





all we need is earth

Mother Earth is the source of all our energy.

For her sake, we believe that the future is generating cleaner energy.

For her sake, we are at the cutting edge of sustainable development.

For her sake, we use the most advanced technologies.

For her sake, we are so close to nature.

For her sake, we are us.



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edp

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MESSAGE TO SHAREHOLDERS

Dear Shareholders

In a difficult market environment... we achieved record results

Yet again, 2009 confirmed in numbers the success of the options and strategy defined by EDP across its three strategic pillars – focused growth, greater efficiency and maintaining a low risk profile. The company achieved record results that we should all celebrate with enthusiasm, satisfaction and, above all, an enormous sense of pride.

In terms of growth, we made a recurring net profit of over EUR 1 billion for the first time.

We achieved our best ever EBITDA at EUR 3.363 billion, an increase of 7%. For the first time, over half our operating profits came from outside Portugal. Spain and Brazil posted their best results ever and EDP Renováveis became the 3rd largest company in the world in its sector.

In terms of efficiency, we recorded the lowest operating costs/gross profit ratio in our history at 28%, down from 38% in 2005. We are the most efficient company in our sector in the Iberian Peninsula.

2009 was also the 4th consecutive year of cost reductions in nominal terms. During this same period, since 2005, EDP increased its installed capacity by around 70% to 21GW. A result that is due to the efforts and focus of our staff.

We have also managed to maintain the company's low risk profile, as shown by our ability to secure EUR 6.3 billion in financing during the year, including the sale of the tariff deficit in Portugal for approximately EUR 1.6 billion.

EDP has once again made its mark, with a liquidity position today to cover our investments for the coming two years. However, the paradox of our results in Spain most clearly demonstrates our capacity to predict and manage risk. In a year which saw a drop in demand (-4%) and energy prices down nearly 50% on 2008, we achieved our best results ever. This plays testament to our capacity to ensure that the different blocks which make up EDP today interact effectively to foresee the challenges ahead and overcome them successfully.

Two words can summarise our achievements: resilience and consistency.

In a particularly challenging environment, as was the case in 2009, with several of the economies in which we operate recording negative growth, together with near-zero levels of inflation and a significant reduction in both energy demand and energy prices, these results stand as unequivocal proof of the resilience and consistency of our strategy.

But as has become our habit, we want to go further.

In 2009 we defined a new vision – “A global energy company that leads the way in value creation, innovation and sustainability” – as well as new values and commitments. Beyond continuing to lead the way in value creation, we also want to be at the forefront of how innovation and sustainability inform the way we do business.

The EDP University was officially launched. This will be an indisputable means of sharing knowledge and culture within the company. The EDP Way project, launched in 2008, continued to promote and strengthen EDP culture around the four corners of the globe. We also changed our signature to “Live our energy”. It is an invitation to everyone – EDP and stakeholders – to actively participate in the challenge faced by the energy sector. These are some of the elements that will make EDP stronger in this regard.

I would like to extend a word of thanks to all those with whom we work on a daily basis – our customers, our suppliers, government bodies and the regulators.

I would also like to express my gratitude to the various corporate bodies who monitor EDP’s activity, in particular the General and Supervisory Board, for the support and advice they have provided for the whole team throughout the year. The dual governance model has been consolidated and made a decisive contribution to the company’s credibility.

Finally, a special mention to our over 12,000 employees and thousands of shareholders.

To our employees, my sincerest thanks for the energy devoted by each of you to this company. To our shareholders, thank you for the confidence you have shown in this Executive Board of Directors and each of its members by electing us to a new three-year term of office (2009-2011) at the annual General Meeting.

Looking ahead, 2010 will present yet another challenge to our ability to overcome difficulties, particularly in the current economic conditions. We will have to maintain discipline and balance in the strategy we pursue.

I am counting on everyone’s participation and support to ensure we continue along the path to success, so we can all contribute to the development of EDP and the country as a whole, as well as strengthen our leadership position in the markets in which we operate.



António Mexia

Chairman of the Executive Board of Directors

Lisbon, 4 March 2010



VISION, COMMITMENTS AND 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.

values

commitments

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 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 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

USA

Employees	303
Installed Capacity (MW)*	2,624
Net Generation (GWh)	5,905
Generation from renewables sources**	100%

edp renováveis

**France/
Belgium**

Employees	21
Installed Capacity (MW)*	277
Net Generation (GWh)	426
Generation from renewables sources**	100%

edp renováveis

**Poland/
Romania**

Employees	30
Installed Capacity*	120

edp renováveis

Spain

Employees	1,994
Electricity Customers	953,030
Gas Customers	833,450
Installed Capacity (MW)*	5,288
Net Generation (GWh)	15,516
Generation from renewables sources**	30%
Electricity Distribution (GWh)	9,131
Gas Sales	18,968

hc energia
naturgas energia
edp renováveis

Brazil

Employees	2,365
Electricity Customers	2,667,731
Installed Capacity (MW)*	1,746
Net Generation (GWh)	6,919
Generation from renewables sources**	100%
Electricity Distribution (GWh)	21,313

edp
edp renováveis

Portugal

Employees	7,383
Electricity Customers	6,102,495
Gas Customers	221,356
Installed Capacity (MW)*	10,569
Net Generation (GWh)	26,011
Generation from renewables sources**	36%
Electricity Distribution (GWh)	46,146
Gas Distribution	6,133

edp
edp gás
edp renováveis

* MW EBITDA
 ** Includes hydro, wind, biomass and waste

COMPANY HIGHLIGHTS

06 FEB – Fitch confirms EDP's long term credit rating to 'A-' assigning stable outlook

10 FEB – EDP issues 1 Billion euros 5 year bond

15 APR – EDP's Annual General Shareholders Meeting

Ratification of the resolutions approved at the meeting of the General and Supervisory Board held on March 5, 2009; approval of the individual and consolidated financial statements for 2008; approval of the allocation of EDP's 2008 individual accounts net profit and election of the members of the corporate bodies for the three year period 2009-2011.

09 JUN – Moody's downgrades EDP to "A3" with stable outlook

18 JUN – EDP issues 1 Billion euros 7 year bond



05 MAR – EDP signed credit facility of 1,600 million euros

05 MAR – EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2007 and 2008

EDP Serviço Universal has entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus Sociedade de Titularização de Créditos, S.A., of the rights to receive the full amount of the positive adjustments to the electricity tariffs in respect of the costs with the acquisition of electricity incurred in 2007 and estimated for 2008, accrued of the respective financial costs. With the sale of those rights, EDP shall receive around 1,200 million euros.

06 MAR – Resignation of Members of the General and Supervisory Board

On March 6, 2009, EDP informed the market and the public in general that Mr Vítor Domingos Seabra Franco and Mr Vital Martins Moreira presented their resignation from the General and Supervisory Board.

11 MAR – Tolling agreement with Iberdrola on Aguieira and Raiva hydro plants in Portugal for a 5 years period

EDP will continue to be responsible for the operating and maintenance (O&M) of these plants and maintains the ownership of their electricity generation licences and hydro domain concessions.

07 MAY – Publication of the Royal Decree Law that defines the conditions for the elimination of the spanish tariff deficit

Issued the Royal Decree law that permits the securitization of the Spanish tariff deficit borne by the companies of the electricity sector companies, supported by a State endorsement. This Royal Decree Law eases securitization of the deficit amount financed by HC Energia, which totals approximately 350 million euros by year 2008, net of the impacts from Royal Decree Laws 3/2006 and 11/2007.

14 MAY – Gross Dividend payment of 0,14 euros per share (2008 financial year)

AUG

04 AUG – Standard & Poor's affirms EDP's "A" rating and revised outlook from stable to negative

05 AUG – ANEEL approves a 15.12% tariff increase at EDP Escelsa's annual tariff readjustment process for the period from August 2009 to July 2010.

01 SEP – EDP Renováveis establishes a new type of institutional partnership structure for 101 MW in the US

EDP Renováveis has closed a \$101.9 million institutional equity financing from JPM Capital Corporation in exchange for a economic interest in its 100.5 MW Rail Splitter wind farm project installed in June 2009 in Illinois.

03 SEP – EDP remains the only Portuguese company to integrate the Dow Jones Sustainability world and Stoxx Index in 2009

EDP was selected for the second consecutive year, to join the Dow Jones Sustainability World and STOXX. EDP is one of the top 13 utilities companies in the world and one of the 7 best in Europe.

23 SEP – EDP to issue 1,000 million dollars of Notes

07 OCT – EDP Bandeirante: ANEEL approves final parameters for the Oct 2007/Oct 2011 regulatory period

20 OCT – EDP sells stake in Sonaecom of 26,979,748 shares at a price of 1.98 euros per share.

21 OCT – ANEEL approves a 5.46% tariff increase at EDP Bandeirante's annual tariff readjustment process for the period from October 2009 to October 2010.

SEP

OCT

NOV

DEC

2010

25 NOV – Conclusion of the secondary public distribution of common treasury shares by Energias do Brasil

EDP – Energias do Brasil concluded the secondary public distribution of common treasury shares. The Offer comprised 15.5 million shares (including greenshoe), representing 9.76% of Energias do Brasil's share capital. Energias do Brasil set the final subscription price for the Offer at 28.50 reais (per share). The total gross amount of the Offer is 441.8 million reais (170.3 million euros at BRL/ EUR 2.593).

02 DEC – EDP Renováveis closes two institutional partnership structures in the US amounting to 228 million dollars.

EDP Renováveis has signed two institutional partnership structures with GE Financial Services in the amount of 228 million dollars. Out of the total investment value, 111 million dollars refer to the sale of an additional stake of Venio III equity structure and 117 million dollars are related to a partnership structure for the Blue Canyon V wind farm.

03 DEC – EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2009

EDP Serviço Universal has entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus – Sociedade de Titularização de Créditos, S.A., of the rights to receive the full amount of the positive adjustments to the electricity tariffs in respect of the costs estimated for 2009 with the implementation of energetic policies relating to over costs incurred with electricity generation under the Special Regime, accrued of the respective financial costs. With the sale of those rights, EDP shall receive around 435 million euros, which corresponds to approximately 97% of the amount of the adjustments assigned.

15 DEC – ERSE sets electricity tariffs in Portugal for 2010 which set a 2.9% average increase of final electricity tariffs in Portugal mainland for 2010.

31 – DEC – Conclusion of acquisition of gas assets in Spain

Following the obtention of the required authorizations by the Spanish regulatory and competition authorities, EDP completed the acquisition from Gas Natural of its low pressure natural gas distribution and supply (including last resource) activities in the regions of Cantabria and Murcia, as well as the high pressure natural gas distribution assets in the regions of the Basque Country, Asturias and Cantabria

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 consorcium 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.

EDP has been recognized for improving their sustainability performance, evolving class silver in 2009 for gold in early 2010. This distinction is in the publication "The Sustainability Yearbook 2010" SAM (Sustainable Asset Management) that includes 15% of global companies with the best sustainability performance.

