458,363	29,360	-50,312	437,411	470	-	470	15	346	361	18,123	6,131	126,875
Interest revenue	830	7,269	-	8,099	29,777	194	29,971	184	234	418	8,268	308	246,828
Other financial expenses	-413,422	-33,271	74,650	-372,043	-311	-94	-405	-70	-412	-482	-28,524	-73,355	-127,773
Interest expense	-171,690	-33,618	-	-205,308	-66,275	-2,518	-68,793	-2,237	-4,394	-6,631	-227,435	3,400	-144,171
Share of profit of associates	-504	227	-	-277	-	-	-	-	-	-	5,036	-	-
Profit / (loss) before tax	597,681	18,048	37,330	653,059	278,368	98,391	376,759	-5,133	11,859	6,726	29,640	12,424	62,413
Income tax expense	-168,329	-13,272	-13,724	-195,325	-35,170	-30,344	-65,514	281	-4,290	-4,009	-12,785	-	-21,002
Net profit / (loss) for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424	41,411
Attributable to:													
Equity holders of EDP	428,565	8,182	23,606	460,353	243,198	65,934	309,132	-4,081	7,396	3,315	12,920	12,424	42,511
Minority interest	787	-3,406	-	-2,619	-	2,113	2,113	-771	173	-598	3,935	-	-1,100
Net profit / (loss) for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424	41,411
Assets													
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763
Equity and Liabilities													
Equity and minority interest	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119	442,303	3,146,741	5,141,393
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192
Other information:													
Increase of the period													
Property, plant and equipment	345,534	89,359	-	434,893	13,388	59,281	72,669	7,862	4,938	12,800	607,287	765,650	79,504
Intangible assets + Goodwill	222,216	17,589	-	239,805	234,595	329	234,924	-	1	1	58,233	2,185	314
Material non-cash items:													
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-

* Include Lost Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 695,814 thousand Euros in Portugal, 132,686 thousand Euros out of Portugal and -9,694 thousand Euros related with adjustments between segments

EDP Energias do Brasil

Gas

Iberian Activity

EDP Energias do Brasil		Gas											EDP Group	
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations**		Adjustments
-863	845,056	429,749	1,609,529	311,441	2,651	-205,740	2,147,630	551,088	1,333,598	-197,900	1,686,786	222,040	-2,920,746	14,170,742
-	756,382	236,515	1,605,820	303,523	1,772	-	2,147,630	282,207	1,242,658	-	1,524,865	14,453	31,458	14,137,643
-863	88,674	193,234	3,709	7,918	879	-205,740	-	268,881	90,940	-197,900	161,921	207,587	-2,952,204	33,099
-	-2,917	-72,844	-1,007,459	-299,158	-	205,740	-1,173,721	-	-187,372	-	-187,372	-	2,327,732	-6,808,261
-	-	-	-	-	-	-	-	-458,211	-843,830	198,438	-1,103,603	-	165,116	-945,270
212	-1,497	-20	-868	-	-10	-	-898	-	-8,184	-	-8,184	-1,521	61,904	-1,012,880
-651	840,642	356,885	601,202	12,283	2,641	-	973,011	92,877	294,212	538	387,627	220,519	-365,994	5,404,331
-1,076	180,030	341	12,187	3,780	2,961	-60	19,209	4,818	7,415	-36	12,197	67,265	-105,240	320,889
1,908	-196,211	-25,436	-129,292	-2,032	-15,048	117	-171,691	-13,539	-56,662	1,041	-69,160	-180,356	447,303	-862,256
-	-52,606	-16,089	-68,788	-2,632	-8,750	-	-96,259	-4,725	-24,607	-	-29,332	-104,978	5,447	-575,408
-	-2,240	-1,054	-8,483	-128	-652	-	-10,317	-239	-547	-	-786	-9,939	9,674	-153,362
31	-56,866	-659	-30,167	-728	-6,002	-2,397	-39,953	-3,794	-23,761	-32	-27,587	-23,241	1,606	-521,384
863	-127,893	-42,897	-224,543	-1,740	-27,491	-2,340	-299,011	-17,479	-98,162	973	-114,668	-251,249	358,790	-1,791,521
212	712,749	313,988	376,659	10,543	-24,850	-2,340	674,000	75,398	196,050	1,511	272,959	-30,730	-7,204	3,612,810
-	155	-696	-3,268	-	1,165	-5,511	-8,310	-3,793	-33,370	-	-37,163	-26,578	28,201	-103,578
-1,072	-434,286	-65,262	-80,538	-71	-6,924	-7,779	-160,574	-11,853	-62,489	-	-73,842	-17,440	-55,848	-1,469,327
-	-117	-	-	-	-	-	-	-	-	-	-	-	325	-
1	11,406	-	-	-	-	-	-	-	1,282	-	1,282	103	-	22,279
-859	289,907	248,030	292,853	10,472	-30,609	-15,630	505,116	60,252	101,473	1,511	163,236	-74,645	-34,851	2,062,509
-	-	-	-	-	-	-	-	-	-846	-	-846	62,764	-1,104	60,821
-116,755	34,374	19,214	16,128	548	216,463	-214,653	37,700	1,296	1,065	-	2,361	990,585	-991,858	511,404
-245,473	9,931	11,212	71,218	713	10,198	-3,484	89,857	1,307	988	-	2,295	669,619	-500,851	309,339
119,592	-110,060	-68,750	-48,536	-1,157	-16,277	8,994	-125,726	-1,902	-2,768	-1,511	-4,181	-220,184	175,101	-659,980
259,815	-108,391	-48,606	-46,542	-71	-336	-	-95,555	-6,043	-1,252	-	-7,295	-653,447	499,690	-645,730
-	5,036	-	-	-	-	-1,100	-1,100	2,879	280	-	3,159	15,552	1,100	23,470
16,320	120,797	161,100	285,121	10,505	179,439	-225,873	410,292	57,789	98,940	-	156,729	790,244	-852,773	1,661,833
-3,972	-37,759	-19,903	-88,968	-3,328	2,735	2,645	-106,819	-16,623	-26,840	-	-43,463	23,648	2,009	-427,232
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601
12,348	80,203	84,657	196,153	7,177	182,174	-223,228	246,933	33,392	66,824	-	100,216	818,806	-940,033	1,078,925
-	2,835	56,540	-	-	-	-	56,540	7,774	5,276	-	13,050	-4,914	89,269	155,676
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601
41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583
12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871
-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
-	1,452,441	266,162	-	85	13	-	266,260	56	58,066	-	58,122	96,374	-	2,393,559
-	60,732	3,045	113,581	-	62	-	116,688	40,370	201,799	-	242,169	59,961	-	954,280
-	-	-	-	-	-	-	-	-	-	-	-	-4,207	-	-4,207



notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

EDP Group Activity by Business Segment

Information by Business Segment—31 December 2009

(Amounts in thousand Euros)