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 totalling 520 MW. The amount paid for the stake is 12 million euros.



EDP CORPORATE BODIES

BOARD OF THE GENERAL MEETING

Rui Eduardo Ferreira Rodrigues Pena, Chairman

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

Maria Teresa Isabel Pereira, Company Secretary

STATUTORY AUDITOR

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

Vitor Manuel da Cunha Ribesirinho, 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 ISCTE Council. Chairman of the EDP General and Supervisory Board since 30th June 2006 and 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 School of Economics and Management. 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 and a member of the Advisory Board of Plano Tecnológico. He serves as Chairman of the Supervisory Boards of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). Vice-Chairman of the EDP General and Supervisory Board since 30th June 2006 and was reappointed on 15th April 2009.

António Sarmiento Gomes Mota He has 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 senior 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 (since 1999) and a non-executive member of the Board of CIMPOR. He is a member of the EU Presidency Steering Committee in the EFMD – European Foundation for Management Development (since 2006); member of the Network Academic Board of EABIS – European Association of Business and Society (since 2008). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School

(2001-03); 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-SGSPS (2002-04); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-97); Consultant of PME Investimentos, having been appointed as non-executive director of several of its subsidiaries (1998-2001). 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. Member of the EDP General and Supervisory Board since 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, and member of the Board of Directors of BancSabadell, in Spain. Member of the EDP General and Supervisory Board since 10th April 2008 and 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), Moza Banco (Mozambique) and Caixa Económica de Cabo Verde (Cape Verde). Member of the EDP General and Supervisory Board since 30th June 2006 and 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 CUJ 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. Member of the EDP General and Supervisory Board since 30th June 2006 and was reappointed on 15th April 2009.

Farid Boukhalfa He was 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. Began his activity developing technical-economical studies on Sonatrach projects defined on the company quinquennial plans. From 1992 to 1999, was head of the Coordination and Syntheses department. In 1999, became sub-director of the Budget and Management Control department and in 2000 was appointed as Director of Sonatrach's Management Control Department. In 2007, became Director of the Consolidation Accountability Department. Since 2008, is the Sonatrach Chief Financial Officer. Member of the EDP General and Supervisory Board representing Sonatrach since 10th 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 (1995), 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). He is currently Chairman of the Board of Directors of the Caixa Geral de Depósitos. 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). Member of the EDP General and Supervisory Board since 10th April 2008 and was reappointed on 15th April 2009.

José Manuel dos Santos Fernandes He has 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. FREZIGEST is part of the FERZITE Group, which he founded in 1978. 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 Nery 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. Member of the EDP General and Supervisory Board since 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. Member of the EDP General and Supervisory Board since 30th June 2006 and 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 TAP (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. Member of the EDP General and Supervisory Board in representation of Cajastur Inversiones since 2nd June 2008 and was reappointed on 15th April 2009.

Khalifa Abdulla Khamis Al Romaiithi He was born on 14th December 1978. He has a degree in Business Administration by the University of Portland (2002). He was an Assistant Investment Manager of IPIC - International Petroleum Investment Company (2004-07). He was a Member of Hyundai Oilbank Standing Committee & Board (2005-08); Member of the Board of Directors of the Oman Polypropylene Company (2006-07) and representative of IPIC in Borealis (2005-07). Since end-2007, he has been Director of the Board of Cosmo Oil, as well as Promotion Committee member. Since 2007, he has been also responsible for the Investment Management Division; and on May 2009 he was promoted to Deputy Director of IPIC's Investment Department accumulating both roles. Member of the EDP General and Supervisory Board since 10th April 2008 and was reappointed on 15th April 2009.

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 is a member of SEDES Coordinating Counsel and 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. Member of the EDP General and Supervisory Board since 30th June 2006 and was reappointed on 15th April 2009.

Mohamed Meziane He was born on 18th April 1944. He has a degree in Chemical Engineering by École Polytechnique de Argel and of Petrochemical Engineering by the Algerian Institute of Oil. He started working in Sonatrach in 1967. He was Director of the Algiers refinery in 1973 and in 1978 he was appointed Director of the Refinery Sector. In 1980 he was appointed Vice-president of Sonatrach and was responsible for the refinery and LNG sectors. In 1984 he was invited to the Office of the Minister of Energy; in 1986 he was appointed Director of Industrial Security and in 1988 he was Director of International Trade. Between 1991 and 1996 he was Head of the Hydrocarbons' Office. He was also General Director within the Ministry of Energy (until 2003) and then he was appointed President of Sonatrach. Member of the EDP General and Supervisory Board representing Sonatrach since 6th November 2007, and was reappointed on 22nd April 2009. On 10th February 2010, announced his resignation from EDP's General and Supervisory Board.

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. Member of the EDP General and Supervisory Board since 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. Member of the

EDP General and Supervisory Board since 12th April 2007 and was reappointed on 15th April 2009.

Vasco Maria Guimarães José de Mello He was born on 27th October 1957. He has degree in Management from the American College of Switzerland (1978) and attended the Citigroup Training Programme in New York (1978-79). He was an adviser to the Board of Directors of the União Industrial Têxtil e Química (1980-82), where he became a member of the Board (1987-93). He was a member of the Board of Directors of the Sociedade Independente de Comunicação (1992-94) and of Transitec-Lausanne (1982-87). He served as General Director of CUF Finance (1985-2002). He was a member of the Board of Directors of Companhia de Seguros Império (1992-96), where he went on to become Chairman (1996-2000). He was also Chairman of the Board of Banco Mello, S.A. (1995-2000), Banco Mello de Investimentos (1991-2000) and Vice-Chairman of the Board of Directors of José de Mello, SGPS, (1994-2004). He was a member of the Board of Directors at ONI, SGPS (2000-2002) and Chairman of União Internacional Financeira, SGPS (2001-04). He was Vice-Chairman of the Executive Board at Banco Comercial Português (2000-07), a member of the Supervisory Board of Bank Millennium, in Poland, (2005-07) and a member of the Board of Directors of Abertis, in Barcelona (2003-07). He is currently Chairman of both the Board of Directors and the Executive Board of Brisa – Autoestradas de Portugal, S.A. (since 2002) and Chairman of the Board of Directors of José de Mello, SGPS, S.A. (since 2004). Member of the EDP General and Supervisory Board since 30th June 2006 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 was a professor in Management at Universidade Técnica de Lisboa (1993) and is currently a senior professor in Management at ISEG (since 1994) as well as Vice-Chancellor 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). He is a 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. Member of the EDP General and Supervisory Board since 30th June 2006 and was reappointed on 15th April 2009.

EXECUTIVE BOARD OF DIRECTORS

António Mexia CHARMAIN He was born on July 12th, 1957. He received a degree in Economics from Université de Genève (1980), where he was Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica and member of the governing boards of Universidade Nova de Lisboa and Universidade Católica, where he was Director (1982-

1995). He served as Assistant to the Secretary of State for Foreign Trade (1986-1988) and served as Vice-Chairman of the Board of Directors of Portuguese Institute for Foreign Trade (1988-1990). 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 and from 2001 to 2004, he was 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 (1999-2002), member of the Trilateral Commission (1992-1998), Vice-Chairman of the Portuguese Industrial Association and Chairman of the General Board of Ambelis. He was also a Government representative to the EU working group for the transeuropean network development. Chairman of the Executive Board of Directors since 30th June 2006 and reappointed on 15th April 2009.

Ana Maria Fernandes She was born on November 1st, 1962. She graduated in Economics from the Faculty of Economics at Oporto (1986) and 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 (1989-1991) and began her professional career in 1986 at Conselho-Gestão e Investimentos, a company of 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 (1996-1998). 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. Member of the Executive Board of Directors since 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, an MBA from the University of Oporto (1976) and an MBA from the Escola de Gestão do Porto, 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 Superior Engineering Institute of Oporto. He joined hydraulic generation at EDP in 1981. From 1989 to 2003 was General Manager of Millennium bcp Bank and Executive Board Member on several companies of BCP Group. He was also Director of Eureka BV (Netherlands), Chairman of Eureka Polska and Executive Vice-Chairman of PZU (1999-2002). From 2003 to 2007, he was the CEO and Vice-Chairman of the Board of Directors of Energias do Brasil. During this period he was also Vice-Chairman of Portuguese Chamber of Commerce in Brazil and Chairman of ABRADÉE. In 2007, he became Chairman and CEO of Horizon Wind Energy, in the USA, and 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. Member of the Executive Board of Directors since 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 EDP Board of Directors, Chairman of

the Board of Directors of REN, EDP Produção, CPPE, EDP Cogeração and Termoelectrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição – Energia, member of the Board of Directors of EDP Energia and 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 Electricidade dos Açores. Currently, he is Director-Chairman of the Board of Energias do Brasil and member of FIESP. Member of the Executive Board of Directors since 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 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 "AMP for Overseas Bankers" at the Wharton School in Philadelphia. From 1988 to 1995 he worked at Banco Português do Atlântico, namely as Supervisor for the International Credit Division 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, he was Director in BPN Group. From 2003 to 2005 he worked at EDP as General Director and Administrator of EDP Produção. In 2005 he was named Appointed Adviser at HC Energia, Chairman of Genesa and Director of Naturgas Energia and OMEL. Member of the Executive Board of Directors since 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 (1980) and an MBA from Universidade Nova de Lisboa (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 EDP Group in 1994. He was then appointed Director of Strategic Planning and was responsible for coordinating the Group's privatisation (first and second phases of the IPO process). He was also a non-executive member of the Turbogás Board of Directors (1998-2000), non-executive member of the Board of Electricidade dos Açores (1999-2000) and Director of the Centro para a Conservação de Energia (1993-1996). From 2000 to 2004, he was the Executive Director of Oni SGPS and other Oni Group companies, acting as CFO from 2002 to 2004. From 2005 until March 2006 he served as Executive Director, fulfilling the roles of CFO of HC Energia and Naturgas Energia. Currently he is the Chairman of Associação Portuguesa de Energia. Member of the Executive Board of Directors since 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 (1980) and an MBA from the University of Michigan (1985). 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 BCP, 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 Millennium bcp 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. Member of the Executive Board of Directors since 30th June 2006 and reappointed on 15th April 2009.

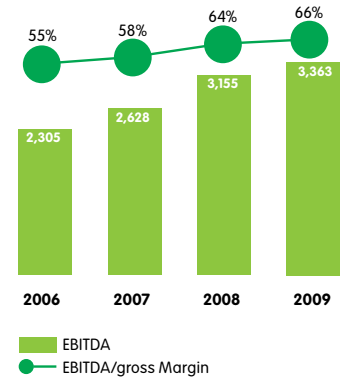


SUMMARY OF KEY METRICS

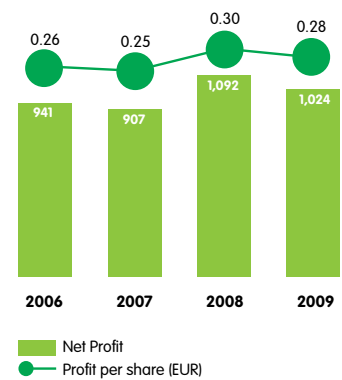
FINANCIAL INDICATORS				
EUR thousands	2009	2008	2007	2006
EDP Group Consolidated				
Turnover	12,198,183	13,894,063	11,010,778	10,349,826
EBITDA	3,362,948	3,154,936	2,628,275	2,305,450
Operating profit	1,969,567	1,929,994	1,560,329	1,253,036
Net profit *	1,023,845	1,091,529	907,252	940,823
Operating Cash-flow	3,921,669	1,744,507	2,270,151	2,017,523
Net operating investment	3,234,740	3,618,187	2,700,166	1,456,537
Financial Investment/(Divestiture)	-132,549	-1,362,987	-1,792,915	339,726
Net assets	40,261,557	35,744,969	31,526,717	25,468,911
Equity**	7,291,151	6,366,820	6,264,146	5,589,235
Net debt ***	14,006,568	13,889,511	11,692,247	9,283,118
Net debt/Gross operating profit	4.2	4.4	4.4	4.0
Financial liabilities/Equity	223.3%	230.7%	201.2%	181.7%
Profit per share (EUR)	0.28	0.30	0.25	0.26
Dividend Yield	5.0%	5.2%	2.8%	2.9%
Markt capitalization	11,364,519	9,854,369	16,344,724	14,041,105
Electricity Generation - Iberia (excluding EDP Renováveis)				
Turnover	3,708,759	4,095,750	2,859,052	2,654,122
Gross operating profit	1,374,936	1,172,169	1,167,982	1,211,468
Operating profit	908,560	738,921	783,467	868,657
Net profit	636,639	523,465	540,564	612,900
Operating Investment	879,579	685,688	739,940	389,540
Electricity Distribution - Iberia				
Turnover	4,987,805	6,213,227	4,797,443	4,416,468
Gross operating profit	694,041	769,809	455,482	571,846
Operating profit	391,292	496,768	183,795	236,093
Net profit	272,166	304,116	108,772	138,725
Operating Investment	280,645	283,893	253,741	306,591
Electricity Supply - Iberia				
Turnover	1,784,816	1,129,950	1,181,280	865,043
Gross operating profit	31,590	33,855	58,398	-140,670
Operating profit	8,726	26,414	37,294	-141,624
Net profit	909	3,728	2,580	-110,727
Operating Investment	8,148	6,246	3,536	571
EDP Renováveis				
Turnover	648,242	532,429	296,485	249,058
Gross operating profit	542,549	437,877	213,863	146,858
Operating profit	230,785	231,615	102,337	57,652
Net profit	114,349	104,364	43,250	20,070
Operating Investment	1,663,320	2,090,862	1,388,603	386,035
Gas - Iberia				
Turnover	1,189,024	1,442,422	994,200	1,128,425
Gross operating profit	217,518	208,518	188,470	144,759
Operating profit	171,021	165,462	145,049	110,222
Net profit	121,625	127,979	103,353	169,302
Operating Investment	79,536	78,804	72,301	51,756
Energias do Brasil				
Turnover	1,680,006	1,844,908	1,854,529	1,726,298
Gross operating profit	550,221	562,277	586,091	433,907
Operating profit	419,233	379,558	456,416	332,111
Net profit	240,786	149,684	253,058	162,641
Operating Investment	258,512	428,926	209,303	295,138

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

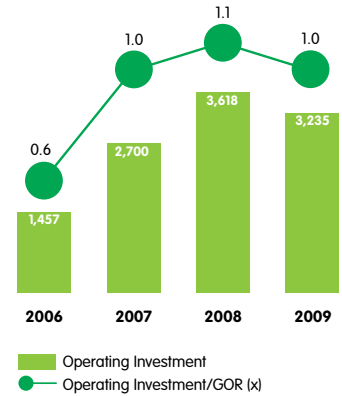
EBITDA (EUR millions)



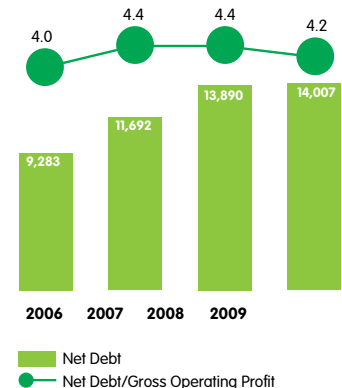
Net Profit * (EUR millions)



Operating Investment (EUR millions)



Net debt (EUR millions)



OPERATING HIGHLIGHTS

	2009	2008	2007	2006
Number of Employees *	12,096	12,245	13,097	13,575
Electricity business (excluding Brazil)	7,289	7,511	7,669	7,604
Electricity generation (excluding EDP Renováveis)	2,210	2,339	2,326	2,259
EDP Renováveis	721	627	532	252
Electricity distribution	4,163	4,378	4,647	4,913
Electricity supply	195	167	164	180
Gas business	537	422	411	407
Electricity business in Brazil	2,291	2,278	2,980	3,076
Generation	260	231	231	242
Distribution	2,014	2,033	2,734	2,818
Supply	17	14	15	16
Support services	1,383	1,450	1,562	1,558
Telecommunications	0	0	0	395
Other	596	584	475	535

* Includes Corporate Bodies (87)

Electricity Generation - Iberia (excluding EDP Renováveis)

	2009	2008	2007	2006
Installed Capacity (MW)	13,401	12,491	11,580	11,388
Portugal	9,974	9,091	9,015	8,765
Spain	3,427	3,401	2,565	2,623
Net electricity generation (GWh)**	36,978	35,627	40,115	42,187
Portugal	24,736	22,511	25,625	28,060
Spain	12,242	13,117	14,489	14,127

** In 2009 includes 497 GWh generated in Lares testing period

Electricity Generation - EDP Renováveis

	2009	2008	2007	2006
Installed Capacity (MW)	5,490	4,400	2,899	1,180
Portugal	595	553	424	313
Spain	1,861	1,692	1,265	839
Rest of Europe	397	232	87	29
USA	2,624	1,923	1,124	0
Brazil	14	0	0	0
Net electricity generation (GWh)	10,907	7,807	3,777	1,902
Portugal	1,275	1,028	735	483
Spain	3,275	2,634	2,056	1,419
Rest of Europe	426	238	119	0
USA	5,905	3,907	866	0
Brazil	26	0	0	0

Electricity Distribution - Iberia

	2009	2008	2007	2006
Distribution outlets	6,764,329	6,716,520	6,670,452	6,591,077
Portugal	6,119,805	6,088,179	6,053,875	5,987,896
Spain	644,524	628,341	616,577	603,181
Electricity sales (GWh)	55,277	56,147	56,541	55,015
Portugal	46,146	46,468	46,919	45,465
Spain	9,131	9,679	9,622	9,550

Electricity Supply - Iberia***

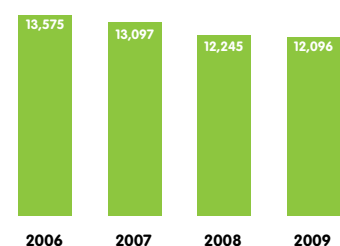
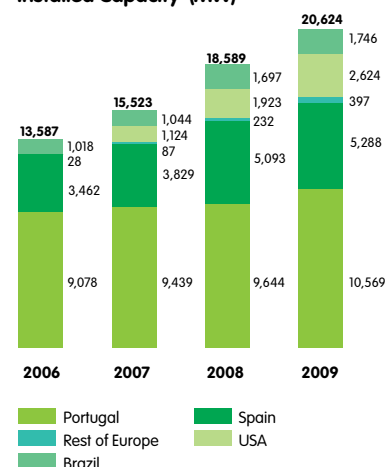
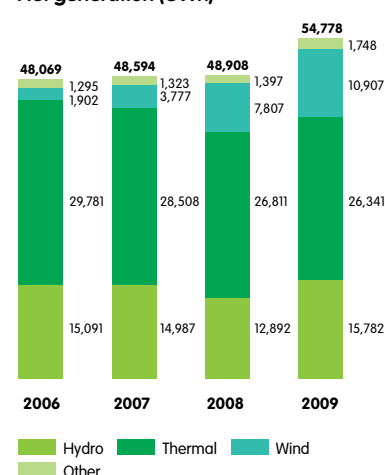
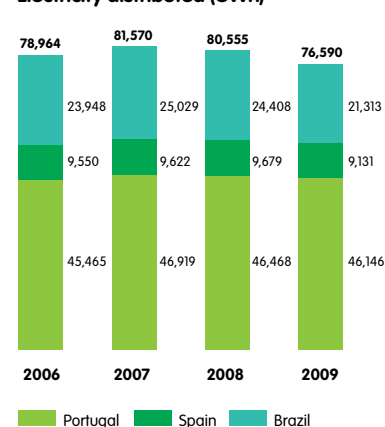
	2009	2008	2007	2006
Number of costumers	7,055,525	6,754,151	6,705,615	6,625,113
Portugal	6,102,495	6,087,578	6,051,114	5,984,270
Spain	953,030	666,573	654,501	640,843
Electricity sales (GWh)	62,522	65,983	63,831	59,136
Portugal	43,154	46,236	44,556	42,290
Spain	19,367	19,747	19,275	16,846

Gas business

Gas Distribution - Portugal				
Distribution outlets	221,388	200,988	179,802	163,391
Gas sales (GWh)	6,133	5,952	2,554	2,293
Gas Distribution - Spain				
Distribution outlets	963,837	690,032	665,092	641,336
Gas sales (GWh)	18,968	20,688	20,237	19,713
Gas supply - Spain				
Number of costumers	833,450	628,294	415,288	248,114
Gas sales (GWh)	21,261	24,750	18,203	13,755

Electricity business in Brazil

	2009	2008	2007	2006
Installed Capacity (MW)	1,732	1,697	1,044	1,018
Electricity sales (GWh)				
Generation	6,893	5,473	4,704	3,980
Distribution	21,313	24,408	25,029	23,948
Supply	8,586	7,282	7,188	6,702
Number of costumers	2,667,731	2,582,636	3,207,624	3,113,177

Number of Employees*

Installed Capacity (MW)

Net generation (GWh)

Electricity distributed (GWh)