	Iberian Generation				Iberian Distribution *				Iberian Supply			Electricity			EDP Renováveis
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	
	Turnover	2,331,504	1,429,637	-52,382	3,708,759	4,737,388	178,953	-	4,916,341	658,610	1,379,457	2,038,067	441,437	204,649	1,771
Revenues from external customers	1,940,347	407,948	-36,305	2,311,990	4,614,454	20,257	-	4,634,711	505,181	1,251,171	1,756,352	363,778	204,649	2,286	
Revenues from transactions with other operating segments	391,157	1,021,689	-16,077	1,396,769	122,934	158,696	-	281,630	153,429	128,286	281,715	77,659	-	-515	
Cost of consumed electricity	-404,369	-473,575	943	-877,001	-3,380,624	-301	-	-3,380,925	-450,839	-1,313,104	-1,763,943	-246	-1,198	-78	
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-5,602	-5,602	-	-	-	
Change in inventories and cost of raw materials and consumables used	-675,146	-484,737	33,600	-1,126,283	-12,104	566	-	-11,538	-6,062	-16,107	-22,169	-4,804	-	-	
	1,251,989	471,325	-17,839	1,705,475	1,344,660	179,218	-	1,523,878	201,709	44,644	246,353	436,387	203,451	1,693	
Other operating income / (expenses)															
Other operating income	18,244	3,932	-	22,176	58,108	12,554	-	70,662	2,831	32,443	35,274	9,853	115,318	1,303	
Supplies and services	-96,230	-62,810	2,140	-156,900	-327,705	-57,863	-	-385,568	-115,844	-36,311	-152,155	-68,699	-65,418	-15,113	
Personnel costs	-72,603	-31,762	1,030	-103,335	-134,020	-18,491	-	-152,511	-35,656	-6,004	-41,660	-14,665	-19,641	-7,608	
Employee benefits	-41,659	-1,643	-	-43,302	-89,571	-2,921	-	-92,492	-4,952	-212	-5,164	813	-1,346	-100	
Other operating expenses	-18,563	-31,353	738	-49,178	-284,593	-8,429	-	-293,022	-11,790	-16,178	-27,968	-15,322	-17,926	-430	
	-210,811	-123,636	3,908	-330,539	-777,781	-75,150	-	-852,931	-165,411	-26,262	-191,673	-88,020	10,987	-21,948	
Provisions	1,041,178	347,689	-13,931	1,374,936	566,879	104,068	-	670,947	36,298	18,382	54,680	348,367	214,438	-20,255	
Depreciation and amortisation expense	-5,859	-20,299	-	-26,158	-6,852	-5,384	-	-12,236	-3,619	-17,333	-20,952	182	-	1	
Tangible and intangible assets impairment	-316,818	-128,659	-	-445,477	-241,905	-34,799	-	-276,704	-17,348	-2,534	-19,882	-154,092	-158,982	-1,035	
Compensation of amortisation and depreciation	5,225	450	-	5,675	-	4,109	-	4,109	51	-	51	813	1,589	-	
Gain/(losses) from the sale of financial assets	723,310	199,181	-13,931	908,560	318,122	67,994	-	386,116	15,382	-1,485	13,897	195,270	57,045	-21,289	
Other financial income	-	13,251	-	13,251	-	2	-	2	-	-	-	268	-	-	
Interest revenue	523,980	54,945	-70,845	508,080	473	-	-	473	58	53	111	10,382	6,218	127,928	
Other financial expenses	465	22,328	-	22,793	89,747	78	-	89,825	843	361	1,204	7,839	692	197,069	
Interest expense	-475,608	-82,393	73,234	-484,767	-41,525	-600	-	-42,125	-81	-437	-518	-19,115	-59,590	-126,461	
Share of profit of associates	-153,329	-24,811	-	-178,140	-82,458	-7,907	-	-90,365	-1,807	-7,728	-9,535	-166,989	2,477	-80,057	
	735	258	-	993	-	-	-	-	-	-	-	4,209	-	-287	
Profit / (loss) before tax	619,553	182,759	-11,542	790,770	284,359	59,567	-	343,926	14,395	-9,236	5,159	31,864	6,555	97,190	
Income tax expense	-118,781	-29,455	-4,241	-152,477	-55,836	-18,063	-	-73,899	-4,014	2,840	-1,174	-7,324	-	-29,363	
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	228,523	41,504	-	270,027	10,381	-6,396	3,985	24,540	6,555	67,827	
Attributable to:															
Equity holders of EDP	500,319	152,103	-15,783	636,639	228,523	40,348	-	268,871	10,394	-6,195	4,199	21,019	6,555	67,910	
Minority interest	453	1,201	-	1,654	-	1,156	-	1,156	-13	-201	-214	3,521	-	-83	
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	228,523	41,504	-	270,027	10,381	-6,396	3,985	24,540	6,555	67,827	
Assets															
Property, plant and equipment	3,969,690	1,994,279	-	5,963,969	113,293	682,603	1,981	797,877	53,033	11,280	64,313	4,591,096	3,978,845	40,011	
Intangible assets + Goodwill	1,781,220	591,848	-	2,373,068	2,424,484	235,556	-	2,660,040	524	7	531	773,668	549,122	1,507	
Investments in associates	1,340	1,053	-	2,393	-	-	-	-	-	-	-	45,924	1,686	-	
Current assets	778,379	498,658	-794	1,276,243	1,326,488	114,877	-36	1,441,329	248,126	424,627	672,753	612,267	208,581	508,360	
Equity and Liabilities															
Equity and minority interest	2,071,977	2,259,098	-156,903	4,174,172	478,523	449,940	6,373	934,836	16,787	-149,672	-132,885	448,698	2,858,681	5,084,442	
Current liabilities	727,786	1,179,999	-794	1,906,991	2,075,267	393,935	-36	2,469,166	235,606	364,076	599,682	1,146,265	274,160	48,657	
Other information:															
Increase of the period															
Property, plant and equipment	396,540	182,577	-	579,117	32,451	61,414	-	93,865	1,812	6,416	8,228	1,024,560	828,519	6,354	
Intangible assets + Goodwill	455,498	43,170	-	498,668	224,795	96	-	224,891	-	6	6	37,847	-	1,251	
Material non-cash items:															
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

* Include Last Resource Supply in Portugal

EDP Energias do Brasil														Gas				EDP Group
Brazilian Activity														Portuguese Activity				
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations	Adjustments	EDP Group				
385	648,242	351,201	1,242,560	289,136	1,519	-204,584	1,679,832	255,681	1,030,595	-97,252	1,189,024	168,955	-2,151,211	12,198,009				
-	570,713	193,933	1,240,350	244,736	813	-	1,679,832	126,687	994,883	-	1,121,570	12,088	15,730	12,102,986				
385	77,529	157,268	2,210	44,400	706	-204,584	-	128,994	35,712	-97,252	67,454	156,867	-2,166,941	95,023				
-	-1,522	-52,222	-744,496	-269,686	-	204,584	-861,820	-	-143,180	-	-143,180	-	1,687,933	-5,340,458				
-	-	-	-	-	-	-	-	-203,374	-619,242	97,583	-725,033	-	89,452	-641,183				
91	-4,713	-37	-1,167	-7	-	-	-1,211	-	-5,249	-	-5,249	-112	60,046	-1,111,229				
476	642,007	298,942	496,897	19,443	1,519	-	816,801	52,307	262,924	331	315,562	168,843	-313,780	5,105,139				
-1,243	125,231	206	10,355	4	388	-	10,953	2,040	3,398	-86	5,352	69,545	-114,403	224,790				
926	-148,304	-20,603	-94,865	-1,750	-13,233	-	-130,451	-13,164	-43,880	1,469	-55,575	-136,020	396,771	-768,202				
-	-41,914	-12,069	-33,846	-1,926	-5,679	-	-73,520	-4,758	-23,192	-	-27,950	-101,312	2,166	-540,036				
-	-653	-1,093	-13,346	-160	-1,903	-	-16,502	-117	-513	-	-630	-9,475	9,845	-158,353				
-160	-33,838	-5,715	-46,883	-2,145	-2,491	-	-57,234	-4,871	-13,753	-617	-19,241	-29,045	8,962	-500,564				
-477	-99,458	-39,274	-198,585	-5,977	-22,918	-	-266,754	-20,870	-77,940	766	-98,044	-206,307	303,341	-1,742,365				
-1	542,549	259,668	298,312	13,466	-21,399	-	550,047	31,437	184,984	1,097	217,518	-37,464	-10,439	3,362,774				
-	183	-595	-3,890	-242	-8,057	-	-12,784	-848	-188	-	-1,036	-1,702	-	-74,685				
-241	-314,350	-50,128	-63,333	-77	-4,489	-	-118,027	-11,125	-37,577	-	-48,702	-11,781	-98,714	-1,333,637				
1	2,403	-3	-	-	-	-	-3	-	3,241	-	-	55	-	-416				
-241	230,785	208,942	231,089	13,147	-33,945	-	419,233	19,464	150,460	1,097	171,021	-50,892	-109,153	1,969,567				
-	268	-	-	-	45,673	-	45,673	-	143	-	143	34,793	-34,427	59,703				
-125,784	18,744	13,784	19,901	51	168,094	-167,082	34,748	2,084	1,489	-766	2,807	1,003,832	-908,218	660,577				
-188,627	16,973	7,564	29,573	973	17,967	-2,318	53,759	957	4,932	-	5,889	658,646	-473,292	375,797				
126,069	-79,097	-45,447	-20,627	-714	-15,420	2,325	-79,883	-3,869	-768	-332	-4,969	-474,334	313,187	-852,506				
215,515	-29,054	-42,469	-41,532	-64	-10,729	-	-94,794	-5,337	-258	-	-5,595	-736,606	473,512	-670,577				
-	3,922	-	-	-	-83	-83	2,668	262	2,846	-84	2,846	17,307	166	25,151				
26,932	162,541	142,374	218,404	13,393	171,640	-167,158	378,653	15,967	156,260	-85	172,142	452,746	-738,225	1,567,712				
-8,067	-44,754	-19,440	-58,326	-4,395	-3,568	-	-85,729	-5,010	-36,780	-	-41,790	-21,715	21,773	-399,765				
18,865	117,787	122,934	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,452	1,167,947				
18,865	114,349	74,893	160,078	8,998	163,975	-167,158	240,786	8,892	112,818	-85	121,625	439,816	-802,440	1,023,845				
-	3,438	48,041	-	-	4,097	-	52,138	2,065	6,662	-	8,727	-8,785	85,988	144,102				
18,865	117,787	122,934	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,452	1,167,947				
25,874	8,635,826	1,929,064	-	303	811	-97,968	1,832,210	1,825	780,606	-	782,431	163,485	194,695	18,434,806				
12,723	1,337,020	332,290	915,080	402	111,551	-891	1,358,432	341,129	708,355	-	1,049,484	368,030	480,010	9,626,615				
-1	47,609	8,862	-	-	10,951	-11,078	8,735	23,909	1,319	-	25,228	997,335	-906,028	175,272				
-223,852	1,105,356	231,220	621,890	58,738	192,014	-80,926	1,022,936	79,642	327,660	-2,564	404,738	4,749,421	-3,808,065	6,864,711				
-3,061,123	5,330,698	1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318	229,182	1,447,608	-	1,676,790	5,623,848	-10,070,764	9,978,013				
-223,572	1,245,510	288,772	674,150	37,707	98,856	-72,677	1,026,808	139,277	628,131	-2,564	764,844	4,628,497	-3,733,465	8,908,033				
-	1,859,433	155,419	3,537	167	249	-	159,372	234	139,171	-	139,405	61,928	-	2,901,348				
-	39,098	481	121,927	59	106	-	122,573	32,473	33,322	-	65,795	56,894	-	1,007,925				
-	-	-	-	-	-	-	-	-	-	-	-	29,289	-	29,289				