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

***includes last resort supply



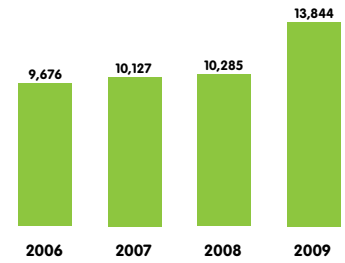
ENVIRONMENTAL INDICATORS

	2009	2008	2007	2006
Primary Energy Consumption (TJ)				
Total for generation	242,878	237,259	261,157	282,147
Coal	132,628	121,423	166,152	183,799
Fuel oil	6,105	11,292	15,117	17,857
Natural Gas	89,051	90,180	63,503	57,615
Other fuels	10,618	13,411	14,669	21,278
Forest waste	4,227	676	1,443	1,411
Fuel for vehicle fleet	249	277	270	187
Electricity Consumption (MWh)				
Generation internal consumption	2,429,843	2,244,466	1,457,748	1,687,714
Administrative services	33,256	31,138	33,411	24,597
Grid losses (%)	8.3	8.4	7.2	7.7
Environmental Certification				
ISO 14001 Environmental Certification (MW)	12,633	11,424	10,343	8,680
Net maximum installed capacity certified (%)	62	61	67	65
Gas distribution certified (%)	100	100	100	n/k
Atmospheric Emissions				
Total Emissions (kt)				
CO ₂ ⁽¹⁾	20,007	19,783	23,422	24,484
SO ₂	17.07	33.99	100.75	106.79
NOx	33.31	33.26	52.26	59.98
Particles	1.05	1.68	3.69	4.03
Overall specific CO ₂ Emissions (g/kWh)	362.3 ⁽²⁾	387	457	485
Specific emissions from thermal facilities (g/kWh)				
CO ₂	704.7 ⁽²⁾	647	726	738
SO ₂	0.60 ⁽²⁾	1.13	3.12	3.22
NOx	1.17 ⁽²⁾	1.11	1.62	1.81
Particles	0.04 ⁽²⁾	0.06	0.11	0.12
Avoided CO ₂ from renewable sources (kt)	13,844	10,285	10,127	9,676
CO ₂ Intensity (ggr/€)	1,640	1,424	2,127	2,366
Water				
Water collected				
Cooling water (m ³ x10 ³)	1,726,053	1,700,122	1,851,183	2,047,094
Waste				
Total waste (t)	929,642	835,922	958,988	1,122,882
Total hazardous waste (t)	3,012	3,328	2,641	3,483
Recoverd waste (%)	94	85	84	84
Biodiversity				
Distribution grid in protected areas (Km)	13,878	13,632	20,058	9,394
Substations in protected areas (n°)	42	41	62	30
Environmental Costs (EUR thousands)	118,898	163,783	157,896	163,471

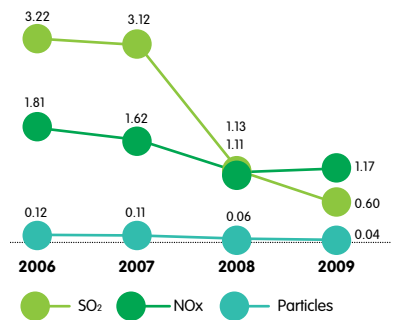
⁽¹⁾ Does not include vehicle fleet.

⁽²⁾ Based on the net generation following the new GRI guidelines sector specific.

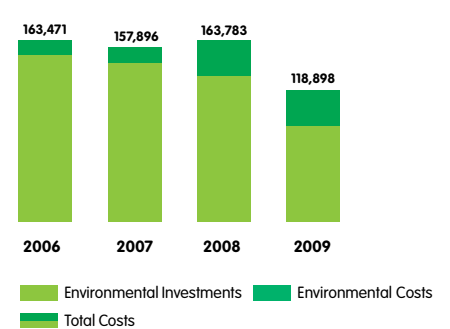
Avoided CO₂ of EDP Group (kt)



**Specific Emissions from Thermal Generation
NOx, SO₂ e Particles (g/kWh)**



Environmental Costs (EUR millions)



SOCIAL INDICATORS

	2009	2008	2007	2006
Employment				
Employees (no.) ⁽¹⁾	12,009	12,166	13,013	13,363
Gender ratio (%)	79	80	80	81
Overall satisfaction rate	81	75	n/k	73
Turnover ⁽²⁾	0.06	0.06	0.05	0.06
Employees average age (years)	44	45	45	45
Absentee rate (%)	3.61	3.44	3.74	4.05
Personnel costs (EUR thousands)	540,036	573,674	574,406	585,086
Employee benefits (EUR thousands)	158,353	161,200	291,926	162,287
Gratuities (EUR thousands) ⁽³⁾	39,254	34,000	29,557	28,200
Training ⁽⁴⁾				
Total hours of training	353,205	487,111	464,807	332,771
Average training per employee (hrs)	29.4	40.0	35.7	32.1
Employees trained (%)	75	82	91	69
Total training costs (EUR Thousands)	7,225	7,232	7,988	6,925
Productivity at work (EUR/h)	222	182	160	133
Prevention and Safety				
OSHAS 18 001 (% installed capacity)	55	46	56	64
On-duty accidents (no.)	47	76	84	110
Fatal on-duty accidents (no.)	1	0	0	3
EDP frequency rate (Tf)	2.26	3.43	3.70	4.60
EDP severity rate (Tg)	144	176	225	252
Total days lost due to accidents (no.)	2,984	3,894	5,092	5,999
Fatal accidents of contracted workers (no.)	10	6	5	6
EDP and contractors frequency rate (Tf_total) ⁽⁵⁾	5.00	6.18	4.29	4.61

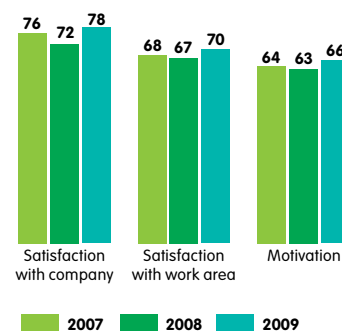
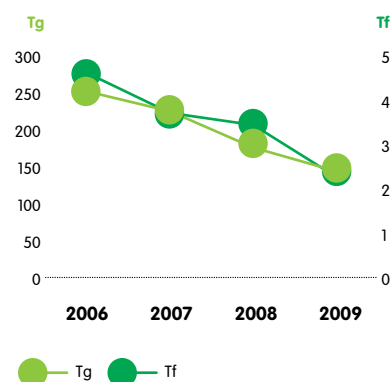
⁽¹⁾ The number of employees does not include corporate bodies (87) for the purposes of this breakdown analysis; This figure includes the new company Gás Natural

⁽²⁾ Low turnover figures do not warrant a breakdown of employees by gender and age group

⁽³⁾ Includes only Portugal

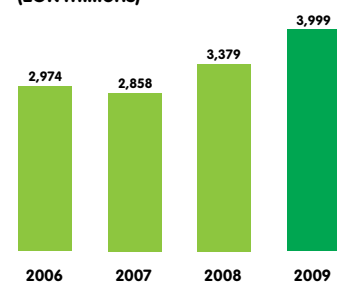
⁽⁴⁾ In 2006 information does not include Brazil neither Gas

⁽⁵⁾ Em 2007, Tf_total includes only Portugal

Employee Satisfaction

EDP Frequency and severity Rate

ECONOMIC INDICATORS

	2009	2008	2007	2006
Sustainability Index	130.4	125.1	117.3	100.0
Economic Indicators				
Direct economic value generated (EUR thousands)	11,796,328	13,467,780	10,751,228	10,392,596
Economic Value Distributed(a) (EUR thousands)	7,797,045	10,088,627	7,892,770	7,419,056
Supplier costs	768,202	735,768	684,187	741,398
Personnel costs	698,389	734,874	866,333	747,374
Allocation to Foundations	14,459	12,282	9,569	10,904
Returned to community	531,037	195,563	88,348	259,682
Dividends	507,153	454,937	401,385	365,638
Accumulated Economic value(a) (EUR thousands)	3,999,283	3,379,153	2,858,458	2,973,540
Spending on R&D (EUR thousands)	31,035	23,690	13,306	n/k
Fines and Penalties (EUR thousands)	1,165	408	484	258
Support from public authorities (EUR thousands)	156	653	993	186
Billing of energy services (EUR)	12,386	12,658	5,435	n/k

(a) figures from 2006, 2007 and 2008 were recalculated due to an error identified

Accumulated economic value (EUR millions)




STRATEGIC AGENDA

EDP presented in Lisbon on November 6, 2008 its strategic agenda for the four years 2009-2012. This agenda emphasizes first the importance of maintaining the strategic priorities from 2006 – Controlled Risk, Higher Efficiency and Growth Oriented – particularly in the unfavorable economic and financial context.

Value Management and Creation



Moreover, it aims to the beginning of a new cycle in the existence of the company, 2009-2012, characterized by a focus on the implementation of growth opportunities developed in the 2006-2008 and which will allow to open a new cycle by 2012, marked by cash flow generation.

The strategic agenda is made up of ten points, arranged into three EDP Group strategic pillars:

Controlled risk:

1. Management of the regulatory agenda to keep the low risk profile that typifies EDP Group's activity;
2. Proactive management of exposure to the energy markets through risk hedging strategies;

3. Reduction of CO₂ emissions through investments in generation capacity with low CO₂ emission levels;
4. Solid capital structure, based on continued improvement of debt ratios;

Superior Efficiency:

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

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.

Thus, the year of 2009 had a decisive role in the beginning of the new cycle in the company with the strict accomplishment of all the strategic agenda. In this particular case, deserve special relevance the following events of 2009:

Controlled Risk

- Total funding of 6,3 billion euros, from diverse sources, including the securitization of the tariff deficit in Portugal in the amount of 1.6 billion .
- Success in implementing the hedging strategy in the Iberian energy market, enabling to cancel, during 2009, the impact of the overall decline of spreads in the wholesale market.
- Proactive regulatory management with an emphasis on the beginning of the new regulatory period for electricity distribution in Portugal and for the preparation of the Spanish deficit securitization, as well as for the publication of legislation setting out the conditions for the elimination of the Spanish tariff deficit and the repeal of DL 11/2007 (mitigation of the free CO₂ emission rights).

2009-2012 CYCLE – FOCUS ON IMPLEMENTATION



Superior Efficiency

- Capture of 109 million euros savings with OPEX Project, surpassing the 96 million euros goal set for the year 2009 and 175 million euros savings with the purchase negotiation process centralized across the entire Group.
- Sale of the stake in Sonae.Com (58 million euros) and offer of secondary public distribution of Energias do Brasil's common treasury stock, accounting for 9.76% of total capital (441.8 million brazilian real).
- Implementation of the organizational model in Energias do Brasil, through the reduction of hierarchical levels, making the company more agile and efficient.

Focused Growth

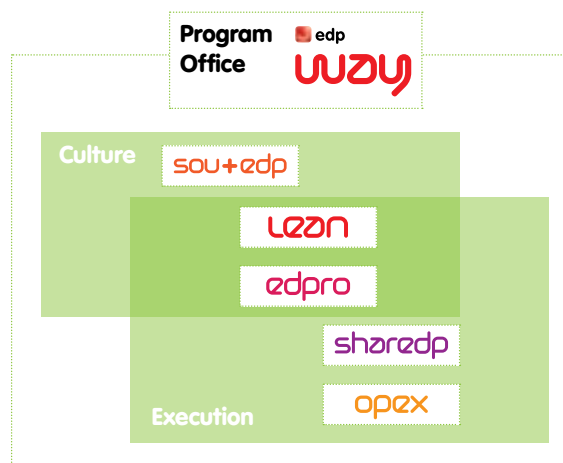
- Execution on-time and on-cost of hydro and wind pipeline. In the hydro, the hiring of equipment for Baixo Sabor's hydroelectric power station and the construction adjudication, in the beginning of 2010, of the future biggest hydroelectric power station in the country – Venda Nova III with 735 MW were the highlights. In the wind, stands the opening of the first wind farm in Poland and the start of construction of the first wind farm in Romania.
- Acquisition by EDP Renováveis Brasil of 532 MW of Innovert's wind pipeline and attribution to EDP Renováveis, in partnership with SeaEnergy, of the wind farms development in the Scottish maritime coast, with an approximate capacity of 1,3GW.
- Acquisition of Gas Natural's assets in low-pressure distribution and supply in Cantábria and Múrcia regions and the assets in high pressure gas in Basque Country, Astúrias and Cantábria for a total value of 330 million euros.
- Signature of a memorandum of understanding with Sonangol for the establishment of partnerships aiming investments in the electric generation in Angola.

Program Office EDP Way

Alongside with the changes occurred during 2009 in the macroeconomic external environment, EDP prepared itself to enter a new management cycle for the 2009-2012 timeframe. This new cycle, which will keep the same 3 pillars of the former strategic agenda (Controlled Risk, Superior Efficiency and Focused Growth), will be clearly driven towards the consolidation of a common Group culture and the reinforcement of the execution capability of the investment options created during the former management cycle.

Under a framework where the levers of Execution and Culture form the two main axes, EDP set up a Program Office called EDP Way intended to unify and capture communication and change management synergies within 5 transformational and cross-BU projects which will shape more profoundly the organization of the Group until the end of this new cycle:

- **Sou +EDP:** To foster employees activity as a source of competitive advantage for the Group, by launching initiatives aiming at increasing their engagement and



developing the conditions required for improving their mobility.

- **Lean:** To promote a continuous improvement culture broadly participated by everyone, by extending the implementation of Lean initiatives to additional businesses and geographies, and consolidating the various Lean implementations already undergoing
- **EDPro:** To effectively manage the Group's processes through the implementation of a systematic approach centered in measuring and optimizing the performance of the key processes, and the gradual consolidation of EDP's own modus faciendi based on the concept of Group macro-processes.
- **SharEDP:** To align concepts and gradually extend the offer of shared services to additional Business Units, in terms of geographical coverage as well as the range of services provided.
- **Opex:** To continue the rationalization of EDP Group's cost base by launching a new wave of operational costs optimization, focused on a systematic identification and elimination of both waste and redundancies.

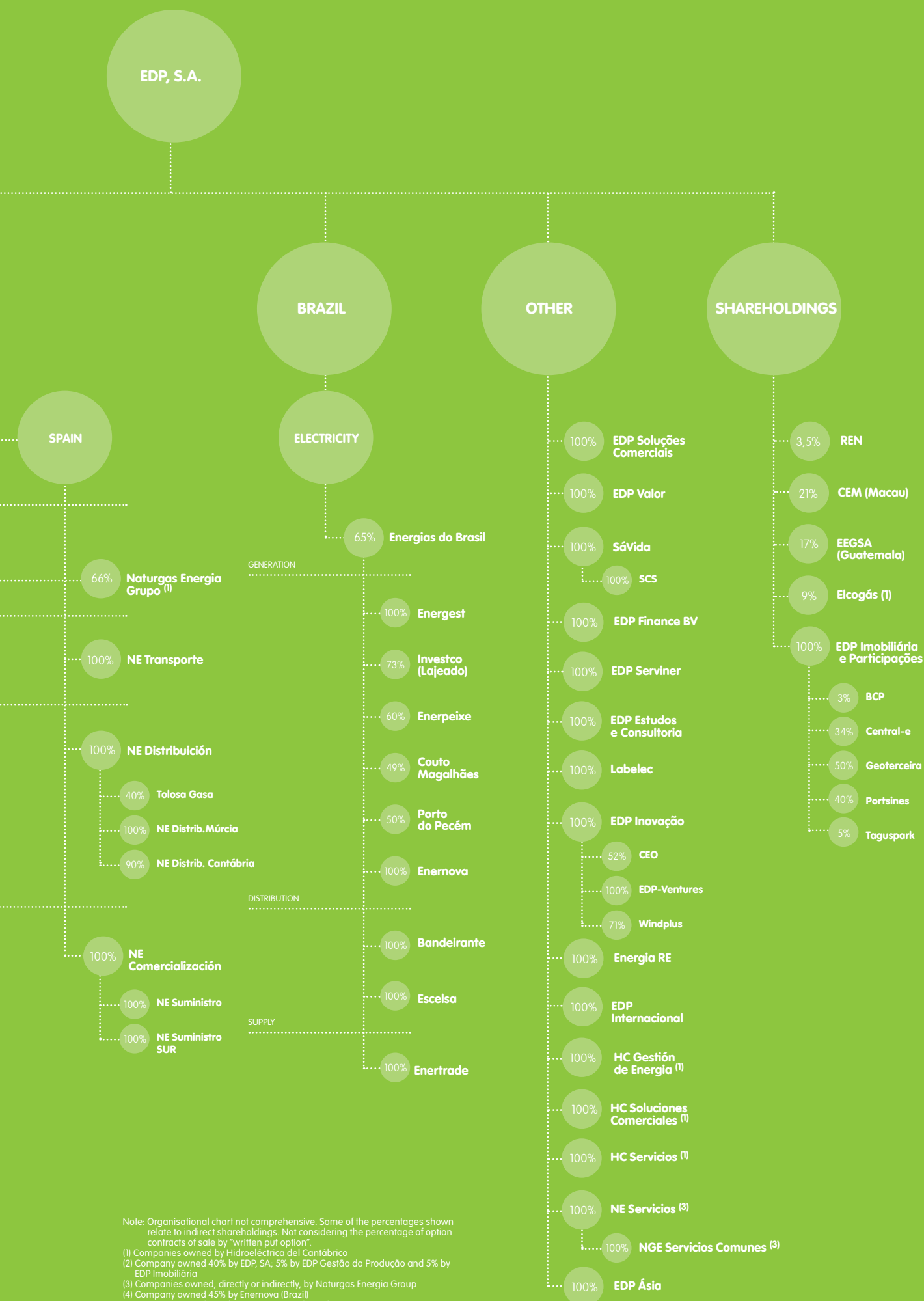
The transformations operated by these 5 projects considered in EDP Way Program Office have already impacted more than 12.000 EDP employees assigned across the Business Units and geographies where the Group is presently active.



business

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48	Electricity Business in Brazil





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

(1) Companies owned by Hidroeléctrica del Cantábrico
 (2) Company owned 40% by EDP, SA; 5% by EDP Gestão da Produção and 5% by EDP Imobiliária

(3) Companies owned, directly or indirectly, by Naturgas Energia Group
 (4) Company owned 45% by Enernova (Brazil)

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

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



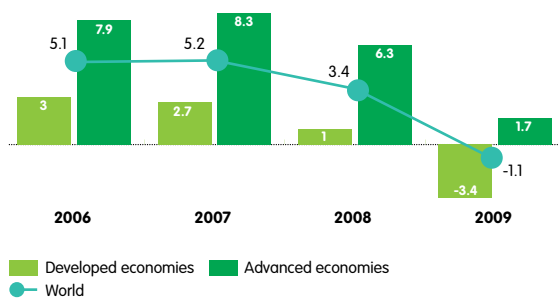
business

BUSINESS FRAMEWORK

MACRO-ECONOMIC FRAMEWORK

There was a strong economic contraction during the course of 2009 which was characterized as one of the most adverse, on a global scale, since the Great Depression of the 1930s. The size and depth of the recessive process justified an unprecedented intervention by the monetary authorities and governments, which proved to be decisive for restoring a minimum climate of trust and for re-establishing a more normalized operation of the markets, as well as the consequent reversal of the economic activity path. The economic projections for 2010 and beyond have gradually become more promising, despite still being characterized by a high-level uncertainty. The recovery process will be different from country to country according to the intrinsic financial capacity and condition. Thus, the developing economies should take on the status of global economy boosters due to the reduced exposure to specific financial and sector problems. In the developed economies, the correction of accumulated financial imbalances in the last years has inflicted limitations to the economic growth capacity in the short run. The disinflationary period that prevailed since mid-2008 may have ended, in some respect influenced by the basic raw materials' price increase.

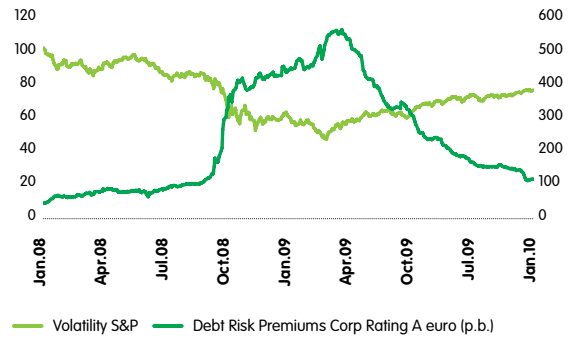
World Performance (Real GDP)



The euro zone once again registered an increase of activity in the third quarter of 2009 due to the expansion of global trade, the normalization of the production cycle, and the public policies' support. This alteration in the activity's direction will not, however, be enough to prevent a reduction of the GDP in the euro zone in 2009 by around 4% in real terms. 2010 is viewed to have a moderate product expansion.

The financial markets registered periods of great turbulence in the beginning of the year, with a deep devaluation of the cyclical financial assets and investment strategies directed especially towards the preservation of capital. The decisive attitudes on behalf of the authorities, which included providing strong encouragement to the economic activity by reducing interest rates to meaningless values, facilitating the access to short-term liquidity, and partially taking on the counterparty risk in the private sector through the granting of endorsements and warranties, proved to be crucial for the reduction of risk aversion.

Stock Market Volatility & Corporate Debt Risk Premiums

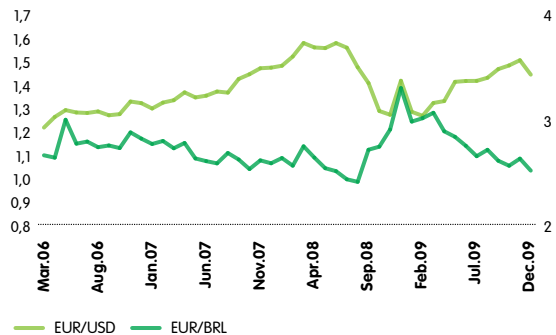


The interest rates reached cycle minimum values. The main short-term interest rate indexations in the euro zone sustainably registered inferior values to those of the Central Bank's reference rate (1%). In the longer term, the expectations of the normalization of the economic cycle and the uncertainties about the long-term effects on the public finances have developed a moderating effect upon the decrease potential. The risk cost, which reached extremely high values in the beginning of the year, has decreased, thus contributing to the dynamics of debt issuances in the primary market, despite, however, some risk being transmitted to the sovereign debt, especially in the most financially unbalanced countries.