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268	FINAL STATEMENTS
269	PROPOSAL FOR THE APPROPRIATION OF PROFITS
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274	EXTERNAL CHECKS
288	EXTRACT FROM THE MINUTES OF THE GENERAL MEETING OF EDP SHAREHOLDERS





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FINAL STATEMENTS

The Executive Board of Directors expresses its gratitude to all those who have contributed and followed the activity of EDP during 2010.

First of all, we thank the shareholders for the support and confidence given to the current Executive Board of Directors and to each of its members.

A special word of gratitude is also due to all members of the Company Bodies responsible for the auditing and supervision of the Group, as well as for the support provided throughout the year. In particular, to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

EDP's current governance model is fully consolidated and is an example in overseeing the management activity and guarantor of the interests of all of the Group's stakeholders.

Additionally, as a result of the support granted to the Group's activities during last year, the Board wishes to thank members of the governmental bodies of countries in which EDP is present and that have assisted EDP for the benefit of the economic and social development of their respective nations.

In the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the energy sector regulators. Particularly to the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in the countries where the activity of the EDP Group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to other entities that have related with EDP during 2010, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese Association of Electricity Sector Companies – ELECPOR;
- Asociación Española de la Industria Eléctrica – UNESA;
- The European Wind Energy Association – EWEA and the American Wind Energy Association – AWEA;
- The National Association of Portuguese Municipalities and Town Councils;
- Agência Portuguesa do Ambiente and Instituto Nacional da Água;
- Environmental and social non-governmental organizations.

A particular acknowledgment is due to the EDP Group clients. We reaffirm our commitment towards excellence in providing services and fulfilling their needs. It is, and will remain, as a constant priority of the entire EDP Group.

The Board's gratitude is also extended to the suppliers, which are our partners in the implementation of the strategic plan, as well as to the various media bodies that followed closely the company during 2010. The coverage made to the various EDP activities is a driver that demands additional accuracy and professionalism from all those who cooperate with the Company.

Finally, a special thank you to all EDP employees, whose contribution, commitment, competence and energy were crucial elements to the results achieved by the Company.

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

PROPOSAL FOR THE APPROPRIATION OF PROFITS

Under the terms of the Article 30 of the Company Constitution, the Executive Board of Directors proposes that the Net Profit is appropriated as follows:

APPROPRIATION OF PROFIT	
COMPANY NET PROFITS	2010
- Legal Reserve	36,256,784.77 €
- Dividends	621,611,411.55 €
- Donations to Fundação EDP	7,000,000.00 €
- Retained Earnings	60,267,499.12 €
Net Profit	725,135,695.44 €

The dividend proposed is EUR 0.17 per share.



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1. GRI COMPLIANCE

This Annual Report was prepared according to Global Reporting Initiative guidelines. The following table shows the GRI indicators according to the Supplement for the Electricity Sector, fully disclosed. For the new partially responses, commitments for future disclosures are included, as well as the reason for its omission. In www.edp.pt > Sustainability > Reports it can be consulted a complete GRI table.

The following table also links Global Compact principles to the information disclosed within the report, reinforcing the commitment of EDP with this initiative.

EDP GRI TABLE

Source of information	Global Compact
1. STRATEGY AND ANALYSIS	
Page 20; 134	
2. ORGANIZATIONAL PROFILE	
Annexes - Page 176	
EU1 Page 36; 40; 44; 60	
EU2 Page 36; 40; 44; 60	
EU3 Page 79	
EU4 Page 48; 60	
EU5 Page 99	
3. REPORT PARAMETER	
Report Profile	
Annexes - Page 272	
Report Scope and Boundary	
Annexes - Page 272	
Check	
Annexes - Page 272	
4. GOVERNANCE	
Governance	
4.1 Page 109; www.edp.pt > corporate governance	
4.2 Page 111; www.edp.pt > corporate governance	
4.3 www.edp.pt > corporate governance > governing bodies	
4.4 Page 118; 151	
4.5 Page 142-143	
4.6 www.edp.pt > about edp> Corporate Governance > Independence and incompatibilities Statement	
4.7 Page 12	
4.8 Page 8; www.edp.pt > about edp> Our Commitments	
4.9 Page 66; www.edp.pt > sustainability > Approach to Sustainability > Organisation > Internal Organisation	
4.10 Page 142-143	
Commitments to External Initiatives	
4.11 Page 98; 133	
4.12 www.edp.pt > sustainability > Approach to Sustainability > Participations	
4.13 www.edp.pt > sustainability > Approach to Sustainability > Participations	
Stakeholder Engagement	
4.14 Page 68; www.edp.pt > sustainability > stakeholders	
4.15 Annexes - Page 176-177	
4.16 Annexes - Page 176-177	
4.17 Page 68	
5. MANAGEMENT APPROACH	
ECONOMIC PERFORMANCE	
MANAGEMENT APPROACH	
EU6 Page 28; 30; www.eco.edp.pt	
EU7 Page 71; 82-83; www.edp.pt > sustainability > environment > climate change	
EU8 Page 71	
EU9 Page 70-71	
PERFORMANCE	
EC1 Page 19	
EC2 Page 99; 135; 183	
EC3 Note 3 in Financial statements, Page 186; Note 35, page 222	
EC4 Page 19 (I)	
MARKET PRESENCE	
EC5 Page 73	
EC6 Page 84	
EC7 Page 74	

EDP GRI TABLE

Source of information	Global Compact
INDIRECT ECONOMIC IMPACTS	
EC8 Page 88 (2)	
EC9 Page 88	
EU10 Page 29	
EU11 Page 100	
EU12 Page 94	
ENVIRONMENTAL PERFORMANCE	
MANAGEMENT APPROACH	
Materials	
www.edp.pt > Sustainability > Environment> Performance	
Water	
www.edp.pt > Sustainability > Environment> Performance	
Biodiversity	
www.edp.pt > Sustainability > Environment> Performance; Biodiversity Report	
Emissions, Effluents and Waste	
www.edp.pt > Sustainability > Environment> Performance	
MATERIALS	
EN1 Page 94	
EN2 non existent	7; 8
ENERGY	
EN3 Page 94	
EN4 Page 94	
EN5 Page 94	7; 9
EN6 Page 83	
EN7 Page 94; www.eco.edp.pt	
WATER	
EN8 Page 94	
EN9 n/k	7; 8
EN10 n/m (3)	
BIODIVERSITY	
EN11 Page 100	
EN12 www.edp.pt > sustainability > Environment > Biodiversity > Impact on Biodiversity	
EU13	7; 8
EN13 www.edp.pt > sustainability > Environment > Biodiversity > Biodiversity Report	
EN14	
EN15	
EMISSIONS, EFFLUENTS AND WASTE	
EN16 Page 94	
EN17 Page 94	
EN18 Page 99	
EN19 n/m (2)	
EN20 Page 94	
EN21 Page 94; www.edp.pt > Sustainability > Environment> Performance	8
EN22 Page 94	
EN23 Page 97	
EN24 Page 97	
EN25 n/k	
PRODUCTS AND SERVICES	
EN26 Page 96	
EN27 n/a (5)	7
COMPLIANCE	
EN28 Page 94	8
TRANSPORTE	
EN29 n/k	7