The main stock markets benefitted from the change in market conviction and the 2009 recessive framework was paradoxically associated to one the greatest stock market recoveries in decades.

The North American dollar resumed its depreciation tendency to approximately 1.50 dollars to the euro. The subsequent recovery was due to the more recurrent signs of the US economy's recovery as opposed to the cooling of European indicators and the increase of institutional uncertainty in the euro zone. The currencies of emerging markets were valued following the commitments obtained in the G20 headquarters for the stability of the world financial system.

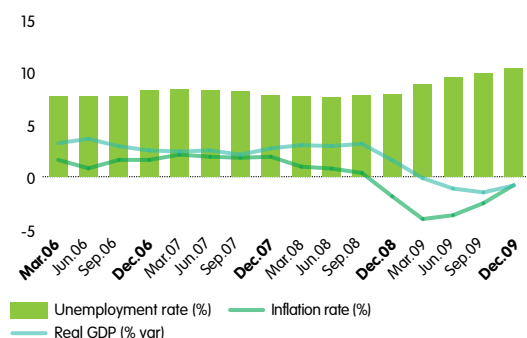
Exchange Rate Relative to Euro



Economic performance of the countries where EDP carries out business

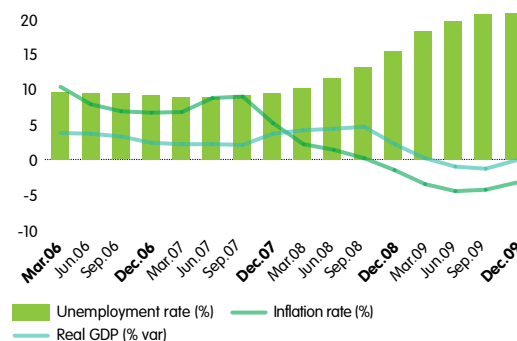
The impact of the international economic and financial crisis on the Portuguese economy's performance was substantiated by a decrease of the GDP slightly lower than 3% in real terms; the most acute in recent years. Notwithstanding the recessive framework, the direct effects proved to be less scathing than for the most of the euro zone. The reduction in aggregate demand became evident in relation to investment and exportation due to the decrease of world trade and the reassessment of production perspectives. The more sensitive sectors to the cyclical fluctuations and external demand were penalized, especially the construction and manufacturing industries. Despite the public measures that aimed to reduce the recessive effects, employment showed a steep decline, similar to that of the product. The unemployment rate went up to nearly 10% of the active population and had very noticeable repercussions on the volume and distribution of private spending. The job market adversity surpassed the favourable and simultaneous effect that resulted from the increase in purchasing power, created by the almost 1% reduction of general prices, and from the moderation of debt services fees. Private saving rates increased and returned to the average levels that prevailed between 1996 and 2004.

Portuguese Economy Performance



The estimated decrease of the Spanish GDP in 2009 is similar to that of the euro zone average (4%), and stems from the very severe adjustment of the investment and private consumption. Unlike most member states, which witnessed the return to positive product growth rates in the third quarter, Spain showed a much slower recovery. It registered the biggest increase in unemployment, which practically tripled to approximately 20% of the active population in a two-year period. The adjustment in the Spanish job market is not only characterized by its size but also by the growth of salaries much higher than the inflation rate. However, the very significant growth in productivity gains appeases the effects in labour costs. However, the very significant growth in productivity gains appeases the effects in labour costs. The strain on the activity has had material repercussions on the decrease of the external deficit. The latter has been reduced to almost half, to approximately 5% of the GDP.

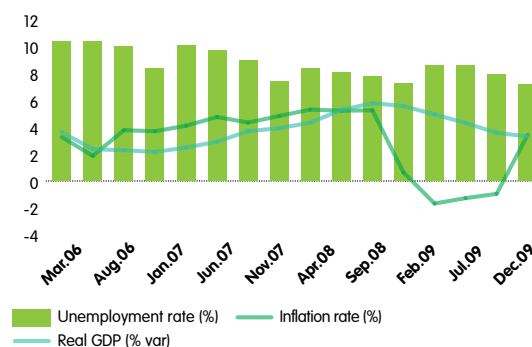
Spanish Economy Performance



As for 2010, the economic growth should be practically null, appearing as a more moderate version of the actions seen in 2009, with the external boosting compensating the frailty of internal demand.

Brazil is confirmed to be in the beginning of a new cycle in the expansion of activity after the 2009 stagnation, revealing a less evident impact from the alteration of external conditions and a great resilience of internal demand. At the end of the year, the activity indexes practically returned to the levels which were dominant before the intensification of the world crisis, and the job market already shows signs of recovery. This performance proves to be a very favourable internal framework, with investment gaining importance. The inflation rate is in line with the objectives defined by the central bank for price stability (4.5%), in both current levels and the economic agents' expectations. The macroeconomic instabilities are not very significant and the public finances levels are reasonable (4% for the deficit and 64% for the public debt, as a % of the GDP), the external deficit is relatively low (1.2% of the GDP) and it has a favourable demographic framework, in contrast to what has been foreseen for developed economies, allowing for an additional spur to the potential growth factors. In the scope of two important global sports events in the medium term, Brazil's economic conditions appear favourable for a relatively quick recovery, with its growth rate close to its potential product, estimated at approximately 4-5%.

Brazilian Economy Performance

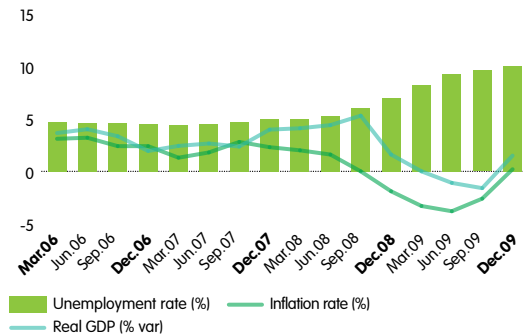




business

The US economic activity has revealed itself to be much heartier than expected, but there is still a high level of unpredictability. The reduction of the GDP in real terms in 2009 is expected to be 2.5%, and it should benefit from the inversion of the recessive cycle in the third quarter, sustained by private consumption, residential investment and exports, the first being boosted by public stimulus and the increase of real available income. At the same time, a significant slowdown in the employment slump was ascertained, although the unemployment rate maintained high. The investment prospects were more consolidated and showed an improvement in the confidence index from businesses, as well as a gradual normalization of the capital market. The inflationary pressures are maintained restricted, thus allowing for the conservation of an accommodative monetary policy. The main interest rate lies between 0.00% and 0.25%. The longer-term interest rates tended to go up at the end of the year, in line with a more optimistic perception of the economic conjuncture. The support measures for the liquidity of the financial system are being reassessed, in relation to their revealed avail.

US Economy Performance

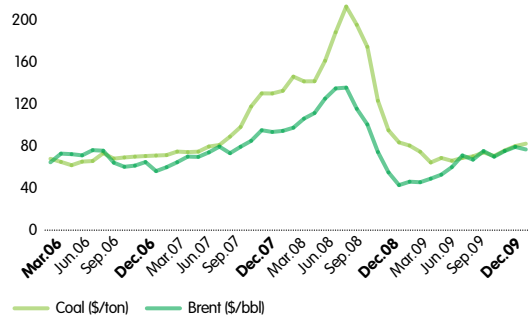


ENERGETIC FRAMEWORK

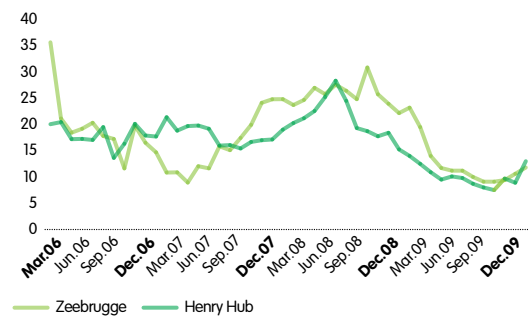
Still under the effects of the global financial and economic crisis, 2009 saw an unprecedented drop of worldwide energy demand, particularly in the power and gas markets. In fact, according to the International Energy Agency, this represents the deepest decline since the end of World War II. This demand drop led to a situation of overcapacity in power and gas markets, aggravated by investments made in new capacity and infrastructure which were already under construction or in advanced development stage before the crisis and therefore could not be revised in order to adjust to the evolution of demand.

Energy commodity prices fell in 2009 relative to average values of 2008. However, 2008 ended with a collapse in commodity prices, which gradually recovered after the first quarter of 2009. This improvement was most visible in oil and coal prices, although it may not necessarily be associated with an actual increase in demand for these fuels due to economic recovery, but may rather reflect an anticipation by economic agents of a new scarcity situation in the near future.

Brent and Coal Prices



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



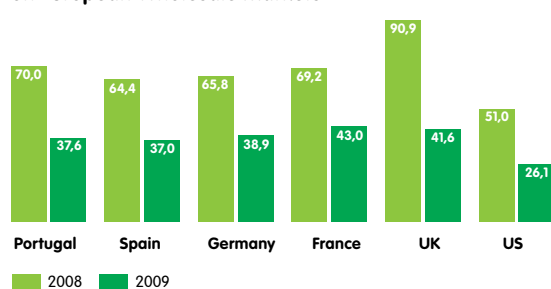
As for natural gas, 2009 saw the decoupling between spot gas prices and oil prices, caused by the collapse in gas demand, both in Europe and in the United States. Excess volumes were directed to spot markets pressing international gas prices to a substantially lower level. The price of natural gas at Zeebrugge, the reference hub for Europe, was below 10 EUR/MWhth for a large part of the year, with a slight recovery in the last quarter, but even so, much below the 2008 average of 25 EUR/MWhth.

The price at Henry Hub, the reference hub for the United States, had an even more significant drop, suggesting a lower demand for LNG imports compared to Europe.

Regarding the CO₂ emission allowances market, the reduction in electricity demand as well in industrial production caused by the recession, caused a reduction in emissions, with a direct impact on the ETS (Emissions Trading Scheme) CO₂ price, which dropped from 22.1 EUR/ton (2008 average) to 13.1 EUR/ton (2009 average). However, this price reflects not only the demand-supply balance of 2009 allowances but also the balance of the whole period until at least 2020, given the possibility of CO₂ allowances banking throughout this period.

As a consequence of the drop in fuel prices, wholesale power prices fell throughout Europe and the United States. Regarding Iberia, it should be noted firstly, that prices in the two countries are the lowest among European markets and secondly, that the Portuguese and Spanish price differential was very low in contrast with 2008 situation. The former is explained by higher overcapacity in Iberia when compared to other markets which, in some cases, actually face capacity shortages (e.g. UK), only delayed with the economic crises. This overcapacity situation paired with take-or-pay clauses of long-term gas contracts, affected mainly thermal power plants in both margins and volumes. The latter is explained by the growing integration of the Portuguese and Spanish markets, as a result of the implementation of MIBEL, combined with the growing similarity of the marginal generation portfolio of both countries.

**Electricity Price Change
on European Wholesale Markets**



On generation volumes, operating hours of Iberian thermal plants dropped in 2009 due to the fall in demand combined with the continued increase in renewable capacity and generation. 2009 is the first year in which wind generation surpassed coal generation on an annual basis. Given that the CO₂ price remained mostly constant and at relatively low levels, marginal costs of coal and combined cycle plants (CCGT) were similar along the year. However, coal plants had higher load factors in the first quarter, gradually losing competitiveness to gas as gas prices based on long-term contracts indexed to oil (with a typical lag of 6 months) reflected the evolution of oil prices.

Electricity demand is expected to recover in coming years, with growth rates forecasted at around 2% per year. However, planned new capacity investments (essentially renewables and CCGT) will be enough to accommodate not only increasing

demand but also the decommissioning of some fuel and coal-fired power stations, leaving Iberian reserve margins at comfortable levels. In Brazil, demand is expected to grow 5,4% per year. New capacity additions in the 2010-13 period will be 24 GW (45% thermal, 35% hydro, 20% renewable). In this scenario expected surpluses will be between 4 and 5 GW average, which should be enough to keep the risk of rationing below 5%, at least until 2012.

Climate Change was high on the political agenda during 2009, with negotiations at the Copenhagen Conference. The Conference resulted in a non-binding accord, signed by 28 countries (including United States, European Union, China, India and Brazil), in which signatories agreed to submit their voluntary targets of emissions reduction by the 31st of January, 2010. The accord also included goals for financing to developing countries, with the aim of helping mitigate their expected emissions growth. Although Copenhagen ended without a global binding agreement, it was the first time that countries such as China, India, and even the United States, announced a commitment to specific emissions reduction goals. In the United States, a legislative package to create a "cap-and-trade" system for CO₂ emissions and the establishment of a federal target for renewable energy in electricity generation is currently under discussion in the Senate, after approval by the House of Representatives. Adoption of this legislation will not only further boost renewable energy in the US, but will also increase the likelihood of reaching a global compromise in carbon emissions reduction.

2009 will also be remembered by stimulus packages to spur economic recovery across the world, with significant funding allocated to the power and gas sector. Besides ensuring a stable support and continuity to investment in the short term, particularly in renewable energy, these stimulus packages are also specifically targeting areas that could represent relevant business opportunities for the sector in the medium and long term, such as energy efficiency, electric mobility and Carbon Capture and Sequestration (CCS).



business

REGULATORY FRAMEWORK

DEVELOPMENTS IN THE EUROPEAN UNION

Energy-Climate Package

The European Council, has adopted, last April, a new legislation package on the climate change and promoting renewable energy sources, to achieve at the Union level a 20% cut on greenhouse gases and 20% share of renewable sources in energy generation, by 2020.

In particular, launched the Framework Directive (Directive 2009/28/CE) to promote renewable energy sources and the revised Emission Trading System, to encourage further reductions in emissions of greenhouse gases in areas of intensive energy by Directive 2009/29/CE, stipulating that from 2013 to 2020, heavy industries shall contribute significantly to the European goal of reducing emissions by 20% over the 1990 level.

Directive 2009/31/EC established the regulatory framework to capture and geological storage of carbon dioxide in the context of mitigation of climate change.

And the so-called third legislative package for the energy market, adopted on second reading unanimously by the European Parliament in June 2009, lay down common rules for generation, transmission, distribution and supply of electricity and gas (Directive 2009/72/EC and 2009/73/EC and Regulations 714/2009/CE and 715/2009/CE) as well as consumer protection, to promote and integrate the markets for electricity and gas in the European Union and establishes the Agency for Cooperation of Energy Regulators - ACER, which support and if necessary coordinate the actions of national regulators.

Directive (of the Parliament and of the Council) on Industrial Emissions

On 25 June 2009, before finishing the Czech Presidency, the Council reached a political agreement to adopt a common position on the recast of the IPPC Directive (Integrated pollution prevention and control) to be approved in the second reading, under Treaty of Lisbon rules, from December 2009. This new Directive will comprise six sectoral directives, including on the LCP and Waste Incineration.

ELECTRICITY SECTOR

IBERIAN ELECTRICITY MARKET (MIBEL)

The activities of the electricity sector in Portugal fall within the Iberian electricity market as a result of several international agreements concluded between Portugal and Spain with the aim of building a regional electricity market, a step for the electricity market the European Union.

MIBEL construction dates back to a Memorandum of Understanding, signed in 1998 in Madrid by the governments of Portugal and Spain, and subsequently settled successive agreements for further development and implementation of the operation of that market.

The most recently signed in Braga, in January 2008, formalises the Plan of Regulatory Harmonization of March 2007, reinforcing the dynamic of the integration of electrical systems of the two Iberian countries, which was ratified by the Resolution of the Assembly nº 17/2009, and also ratified in Spain. It provides, inter alia, reinforcing the coordination between System Operators (REN and REE), acceleration of the strengthening plan for the interconnection grid, implementation of a market splitting mechanism for management of the interconnection and explicit auctions to maximize the use of interconnection and competition in the Iberian context. It also aims the harmonization of the remuneration conditions of the Supplier of Last Resort and a plan for tariff convergence at the level of the rules to define the tariffs of last resort, to be additive, without prejudice to allow recovery of the earlier tariff deficit and with a phased timetable for his disappearance. This agreement also calls for the harmonization of capacity payments to ensure the required rate of investment in electricity generation, taking into account the specificities of each system, and rules on the organization and responsibilities of the IMO and the Board of Regulators, as well as a set of principles for the definition of dominant operator in the Iberian Market.

The transactions in the market - daily, intraday and forward - continued to be managed by OMEL and OMIP operators, with subsequent formation of the Iberian Market Operator - IMO.

Developments in the Regulatory Framework of the electricity sector in Portugal

Decree-Law n. 23/2009, completing the transposition of the Directive 2005/89/EC on the safety of electricity supply and investment in infrastructure, strengthened the planning and information on international interconnections.

In the environmental field, Decree-Law n. 154/2009 introduced changes to the rules of qualification and registration of emission allowances of greenhouse gases applicable to energy.

In order to contribute to targets for renewable energy production, Resolution n. 12/2009, the Assembly recommended the Government to take measures with a view to urgently expedite the licensing process for small hydro plants (SHP), developing and disseminating a national mapping of potential hydroelectric energy from the PCH.

Decree-Law n. 319/2009, which transposed into national law the Directive n. 2006/32/EC on end-use energy efficiency and Energy Services, has set targets and tools to improve the cost-effectiveness of the end use of energy and create conditions for the development and promotion of a market for energy services.

In developing technical and legal matters on electric mobility was published the Resolution of the Council of Ministers (RCM) n. 20/2009 establishing the Electric Mobility Program. RCM n. 81/2009 has established the objectives of new measures to that Program.

With regard to electricity supply, the Order n. 16150/2009 of DGEG fixes for the 2nd semester, details of auctions of futures contracts on electricity with physical delivery listed in OMIP

and the amount to acquire these auctions by EDP SU, as the last resort supplier (CUR), quantities that were purchased under that order.

In 2009 started a new regulatory period, with the definition of a new regulatory model of regulated activities, such as electricity distribution and supply of last resort.

Among the regulatory changes (Order n. 58/2009) promoted by ERSE, it must be highlighted the adaptation scheme to tariff stability as defined by Decree-Law n. 165/2008, which allowed the securitization of the tariff deficit, amounting to 1.225 million, relating to adjustments arising from differences in costs with 2007 and 2008 power purchase by EDP SU, and 447 million euros of over cost related to the PRE in 2009.

According to the amended Regulations, it was implemented a set of measures of image differentiation and autonomy of the internet pages of EDP Distribuição and EDP Serviço Universal.

Developments in the Regulatory Framework of the electricity sector in Spain

From 1 July were eliminated electricity final tariffs, all consumers being supplied by the liberalized market. However, consumers with BT (Low Voltage) contracted power under 10 kW shall be entitled to the tariff of last resort (TUR), administratively set to be additive, with binomial structure (power and energy terms) including production costs, access to the transmission and distribution grids, and supply costs. The term energy is calculated based on the result of CESUR and OMIP auctions for purchases of electricity of last resort, adjusted according to the profile of its portfolio of clients, a risk factor, security of supply and power losses.

Regulations designated the last resort suppliers, including the Hidrocantábrico Energía Último Recurso, SAU, with obligations to supply customers with the right to TUR, the last resort tariff. These suppliers are also required to supply energy to customers without the right to TUR but not yet with a supplier, except for reasons of lack of payment.

Pursuant to Royal Decree 485/2009, business groups with obligations of last resort in the electricity and natural gas are allowed to unify their activities into one company.

In May (Royal Decree-Law 6/2009) created the “bono social” for certain domestic customers with the right to TUR and contracted power less than 3 kW, provided that the supply is intended to first home, when it is applied automatically, and the consumers over 60; unemployed; belong to large families; or who receive the minimum pension, where the allocation of those benefits must be requested and proof. The “bono social” will cover the difference between the value of TUR and a reference value, called “reduced tariff”, which is the prior domestic tariff. The funding will be provided by producers and Hidroeléctrica del Cantábrico, S.A. is responsible for 3.5% of the total.

Established the following maximum values for the tariff deficit: 2009, 3500 million; 2010, 3,000 million; 2011, 2,000 million, and 2012, 1,000 million. From 2013 access tariffs should be sufficient to finance the regulated activities to avoid new deficits. It was also created a Securitization Fund of Tariff Deficit, which may

buy the outstanding securities up to 10,000 million and credits for the deficit of 2009, with State guarantee. Until the sale, the deficit will be financed by companies and Hidroeléctrica del Cantábrico, S.A. will bear 6.07% of the total.

From 1 July 2009 was repealed the Royal Decree-Law 11/2007 which reduced the compensation of generators under increasing revenues from the sale of allowances of greenhouse gas emissions assigned for free under the 2008-2012 PNAD.

In the special regime in particular, it was created a registration system for pre-allocation of compensation similar to that applicable to photovoltaic generation, a necessary condition for access to the economic system defined by Royal Decree 661/2007, to be allocated in chronological order of registration and in the face of several technical and economic requirements.

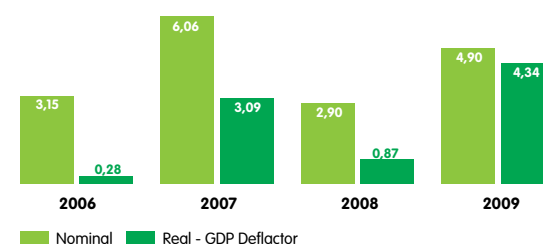
Moreover, annual targets have been reset to the installation of new capacity in the period 2010-2013, for solar thermal power technology and wind energy.