EDP GRI TABLE

Source of information	Global Compact
ENVIRONMENTAL INVESTMENTS	
EN30 Page 97; note 50 in financial statements, Page 252	7; 8; 9
SOCIAL PERFORMANCE	
MANAGEMENT APPROACH	
EU14 Page 76	
EU15 Page 74	
EU16 Page 77; 86	
EMPLOYMENT	
LA1 Page 73-74 (6)	
LA2 Page 73-74	
LA3 n/k	6
EU17 Page 73-74	
EU18 Page 94 (2)	
LABOR/MANAGEMENT RELATIONS	
LA4 Page 73 (2)	1; 3
LA5 Page 77 (2)	
OCCUPATIONAL HEALTH AND SAFETY	
LA6 Page 77	
LA7 Page 73	1
LA8 Page 73	
LA9 n/k	
TRAINING AND EDUCATION	
LA10 Page 73	
LA11 www.edp.pt> sustainability> publications> sustainability reports> EDP Social Report 2010	6
LA12 100%	
DIVERSITY AND EQUAL OPPORTUNITY	
LA13 Page 73-74	2; 6
LA14 Page 73-74	
HUMAN RIGHTS	
INVESTMENT AND PROCUREMENT PRACTICES	
HR1 100%; referred to in general terms of purchase of the EDP	
HR2 Page 86 (7)	1
HR3 Page 76	
NON-DISCRIMINATION	
HR4 Page 125	1; 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
HR5 0%; Page 73; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics	1; 3
CHILD, FORCED AND COMPULSORY LABOR	
HR6 Page 76; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (clause 3.1.2)	1; 4; 5
HR7 Page 76; www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (clause 3.1.2)	
SECURITY PRACTICES	
HR8 n/k	1
HR9 0	

Core sector indicators
 Core indicators
 Additional indicators

n/k – not available
 n/a – not applicable
 n/m – not material

- (1) The information will be broken down in accordance with GRI, in the next report.
 (2) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2012.
 (3) The use of recycled water is not materially relevant
 (4) EDP finalized its old air conditioned system remover plan.
 (5) The product (electricity and gas) sold by the company is not packed.
 (6) EDP has an ongoing characterization of its suppliers, which will provide in 2011

EDP GRI TABLE

Source of information	Global Compact
SOCIETY	
MANAGEMENT APPROACH	
EU19 Page 98	
EU20 www.edp.pt> sustainability> environment> biodiversity> minimising the impact on biodiversity> environmental impact management in Peixe Angical Hydroelectric Power Plant	
EU21 Page 78; 98	
COMMUNITY	
SO1 Page 96; www.edp.pt> sustainability> environment	
EU22 0	
CORRUPTION	
SO2 100%; Page 132: SCIRF Model; Page 86: Value Chain	
SO3 Page 76: EDP Ethics training	10
SO4 Page 125	
PUBLIC POLITIC	
SO5 www.edp.pt> about edp> principles and policies; www.edp.pt> sustainability> stakeholders> dialog > governmental institutions; www.edp.pt> sustainability> approach to sustainability> participations	
SO6 www.edp.pt> about edp> Corporate Governance> Ethic> Code of Ethics (Clause 4.1.2)	
ANTICOMPETITIVE BEHAVIOUR	
SO7 n/k	10
COMPLIANCE	
SO8 Page 116 (8)	
PRODUCT RESPONSABILITY	
MANAGEMENT APPROACH	
EU23 Page 80	
EU24 Page 82	
CUSTOMER HEALTH AND SAFETY	
PR1 Page 77; www.edp.pt> Sustentabilidade> Prevenção e Segurança> Segurança e Cidadania; www.edp.pt> Sustentabilidade> Ambiente> Desempenho> Campos Eléctricos e Magnéticos	
PR2 0	
EU25 Page 73	
PRODUCT AND SERVICE LABELING	
PR3 (10)	
PR4 n/k	
PR5 Page 80-81	
MARKETING COMMUNICATIONS AND CUSTOMER PRIVACY	
PR6 non existant	
PR7 non existant	
PR8 n/k	
COMPLIANCE AND PRODUCT ACCESS	
PR9 n/m (8)	
EU26 0% (9)	
EU27 Page 81	
EU28 www.edpdistribuicao.pt > Qualidade > Documentação > Relatórios de Qualidade de Serviço (2)	
EU29 Page 48 (Portugal e Espanha); Page 81 (Brasil)	
EU30 Page 36; 39 (11)	

- (7) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2013.
 (8) The monetary value of fines for EDP is mostly due to flaws in the supply and use of products and services.
 (9) According to national regulators.
 (10) In Portugal and Spain CO₂ emissions are reported on invoices.
 (11) By the multiplicity and characteristics of the markets where it operates, EDP is expected to release full information only by 2011.

GRI COMPLIANCE

Our reporting score was A+, as confirmed by KPMG, and confirmed by Global Reporting Initiative, page 293.



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CONTENTS AND ORGANIZATION

This Annual Report combines economic and financial aspects, along with social and environmental performance, allowing a wider view of business. The report is separated in 5 different sections: EDP; Business; Contribution to Sustainability; Corporate Governance Report and Financial Information, describing the company's performance between 1 January and 31 December 2010 along with the most important events occurred in the first quarter of 2011. In addition to this annual report:

- EDP reports quarterly to the market and key sustainability information is made available on-line;
- Keeps on-line qualitative and quantitative information both operational and environmental.
- Annual and sustainability reports from the Group's companies operating in Spain and Brazil are also published and may complement information about the sustainability performance of those companies.

Detailed information about contents and organization of EDP's Annual Report is available in www.edp.pt > Sustainability > Reports.

AA1000 APS (2008)

Dialog with their stakeholders is a commitment of the company expressed in EDP's Principles for Sustainable Development: Ensure an open, transparent and trustful relationship with the different stakeholder group; Establish stakeholder communication channels and integrate their concern; Report performance in a credible, objective way in its economical, environmental and social dimensions.

During 2009, EDP started a thorough process to assess the company's maturity level, in its strategic, procedural and operational approach, against AA1000 APS (2008) standards. These standards, supported in three main principles: Inclusion, Materiality and Response, are important to increase the effectiveness of how EDP communicates and promotes dialogue, replying to the expectations and increasing requirements of different stakeholders.

This process is being developed at a corporate level, including an analysis of the Portuguese specificities, along with the ones from the main EDP Companies, such as EDP renewable; HC Energia and EDP Brazil. Within different maturity stages, the challenge is to guaranty a strategic alignment along with specific approaches to local expectations. It is EDP goal to maintain common strategic priorities within all its companies, letting specific issues be dealt according with its local importance. Harmonization procedures will be set in 2011.

VERIFICATION ACCORDING TO AA1000 AS (2008)

EDP Asked KPMG the verification according to AA1000 AS (2008), Type 2. The verification process includes not only the information disclosed in the EDP's Annual Report 2010, but also the alignment of EDP's practices with the principle of inclusion, materiality and response. In www.edp.pt > Sustainability > Stakeholders > Dialog is available a list with the main stakeholder segments of EDP, as well as the description of the main practices in place, according with AA1000 standard.

PRINCIPLE OF INCLUSION

A stakeholder is all and any agent with influence and being influenced by the company activities, in a direct or indirect way. An inclusive company promotes participation of stakeholders in the development of a strategic response to sustainability. EDP recognises this principle in its engagement processes e commits itself to improve the process of stakeholder identification, guaranteeing that the stakeholder perspective is always considered.

From all the initiatives developed it was possible to improve the knowledge about the concerns and expectations of different stakeholders and continue the action plans ongoing. It is believed that its results will contribute to a continuous improvement of EDP's sustainability performance.

PRINCIPLE OF MATERIALITY

The macro-economic context, where the challenges of sustainability are increasing, summing up with the diversity of EDP's stakeholders, results in a large and complex list of important issues, which must be prioritised according to its relevance and significance. An issue is considered material when it influences the decision, the action and the performance of an organization and its stakeholders.

EDP's material issues were identified through the Accountability's methodology, which ensures a balanced and cleared assessment of data collected internally and throughout the different channels opened for different stakeholders: Satisfaction surveys; surveys to perceive the opinion stakeholders have on EDP's sustainability performance; workshops to discuss and assess the level of engagement, etc.

Comparing the 2009 material issues, in 2010 Climate Change and Environmental Protection are still the main concerns, with Innovation, renewable energies and energy efficiency arising as shared priorities.

All these issues are covered by the Annual Report and an action plan is being developed to reinforce the engagement around these issues, specifically to identify new opportunities to strengthen partnerships with different stakeholders.

PRINCIPLE OF RESPONSE

Organization ensures the principles of response through the improvement of its sustainability performance, as a result action plans and decisions, in a continuous dialog with its stakeholders.

EDP has a set of policies, with objectives and goals framed in processes and initiatives where engagement with stakeholders is continuously being reinforced. Improve the focus of these initiatives in the material issues, ensuring the right stakeholders are involved will allow the company to be more effective in achieving those goals, common to those stakeholders.

For more information about the initiatives in place, please consult www.edp.pt > Sustainability > Stakeholders > Dialog.

MAIN INITIATIVE DURING 2010

During 2008, EDP carried out a thorough identification of all its stakeholders and since then, has ongoing:

- a revision of the above mentioned process, having approved already a corporate Coordination Area for Stakeholder Relations (see page 125).
- During 2010:
 - * The Executive Board met with the Environmental and Sustainability Board – an external advisory statutory body (see page 117);
 - * A workshop with experts on different suitability subjects was conducted to discuss about sustainability strategies and material issues for the company;
 - * Surveys were conducted comprising local communities, living in the surroundings of generation facilities under operation;
 - * Satisfaction surveys were conducted and the reinforcement of the investors' engagement channels was performed;
 - * Surveys were also conducted comprising NGO and Suppliers;
 - * Meetings and workshops were promoted with media, suppliers and public authorities;
 - * An internal training session was conducted to clarify AA1000 principles, as well as to reinforce the use of these principles on stakeholders engagement processes.

With several initiatives being conducted within an annual basis, the challenge in to ensure an effective and efficient dialog between different parties, as well as promote the best practices within all EDP's Companies.

During 2011, EDP will promote feedback to all participants, as well as will develop action plans to guaranty the focus on material issues.

In section Contribution to Sustainability, page 67, it can be consulted some specific commitments for 2011.

CORPORATE CONSOLIDATION CRITERIA

The EDP organisation structure (pages 24 and 25), in the business section displays the range of companies covered by the annual report and in page 189, the consolidation perimeter.

The same consolidation criteria were used as in 2009. The following accounting methods were adopted for the consolidation of accounts:

- Full consolidation method: where the parent company holds the majority of voting rights (% control) in the subsidiary, either directly or indirectly. The results of such subsidiaries are reported at 100%.
- Proportional consolidation method: where a company included in the accounting consolidation perimeter runs another company together with one or more companies not included in the perimeter. In this case, only the results corresponding to the percentage stake in the jointly-controlled company are reported.

All the companies consolidated using both methods are listed in Note 52 to the financial statements in the annual report, page 254.

The checks were conducted by an independent organisation, KPMG Advisory, Consultores de Gestão, Lda, which was selected in 2008 on the basis of an invitation to tender in Portugal, submitted to four companies of recognised experience in the field.

GLOSSARY

For a better understanding of the report, our on-line glossary includes definitions of the quantitative indicators given at www.edp.pt/pt/pages/glossário.aspx

annexes - external checks



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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)
(This report is a free translation to English from the original Portuguese version)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December, 2010 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2010 (showing total assets of 40,488,853 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 7,854,558 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,078,925 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
- a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income;
 - b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ("CVM");
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.



Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the overall adequacy of the consolidated financial statements' presentation; and
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2010, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ("*CVM*").

Lisbon, 3 March 2011



 KPMG & Associados
 Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
 represented by
 Jean-éric Gaign (ROC n.º 1013)

annexes - external checks



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**REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2010**

(This report is a free translation to English from the Portuguese version)

To the Shareholders of
EDP – Energias de Portugal, S.A.

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.
- 2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.
- 4 Within the scope of our mandate, we have verified that:
 - i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, the consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the consolidated financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR


KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
 represented by
 Jean-eric Gaigne (ROC n.º 1013)



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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at for the year ended 31 December, 2010 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2010 (showing total assets of 18,167,608 thousand Euros and shareholders' equity of 6,702,149 thousand Euros, including a net profit of 725,136 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
 - a) the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that presents fairly the financial position of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;
 - b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, that is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the company.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

annexes - external checks

**Scope**

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the overall adequacy of the financial statements' presentation; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2010, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 3 March, 2011


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**REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2010**

(This report is a free translation in English from the Portuguese version)

To the Shareholders of
EDP – Energias de Portugal, S.A.

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.
- 2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.
- 4 Within the scope of our mandate, we have verified that:
 - i) the balance sheet, the statements of income, of cash flows, of changes in equity, the comprehensive income and the related notes, present adequately the financial position and the results of EDP;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaign (ROC n.º 1013)

annexes - external checks



EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

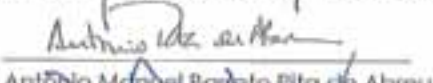
With reference to 2010 financial year, and according to N.º 1 item c) of article 245º of the Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the respective consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S. A., and subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2011


António Luis Guerra Nunes Mexia, Chairman


Ana Maria Machado Fernandes


António Fernando Melo Martins da Costa


António Manuel Barreto Pita de Abreu


João Manuel Manso Neto


Jorge Manuel Pragana da Cruz Morais


Nuno Maria Pestana de Almeida Alves



EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer – Corporate Centre

STATEMENT

With reference to 2010 financial year, and according to N.º 1 item c) of article 245º of the Securities Code, I hereby declare that, to my best knowledge, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared in accordance to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and subsidiaries included in the respective consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, performance and position of EDP – Energias de Portugal, S. A. and subsidiaries included in the consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 3rd of March 2011



annexes - external checks



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INDEPENDENT LIMITED ASSURANCE REPORT

**(This Report is a free translation to English from the Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)**

**To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.**

Introduction

1 We were engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A (“EDP”) to provide limited assurance on the sustainability information included in the chapter “Contribution to sustainability” of the EDP’s Annual Report (“the Report”) for the year ended 31 December 2010.

Responsibilities

- 2** The Executive Board of Directors of EDP is responsible for:
- The preparation and presentation of the sustainability information in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix “GRI Evaluation” of the Report, and the information and assertions contained within it;
 - For determining EDP’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
 - For establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
- 3** Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform the engagement to obtain limited assurance about whether the sustainability information included in the chapter “Contribution to sustainability” of the Report is free from material misstatement.

We have also conducted our engagement in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2), to provide a moderate level of assurance, which covers not only the nature and extent of the organization’s adherence to the AA1000APS, but also evaluates the reliability of performance information as indicated in the appendix “GRI evaluation”.

These Standards require that we comply with applicable ethical requirements, including independence requirements.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

KPMG & Associados – S.R.L.C., S.A.
Capital Social: 1 990 000 Euros - Pessoa Coletiva Nº
PT 502 181 028 - Inscrição no D.R.O.C. Nº 188 -
Insueto no C.N.V.M. Nº 8082

Matriculada no Conservatório do Registo Comercial de Lisboa sob o Nº PT 502 181 028



Scope

- 4 A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the chapter “Contribution to sustainability” of EDP’s Annual Report (“the Report”) for the year ended 31 December, 2010, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:
- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.
 - Interviews with relevant staff at corporate and business unit level responsible for providing the sustainability information in the Report.
 - Visits to sites operating in Portugal, Spain, Brazil and United States of America, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
 - Comparing the information presented in the chapter “Contribution to sustainability” of the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
 - Reading the information presented in the chapter “Contribution to sustainability” of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.
- 5 The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.
- 6 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

- 7 Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the chapter “Contribution to sustainability” and appendix “GRI evaluation” of EDP’s Annual Report for the year ended 31 December 2010 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix “GRI evaluation” of the Report. Additionally, and also based on the procedure performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix “GRI evaluation” of the 2010 Annual Report.

Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusivity principle

EDP has made an important effort in the identification and prioritization of relevant stakeholders at corporate and regional level. It is recommended that EDP continues working to define the processes and mechanisms that allow EDP to develop the process already started, objectively and homogeneously throughout the entire Group.

annexes - external checks**In relation to the Materiality principle**

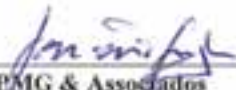
During 2010, EDP carried out an internal work that allowed the identification of material issues for the relevant stakeholders and integrated at corporate level, in the regions where it operates. It is recommended the implementation of a process that provides a periodic update of material issues.

In relation to the Responsiveness principle

EDP has implemented, in Portugal, a series of mechanisms to give response to material issues. It is recommended the development and implementation of similar processes in the other regions where EDP operates in order to give responses locally.

- 8 Our limited assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been prepared only with the objective of stating to EDP those matters we have been engaged to state in this limited assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 3 March 2011



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
represented by
Jean-éric Gaign (ROC nr. 1013)



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Independent Report on the Internal Control System of EDP Group for the year ended 31 December, 2010

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 We were engaged by EDP – Energias de Portugal, S.A. (“EDP” or “the Company”) to perform a work to assess the design and operating effectiveness of the Company’s and its subsidiaries (“EDP Group”) internal control system over the consolidated financial reporting, for the period from 1 January 2010 to 31 December 2010.

Responsibilities

- 2 The Executive Board of Directors is responsible for the design, implementation and maintenance of an adequate internal control system over the consolidated financial reporting, as well as for evaluating its effectiveness.
- 3 Our responsibility is to perform the work in order to assess whether there was compliance, in all material respects, of the internal control system over the consolidated financial reporting of EDP Group, with the requirement described in paragraph 2 above.

Scope

- 4 Our work was conducted in accordance with the International Standard on Assurance Engagements - “ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information” issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants in order to assess whether, in all material respects, there was compliance of EDP Group’s internal control system over the consolidated financial reporting with the requirement described in paragraph 2 above.
- 5 The internal control system over the consolidated financial reporting is a process designed, as described in paragraph 2 above, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The internal control system over the consolidated financial reporting includes policies and procedures that:

- respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and those charged with governance within EDP Group; and
- provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.

annexes - external checks



- 6 The assessment work consisted in performing procedures to obtain evidence about the system's description and its design and operating effectiveness. The procedures performed were based on the auditor's judgment, including the risk assessment of the description not being properly presented and controls not being designed efficiently or operating effectively. Our procedures included testing, on a sample basis, the operating effectiveness of controls, to the extent considered necessary. Accordingly, our examination included:
- obtaining an understanding of the internal control system over the consolidated financial reporting;
 - assessing the risk that a material weakness exists;
 - testing and evaluating the design and operating effectiveness of internal control based on the assessed risk; and
 - performing such other procedures as we considered necessary in the circumstances.
- 7 Because of inherent limitations, including the possibility of collusion or management override of controls, internal control system over the consolidated financial reporting may not prevent, or detect and correct material misstatements due to fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
- 8 We believe that our work provides a reasonable basis for our conclusion.

Conclusion

- 9 To the best of our knowledge, based on the procedures performed as described above, we conclude that, in all material respects:
- The control procedures tested in terms of design and operating effectiveness of the internal control system required to meet the objectives mentioned in paragraph 2 above during the period from 1 January 2010 to 31 December 2010;
 - Existing controls that represent the internal control system over the consolidated financial reporting of EDP Group were properly designed during the period from 1 January 2010 to 31 December 2010;
 - Existing controls to achieve the objectives referred to in paragraph 2 above, operated effectively during the period from 1 January 2010 to 31 December 2010;
- adequately ensure that the objectives referred to in paragraph 2 above have been achieved.

Lisbon, 3 March 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.





annexes - extract from the minutes of the general meeting of edp shareholders

----- Extract of Minute no. 1/2011 of the EDP's General Shareholders' Meeting -----

--- On the fourteenth of April of two thousand and eleven, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Rua Ofélia Diogo da Costa, number 39, in Oporto. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating. -----

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started the meeting by explaining the participation procedures in the present General Shareholders' Meeting and the respective functioning and, afterwards, assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. António Bernardo de Menezes e Lorena de 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 publication made in the Euronext's Official Listing Bulletin of 17th of March of 2011). -----

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the participants list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present. -----

The Chairman of the General Shareholders' Meeting and the Company Secretary then verified the percentage of the share capital present or represented at the General Shareholder's Meeting – which, adding the correspondence votes, represented 58.2966% of the share capital and 57.3830% of the voting rights –, based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. -----

The Chairman of the General Shareholders' Meeting stated also that the exercise of participating and voting rights at the General Shareholders' Meeting was not prejudiced by the transfer of shares after the registration date, nor was dependent from the respective block between registration date and the present date. Nevertheless, the Chairman of the General Shareholders' Meeting referred that shareholders that declared their intention to participate at the General Shareholders' Meeting and, meanwhile, transferred ownership of their shares between registration date and the General Shareholders' Meeting were obliged to communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission. -----

The Chairman of the General Shareholders' Meeting mentioned, afterwards that shareholders who, by professional title, own shares on its own name, but on behalf of clients, may vote on a different way with its shares, as long as, beyond the participating statement and the sending, by the respective financial intermediary, of the shares' registry statements, they had presented to the Chairman of the General Shareholders' Meeting, until the 6th April 2011, sufficient and proportional evidence of (i) identification of each client and number of shares to vote on its account (it is considered as sufficient evidence the indication of the name and the tax number) and (ii) vote instructions, which shall be specific for each different item of the agenda and shall be given by each client. The Chairman of the General Shareholders' Meeting referred then that in case one shareholder has designated several representatives regarding shares held in different book-entry registries, and these representatives vote in a different way regarding the same proposal, all the expressed votes may be annulled. If any of the representatives does not attend the General Shareholders' Meeting, the votes of the representatives present will be considered, as long as all of the representatives vote in the same way. The presence at the General Shareholders' Meeting of a shareholder that has designated one or more representatives revokes the representation powers conferred. -----

The Chairman of the General Shareholders' Meeting also stated that, according to article 14, no. 3 of EDP's By-laws, votes from a shareholder owning category A shares issued on its own account or on behalf of another shareholder would not be cast in the event that they exceeded 5% of the total votes, as well as, since such restriction does not apply to category B shares, the shareholders Parública – Participações Públicas, SGPS, S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., could vote with more than 5% of the voting rights attached to the share capital. -----

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were complied with, namely, that the proposals and other information in relation to the items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law. -----
(...)

--- Mr. Rui Eduardo Ferreira Rodrigues Pena initiated the works of the General Shareholders' Meeting's by submitting to discussion Item One in the agenda, with the following content: *"Resolve on the individual and consolidated accounts' reporting documents for the 2010 financial year, including the sole management report (which includes a chapter regarding corporate governance), the individual accounts and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of individual and consolidated accounts."* -----

The Chairman of the General Shareholders' Meeting requested to the Chairman of the Executive Board of Directors and to the Chairman of the General and Supervisory Board to present the accounts' reporting documents, and started by giving permission to speak to Mr. António Luís Guerra Nunes Mexia. -----
(...)

The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia and granted permission to the Chairman of the General and Supervisory Board, Mr. António de Almeida, to present the opinion and activity report of the corporate bodies chaired by him related to 2010 exercise. -----
(...)

With the conclusion of the discussion and since no more person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 257 404 232 votes, corresponding to 2 257 404 232 shares, which represent 61.7361% of the share capital. As the abstentions are not considered, the sole management report, the other accounts' reporting documents for the 2010 financial year and the opinion of the General and Supervisory Board were approved by majority of the votes cast (with 99.9998% of votes in favour).----

--- The Chairman of the General Shareholders' Meeting continued with the works and read Item Two of the agenda with following content: *"Resolve on the proposal for the allocation of profits in relation to the 2010 financial year"*. Afterwards asked the Company Secretary to read the proposal of the Executive Board of Directors, in the following terms: -----

"In accordance with article 30/1 of the by-laws of EDP, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocation of profits, in the total value of € 725 135 695.44: -----

Legal reserve	€ 36 256 784.77 -----
Dividends (the proposed dividend is € 0,170 per share)	€ 621 611 411.55 -----
Endowment to EDP Foundation	€ 7 000 000.00 -----
Profit forwarded	€ 60 267 499.12"-----

The Chairman of the General Shareholders' Meeting thanked the Company Secretary and granted permission to the Chairman of the Executive Board of Directors, who mentioned the criteria and reasons of the proposal of allocation of profits presented.-----

The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia and allowed the Chairman of the General and Supervisory Board to speak, in order to present the main highlights of Fundação EDP patronage initiatives. -----

(...)

Subsequently, and since no more person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 247 120 960 votes, corresponding to 2 247 120 960 shares, which represent 61.4549% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9998% of votes in favour). -----

--- Initiating Item Three of the agenda, the Chairman of the General Shareholders' Meeting read the respective content "General appraisal of the management and supervision of the company, in accordance with article 455 of the Portuguese Companies Code". Afterwards, the Chairman of the General Shareholders' Meeting ask the Company Secretary to read the proposal presented by the shareholders Parpública – Participações Públicas, (SGPS), S. A., Caixa Geral de Depósitos, S.A., Caja de Ahorros de Asturias, José de Mello Energia, SGPS, S.A., Senfora, SARL, Banco Espírito Santo, S.A., Banco Comercial Português, S.A., and 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 2010 financial year. -----

2. – A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2010 financial year. -----

3. – A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2010 financial year". -----

Following that, the Chairman of the Shareholders Meeting questioned shareholders to waive the reading of the opinion presented by the General and Supervisory Board regarding the vote of confidence on the Executive Board of Directors for the 2010 financial year since the same is extensive and known by all. Since shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission for the Chairman of the General and Supervisory Board to speak (...). -----

Since none of the persons attending the meeting asked to speak, the Chairman of General Shareholders' Meeting informed shareholders that General Shareholders' Meeting resolved to split this item of the agenda in four sub-items, as the vote process would be more efficient. Stated that, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A1) of the agenda – "A vote of confidence and praise to the Executive Board of Directors and to each of its members for the performance of their offices during 2010 financial year" – having been issued 2 257 171 020 votes, corresponding to 2 257 171 020 shares, which represent 61.7297% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9574% of votes in favour).-----

Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A2) of the agenda – "A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2010 financial year" – having been issued 2 257 097 420 votes, corresponding to 2 257 097 420 shares, which represent 61.7277% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9469% of votes in favour).-----

Afterwards, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3A3) of the agenda – "A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2010 financial year" – having been issued 2 257 454 105 votes, corresponding to 2 257 454 105 shares, which represent 61.7375% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9403% of votes in favour).-----

At last, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Three (3B) of the agenda – Opinion of the General and Supervisory Board regarding the vote of confidence on the Executive Board of Directors for the 2010 financial year – having been issued 2 081 135 085 votes, corresponding to 2 081 135 085 shares, which represent 56.9155% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9469% of votes in favour). -----

The Chairman of the General Shareholders' Meeting read the content of Item Four of the agenda - "Granting authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and its subsidiaries" - and questioned shareholders to waive the reading of the proposal presented by the Executive Board of Directors since the same is extensive and known by all. Since shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to the Executive Board of Directors for the presentation of such proposal. -----

(...)

Afterwards, and since no one more person ask to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal contained in Item Four of the agenda, having been issued 2 218 576 797 votes, corresponding to 2 218 576 797 shares, which represent 60.6742% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9499% of votes in favour). -----

--- In relation to Item Five of the agenda, the Chairman of the General Shareholders' Meeting read the referred Item – "Granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and its subsidiaries" – and, as it had already happened within the previous item, questioned the present shareholders on the waiver of the reading the proposal, since the same is extensive and known by all. The reading of the proposal was waived and Mr. Nuno Maria Pestana de Almeida Alves explained briefly the contents of the referred proposal (...).-----



annexes - extract from the minutes of the general meeting of edp shareholders

Since no one ask to speak the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2 218 382 464 votes, corresponding to 2 218 382 464 shares, which represent 60.6689% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9054% of votes in favour). -----

--- The Chairman of the Shareholders' Meeting carried out with the works and moved to Item Six of the agenda, with the following content "Resolve on the members of the Executive Board of Directors remuneration policy presented by the Remuneration Committee of the General and Supervisory Board". Considering the extension of the statement and since the same is known by the shareholders, the Chairman of the Shareholders' Meeting questioned to waive the reading of the document, with the following content:-----

"Statement to the General Shareholders' Meeting of 14th April 2011 regarding remuneration policy of EDP – Energias de Portugal, S.A. Executive Board of Directors Member' for the 2009-2011 term of office -----

- 1. On the General Shareholders' Meeting held on the 16th April 2010, it was approved the Executive Board of Directors members' remuneration policy for the 2009-2011 term of office, which was duly executed in accordance to the resolution taken.-----*
- 2. It is recalled that the remuneration policy applicable to the Executive Board of Directors is focused on a guarantee of alignment between the behavior of the executive directors and the company's long term interests. On the basis of a benchmarking analysis, it was created, for that effect, a remuneration package sufficiently competitive in order to attract and retain quality managers, based on a fixed component and on an incentive scheme that reflects the company performance on a perspective of economic and financial sustainability and not only in a short term. With this purpose, the variable part of the remuneration that depends on the achievement of middle and long term goals was reinforced, which is aligned with orientations and recommendations of institutions like the European Commission and CMVM and with several international studies.-----*
- 3. As it was defined for the period of the current term of office (three year period 2009-2011) and as it is being fully executed, it is hereby recorded that the referred remuneration policy is in accordance to the terms and conditions detailed on the communication addressed to the General Shareholders' Meeting, last year, by this Remuneration Committee, which is available, for consultation effects, at EDP' website (www.edp.pt) and it is proposed to maintain it in the same terms until the end of the current mandate."-----*

Since the shareholders waived the reading of the statement referred above, the Chairman of the General Shareholders' Meeting granted permission to Mr. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board to speak. Mr. Alberto João Coraceiro de Castro, after presenting its compliments to the shareholders, presented a brief resume of the statement prepared by the Committee chaired by him (...).-----

Concluded the presentation, the Chairman of the General and Shareholders' Meeting thanked Mr. Alberto João Coraceiro de Castro and declared open the discussion.-----

As no one ask to speak, the Chairman of the General Shareholders' Meeting submitted to vote Item Six of the agenda, having been issued 2 203 841 267 votes, corresponding to 2 203 841 267 shares, which represent 60.2713% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 98.5159% of votes in favour).-----

Afterwards, representative of Parpública – Participações Públicas (SGPS), S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., Mr. Joaquim Reis, asked permission to speak to inform that the entities that he is representing require to be included on the present minutes the following vote statement:-----

"Being in force a policy of restraint and reduction of the remunerations of office holders on administration, management and control of companies with participations held by the State, which is manifest on the strategic orientations defined by the Government, namely through Dispatch no. 11420/2009, from the Treasury and Finance Secretary of State and through Dispatch no. 5696-A/2010 from the Finance Ministry of State and through RCM no. 4/2011, recommendations also issued by the Portuguese Parliament in the scope of Law no. 55-A/2010, dated 27th December, which approved the Law of 2011 State Budget.-----

These orientations are being applicable on companies where the State holds a participation of majority. On companies where the State does not hold the majority of capital and votes, the public shareholder shall also pursue for the compliance of such rules, essentially when the Country is passing through as austere conjuncture and is obliged to proceed with drastic remunerations reductions on Administrative Public Sector and also on its Corporative Sector.-----

On the General Shareholders' Meeting held in 2010, Parpública and Capitalpor vote against the "Remuneration Policy of the members of the Board of Directors" and, on that occasion, presented a Vote Statement where it was expressed the nature of our disagreement.-----

This same General Shareholders' Meeting resolved to approve the Remunerations Policy for the term of office correspondent to the current mandate of this Executive Board of Directors.-----

Considering that the statement about "Remuneration Policy of the members of the Board of Directors" for the years 2010 and 2011 presented by the Remuneration Committee of the General and Supervisory Board, within the scope of item 6. of the agenda of the present shareholders' meeting pursues the same principles of the proposal presented last year, its is maintained the divergence regarding the understanding that Parpública and Capitalpor have on the orientations defined on this matter.-----

Although, as the referred remuneration policy for the 2009-2011 mandate obtained the accordance of the majority of the shareholders on the 2010 General Shareholders' Meeting and as EDP is a company listed in the stock market with high importance on the capitalization of Portuguese stock market and with a high level of dispersion and variety of shareholders, where the State, through Parpública and Capitalpor, holds a minority participation, and nevertheless the divergences referred regarding the policy defined for the current term of office, it intends to abstain on this item, respecting, by this, the majority resolutions adopted previously and contributing for the reliance of the governance model of the company, surpassing any disagreement that may interfere with the company."-----

--- The Chairman of the General Shareholders' Meeting read then the content of Item Seven of the agenda - "Resolve on the remaining members of corporate bodies remuneration policy presented by the Remuneration Committee elected by the General Shareholders' Meeting" and, as in the previous proposals, questioned shareholders to waive the reading of the statement with the following content:-----

"Statement of the Remuneration Committee of EDP – Energias de Portugal, S.A. on the Corporate Bodies' Remuneration Policy -----

- 1. Pursuant to article 11, number 2, paragraph d), of EDP – Energias de Portugal, S.A.'s by-laws, it is the General Shareholders Meeting's responsibility to appoint a Remuneration Committee with the obligation to determine the remuneration of the corporate bodies' members, except for the remuneration of the directors (Executive Board of Directors), which, pursuant to article 27 of the referred by-laws, shall be determined by a Committee appointed by the General and Supervisory Board (GSB).-----*
- 2. EDP – Energias de Portugal, S.A.'s by-laws provides, in article 8, number 1 that the Company's Corporate Bodies are:-----*

a) General Shareholders Meeting (GSM) -----
 b) General and Supervisory Board (GSB) -----
 c) Executive Board of Directors (EBD) -----
 d) Statutory Auditor -----
 On the other hand, the Articles of Association provide yet for the existence of other Corporate Bodies, with statutory dignity: -----
 e) Environmental and Sustainability Board (ESB) -----
 f) Remuneration Committee, appointed by the Annual General Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters which on the Articles of Association, also assumes the denomination of Audit Committee. -----
 g) GSM's Board. -----
 These are the EDP-Energias de Portugal, S.A.'s corporate bodies. -----
 3. It is, therefore, the Remuneration Committee's responsibility to determine the remuneration of the members of the following corporate bodies: General Shareholders Meeting's Board and members of the GSB; Auditor and Environmental and Sustainability Board. The Committee for the Monitoring of Financial Matters or Audit Committee shall be dealt with together with the other GSB' Committees. -----
 4. The Company's GSM, assembled on 15 of April, 2009, has appointed as members of the Remuneration Committee: -----
 - José Manuel Galvão Teles, President -----
 - Parpública – Participações Públicas (SGPS), S.A., Member, initially represented by João Plácido Pires, replaced in May, 2010 by José Castel-Branco -----
 - Carlos Veiga Anjos, Member -----
 to exercise their mandate along the triennium from 2009 to 2011. -----
 5. When complying with the powers assigned to them by the GSM, the Remuneration Committee has determined, in late 2009, early 2010, the remunerations of the members of EDP's corporate bodies, for the triennium 2009 to 2011 (with the exception of the EBD), although with the express reservation that the Committee would fulfil its duty to accompany, every year, the activity of the respective corporate bodies. -----
 After around 3 to 4 months, the Remuneration Committee, in compliance with Law 28/2009, of 19th of June, was asked, for the first time, to submit to the GSM, a proposal for the approval of the Statement on the Corporate Bodies' Remuneration Policy. -----
 The GSM, gathered on the 16th of April, 2010, has decided to reject the Statement submitted, which it did, however, without presenting any alternative and without, commenting on any aspect of the Statement or the Remuneration Policy to be adopted by EDP. -----
 Whether during the GSM, whether at any other moment, the Remuneration Committee has never, until now, received the slightest criticism or the slightest remark on the remuneration's policy the shareholders perceive to be pursued by EDP. Excluding, obviously, in what concerns the position of the Government, transmitted directly to the Remuneration Committee, as well through the Vote Statement presented by Parpública at the referred GSM. -----
 Therefore, taking into account the circumstances described, there was nothing new that, in any way, might have influenced the decision to be taken or justify any other measure. -----
 This is why all resolutions taken by the Remuneration Committee are valid and effective, no censorship can be appointed to them, as was confirmed by the opinion of the law experts who have been heard. -----
 6. Arrived here, at the door of the 2011 GSM, the Remuneration Committee has the duty of, beyond being accountable to its shareholders as to its activity, comply with the provisions of the referred Law 28/2009, submitting for the GSM's appraisal, its proposal of a Statement on the Company's Remuneration Policy. -----
 This is precisely what the Committee is doing before the shareholders, hoping that it will be able to interpret, understand and respect what is on each person's thoughts. -----
 7. As one can easily understand, the Remuneration Committee has imposed to itself the greatest tranquillity, judgement and openness of mind in order to present to the shareholders with a Statement proposal that meets their legitimate aspirations as true owners of the company. -----
 Taking into account the economical and social situation, both at international and national level, it cannot be left unsaid that, on the one hand one must seek to implement a policy of compensation moderation, out of respect for the escalation of the social distress and, on the other hand, it is just as essential to advocate for a remuneration policy that has as underlying principle the criterion of fair compensation for the value of the work performed, recognizing the due personal merit and the merit of the team. Having always as background the actual economic and financial situation of the company and its evolution and results, not forgetting the essential framework on the economic situation of the country and even the world. -----
 8. Thus, one shall comply with the provisions of Point 7 of the Agenda of the Annual General Shareholders Meeting, to take place on the 14th of April. -----
 Given the above, the Remuneration Committee, appointed by the General Shareholders Meeting, pursuant to number 1 of article 2 of Law 28/2009, of 19th of June, hereby submits to the appraisal of the shareholders the remuneration policy of the members of EDP – Energias de Portugal, SA.' corporate bodies, to which its competence respects. -----
 Proposal for the Corporate Bodies' Remuneration Policy -----
 In pursuit of its assignments, this Committee has been guided by both general and specific criteria. -----
 With respect to the general aspects, one took into account mainly the following guiding principles: -----
 (i) The demand for a remuneration policy based, as much as possible, in the evaluation and incentive of a well-judged in which the merit shall be duly compensated. -----
 (ii) The national and international comparison examples of remuneration of the various members of the corporate bodies in companies with higher market capitalization and similar Iberian companies. -----
 (iii) The most recent recommendations from the European Union and CMVM. -----
 (iv) In the present circumstances of serious economic crisis and financial constraint, the moderation in compensation, with the objective of complying with the demands of a greater social justice in the general framework of the country, as well as within the various remuneration regimes of the company. -----
 EDP's corporate bodies' remuneration policy shall, in sum, be simple, transparent, moderate, adapted to the conditions of the work performed and the company's economical situation, but also, competitive, so that it is able to guarantee the value creation purpose for the shareholders and other stakeholders. -----



annexes - extract from the minutes of the general meeting of edp shareholders

Established the criteria which preside to the Company's remuneration policy, and weighted the various factors at stake, this Committee proposes, in general lines, the following measures: -----

(i) The remuneration of the members of the GSB, including its President, shall be set below than those assigned to the members of the EBD, namely as to the non attribution of a variable remuneration component or a Retirement Savings Plan. -----

(ii) Considering the fact that the country is experiencing difficulties as a generalized consequence from the economic, financial and social crisis in the world, one shall proceed to remuneration adjustments towards contention – which, at this moment, shall not go further than 10% - and, in any case, one shall always take into account the merits of the performance of the members of each body, so that the cohesion, stability and company's development is not at risk. -----

(iii) There shall be no adjustments on the remuneration of the members of the Audit Committee, the value of the remunerations of the previous tenure shall remain the same, despite the fact that there is a progressive increase in work and in the responsibility of the members of this Committee. -----

The present circumstances, in which the companies with national relevance develop their activity, deserve, from our point of view, a particular care in the development of the value chain which, beyond the economical aspects, reveals its social sustainability image, whereby we request the best reception, from this General Shareholders Meeting, to the proposal that we now submit." -----

Afterwards, having the shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to Mr. José Manuel Archer Galvão Teles, Chairman of the Remuneration Committee elected by the General Shareholders' Meeting to speak. Mr. José Manuel Archer Galvão Teles started by complimenting shareholders present and subsequently, reported to the General Shareholders Meeting that, considering the content of the proposal to be discussed prepared by the Remuneration Committee chaired by him, his exposition would be brief. (...) -----

Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote Item Seven of the agenda, having been issued 2 203 812 471 votes, corresponding to 2 203 812 471 shares, which represent 60.2705% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 71.4614% of votes in favour). -----

--- Regarding Item Eight of the agenda, the Chairman of the General Shareholders' Meeting read the respective content – "Resolve on the election of two members of the General and Supervisory Board, for the current 2009-2011 term of office." – and expressed its special thanks to Mr. Fernando Manuel Barbosa Faria de Oliveira and to Mr. Vasco Maria Guimarães José de Mello, as they resigned the office of members of the General and Supervisory Board. Following that, the Chairman of the General Shareholders' Meeting informed the shareholders that as it would be submitted to vote the election of two members of the General and Supervisory Board, this item of the agenda was split in two sub-items, which would be vote autonomously. -----

The Chairman of the General Shareholders' Meeting questioned the present shareholders on the waiver of the reading the proposal presented by the shareholders Parpública – Participações Públicas (SGPS), S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A. with the following content: -----

"Considering that Mr. Fernando Manuel Barbosa Faria de Oliveira presented its resignation as member of the General and Supervisory Board, the shareholders Parpública – Participações Públicas (SGPS), S.A., Capitalpor – Participações Portuguesas, SGPS, S.A. and Caixa Geral de Depósitos, S.A. resolve to propose the election of Parpública – Participações Públicas (SGPS), S.A., which holds a participation in EDP corresponding to 25.05% of its share capital, as member of the General and Supervisory Board, with effects until the term of the current 2009-2011 office." On the information note regarding Parpública – Participações Públicas (SGPS), S.A., disclosed to the shareholders within the legal deadline, it is mentioned the identification elements of the referred company. -----

As the reading of the proposal was waived, the Chairman of the General Shareholders' Meeting questioned the present shareholders on the waiver of the reading the proposal presented by the shareholders José de Mello Energia, SGPS, S.A. and Parpública – Participações Públicas (SGPS), S.A., with the following content: -----

"Considering that Mr. Vasco Maria Guimarães José de Mello presented its resignation as member of the General and Supervisory Board, the shareholders José de Mello Energia, SGPS, S.A. and Parpública – Participações Públicas (SGPS), S.A., resolve to propose the election of José de Mello Energia, S.A., which holds a participation in EDP corresponding to 4.82% of its share capital, as member of the General and Supervisory Board, with effects until the term of the current 2009-2011 office." On the information note regarding José de Mello Energia S.A., disclosed to the shareholders within the legal deadline, it is mentioned the identification elements of the referred company. -----

Since none of the presented members asked to speak about this item, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding the election of Parpública – Participações Públicas (SGPS), S.A. as member of the General and Supervisory Board, having been issued 2 218 732 817 votes, corresponding to 2 218 732 817 shares, which represent 60.6785% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.8006% of votes in favour). -----

Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding the election of José de Mello Energia, S.A. as member of the General and Supervisory Board, having been issued 2 218 543 496 votes, corresponding to 2 218 543 496 shares, which represent 60.6733% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.8371% of votes in favour). -----

--- Concluded the discussion and resolution in relation to all of the items in the agenda, the Chairman of the General Shareholders' Meeting expressed its gratitude to all presents for the collaboration demonstrated which was decisive for the good performance of this General Shareholders' Meeting and highlighted the results achieved by EDP – that was able to raise its equity capital and demonstrate a resilient position on its dividend policy – being an example for the Country and for Portuguese State. (...) -----

--- There being no further business, the meeting was closed at nineteen hours and fifty minutes, in relation to which the present minute was drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary. -----

Lisbon, April 19th, 2011

The Company Secretary
Maria Teresa Isabel Pereira

annexes - statement GRI application level check



Statement GRI Application Level Check

GRI hereby states that **EDP - Energias de Portugal S.A.** has presented its report "2010 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

19 April 2011, Amsterdam



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because EDP - Energias de Portugal S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assuranceProvider and for deciding the scope of the assurance.

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Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 14 April 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

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