“Oficina de Cambios de Suministros” (OCSUM), the Office of Supplier Switching, came into force on June 21 (Royal Decree 1011/2009) responsible for overseeing the change of supplier of electricity and natural gas, as regards the criteria of transparency, objectivity and independence. This new entity (analogous to the Logistics Operator Change of Supplier, provided under Portuguese law) is itself under the supervision of the CNE, the regulatory body of the Spanish energy sector.

Tariff trends in Portugal and Spain

Over the past five years, the average selling prices of electricity for low voltage recorded an average annual increase in real terms of about 1.8% with an annual average increase of 4.9% for all other voltage levels.

Nominal and Real Electricity Average Prices Variation in Portugal (%)



In 2009, end-user tariffs (TVCF) rose on average 4.9% compared with 2008 tariffs.

With regard to access tariffs there was an average reduction of 36.6% in 2009 by effect of the application of Decree-Law n. 165/2008, comparing with 2008 tariffs.

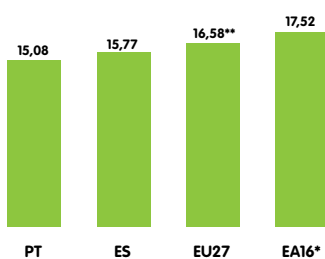
In Spain, remained unchanged access tariffs set by Order ITC/3860. For 2009, the Order ITC/3801/2008, has established an average increase of 25.5% due to increases observed especially in low and medium voltage. Apart from the referred elimination of tariffs for the supply of electricity in high voltage, it is noted that the sales tariffs to final costumers were significantly changed during 2008.



business

Comparing with other countries, electricity prices in Portugal in the 1st half of 2009, for households with annual consumption between 2500 and 5000 kWh, are 13.9% below the average of the 16 countries in the Euro area and 9.1% below the EU27 average. In Spain the electricity prices are below the average of the 16 Euro Area and the European Union of 27 in 10.0% and 4.9% respectively.

Average Electricity Prices (Euro cent/KWh)



*Source: Eurostat, 1st semester 2009.
** Household consumers in consumer band Dc (annual consumption between 2500 and 5000 kWh).

Developments in the Regulatory Framework of the electricity sector in Brazil

Despite the global financial crisis in 2009, stands out the high growth in residential and commercial markets, as well as recovery of the industrial Brazilian market, supporting the prospect of a new growth in 2010. The generation sector received a hydrological stable environment, with minimum production of thermal electricity and satisfactory levels of water reservoirs, lately unusual for several years in a row, with positive effects in the pricing of short-term market, with lower values throughout the year.

The auctions for the purchase energy from the new power plants designed to meet the distributors captive markets, have struggled to ensure the presence of hydro-portfolio offer, consequence of a slow processing of environmental permits for new projects. As a result, the «A-3» auction, for projects beginning operation in three years from the year of the auction, sold small amounts of energy, so the government canceled the «A-5» auction. The auction of the Belo Monte structuring hydropower project (11,233 MW) was also postponed to 2010, due to difficulty in obtaining the Preliminary Environmental License.

It stands out, though, the process of Public Hearing for adoption of trade rules and the associated bid for completion of auction wind power reserve with good reception by the companies, guaranteeing the sale of a significant amount of more than 1800 MW of installed capacity.

In generation, regulations defined the calculation of ensured energy quantity (ballast sale) of plants with feature PCH - Small Hydroelectric (1 to 30 MW of installed capacity).

In the distribution sector, stands the completion of the 2nd stage of periodic tariff revisions, which started in 2007, setting to final the 2007 and 2008 interim indices.

With a strong impact in the electricity sector, on November 10th occurred the simultaneous discontinuation of three transmission lines 750 kV AC from Itaipu Hydropower Plant, with 14,000 MW of installed capacity, affecting the Brazilian system and causing a nationwide blackout. Given the damage on different customer's equipment, the law stipulates that companies must reimburse customers who have proven losses, and even if they do not identify a causative agent, the total cost of damages to customers should be supported by the distributors (by 40%), 30% by generators and 30% by transmission companies.

In 2009 regulations also laid down the framework for the 3rd round of tariff revisions, especially for the reference company and the construction of regulatory retribution basis, central to the process of distribution tariffs.

Developments in the Regulatory Framework of the electricity sector in the USA

With regulatory impact on renewable energy was approved in February 2009 the American Recovery and Reinvestment Act (ARRA), introducing incentives for several sectors and the financial package specifically for renewable sector.

In this context, it must be stressed the extension of tax credits for renewable energy production (PTC) until the end of 2012 and the creation of tax credits of 30% of eligible investment in renewable energy (ITC), with option between PTC and ITC systems for new farms.

Additionally, securitizing the amounts tax credit ITC (in the form of treasury bonds North American) it's allowed for new installations eligible until the end of 2010 with commissioning by the end 2012.

In June 2009, the House of Representatives passed the American Clean Energy and Security Act (Waxman-Markey Act), establishing a system of cap and trade CO₂ (reduction in emissions of 17% in 2020 compared to 2005) and requires suppliers to mandatory quota of renewable energy at federal level, system that is developed only in some states.

GAS SECTOR

Developments in the Regulatory Framework of Portuguese gas sector

Following the market opening on 1 January 2007, for electricity producers in ordinary regime, liberalization has been successively extended to customers with annual consumption of more than 1 million m³ in 2008, and customers with intakes above 10 thousand m³, from January 1, 2009, thereby reaching more than 90% of consumers.

Since 1 January 2010, the entire universe of natural gas customers can choose their supplier.

Given that the Gas Year 2009-2010 will be the last of the first regulatory period of three years, ERSE placed on the Public Consultation all the regulations to update and prepare the second regulatory period which runs between July 2010 and June 2013, process with active participation of EDP Gas.

Developments in the Regulatory Framework of the Spanish gas sector

Relevant regulatory changes in the natural gas sector in Spain were the permission to supply last resort for electricity and gas through the same company (see the above-mentioned Royal Decree 485/2009 of 3 April) and the change of gas Last Resort Tariff (TUR), from a maximum price regime to a fixed tariff, prohibiting the last resort suppliers to offer rebates to its customers. It was scheduled the elimination of TUR, reducing to 50,000 kWh per year the threshold of the customers entitled to TUR as of July 1, 2009. Customers from Tariff T.3 and T.4 are no longer entitled to TUR as of March 31, 2010.

In 2009 was also revised the model of authorizations for gas transportation facilities (Real Decreto-Ley 6/2009) and by Resolution of July 24, 2009 of DGPEM, it was defined the procedure for allocation of interconnection capacity between Spain and France available from 2013 in Biriadou and Larrau pipelines.



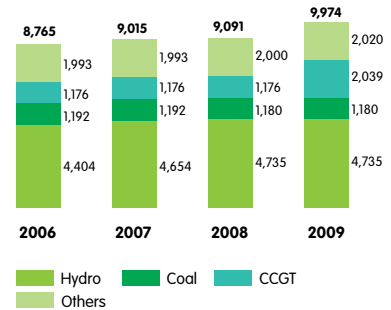
summary of activities

ELECTRICITY BUSINESS (EXCLUDING BRAZIL)
GENERATION IN IBERIA

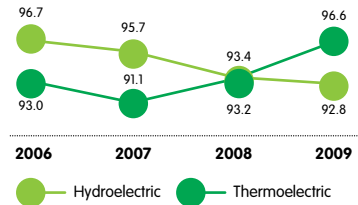
GENERATION IN IBERIA - PORTUGAL					
	Unit	2009	2008	2007	2006
Installed Capacity in Portugal *	MW	13,381	12,262	12,147	12,104
EDP's Installed Capacity *	MW	9,974	9,091	9,015	8,765
EDP's market share *	%	74.5	74.1	74.2	72.4
Source: REN Technical data					
Number of Generating Groups*	#	190	186	160	156
Ordinary Regime Generation	#	116	114	114	112
Hydroelectric power plants	#	93	93	93	91
Command Centre	#	1	1	1	1
Generating power plants	#	3	3	3	3
Power plants	#	35	35	35	34
Thermoelectric power plants	#	23	21	21	21
Coal	#	4	4	4	4
CCGT	#	5	3	3	3
Fuel oil	#	12	12	12	12
Gasoil	#	2	2	2	2
Special Regime Generation	#	74	72	46	44
Mini-Hydroelectric power plants	#	67	67	42	40
Biomass	#	4	2	1	1
Cogeneration	#	3	3	3	3
Installed Capacity at 31 December*					
Ordinary Regime Installed Capacity	MW	9,675	8,812	8,824	8,584
Hydroelectric power plants	MW	4,578	4,578	4,578	4,338
Thermoelectric power plants	MW	5,096	4,234	4,246	4,246
Coal	MW	1,180	1,180	1,192	1,192
CCGT	MW	2,039	1,176	1,176	1,176
Fuel oil	MW	1,713	1,713	1,713	1,713
Gasoil	MW	165	165	165	165
Special Regime Installed Capacity	MW	299	279	192	182
Hydroelectric power plants	MW	157	157	76	66
Biomass	MW	32	11	5	5
Cogeneration	MW	111	111	111	111
Total Capacity	MW	9,974	9,091	9,015	8,765
Net Generation*					
Ordinary Regime Generation	GWh	23,514	21,642	24,718	27,113
Hydroelectric power plants	GWh	7,642	6,435	9,361	10,070
Thermoelectric power plants **	GWh	15,872	15,207	15,357	17,043
Coal	GWh	8,869	6,926	8,048	9,694
CCGT**	GWh	6,696	7,481	6,038	5,728
Fuel oil	GWh	307	801	1,271	1,619
Gasoil	GWh	0	0	0	1
Special Regime Generation	GWh	1,222	869	906	948
Mini-Hydroelectric power plants	GWh	368	170	134	193
Biomass	GWh	129	49	28	29
Cogeneration	GWh	725	650	744	726
Total Generation	GWh	24,736	22,511	25,624	28,061
** Includes 497 GWh generated in Lares testing period					
Energy Balance					
Hydrological index	#	0.77	0.56	0.76	0.98
EDP Group power plants					
Hydroelectric output	GWh	7,642	6,435	9,361	10,070
Thermal output	GWh	15,872	15,207	15,356	17,043
Mini-hydroelectric output	GWh	368	170	134	193
Wind power output (ENERNOVA)	GWh	1,273	1,026	733	482
Biomass output	GWh	129	49	28	29
Cogeneration output	GWh	725	650	744	726
EDP Group Net generation	GWh	26,009	23,537	26,357	28,542
Direct sales to industrial costumers	GWh		0	-21	-255
Output to grid (EDP Group)	GWh	26,009	23,537	26,336	28,288
Other generators with PPA	GWh	7,842	8,590	8,231	8,570
Other generators with PPA	GWh	11,793	9,660	8,531	7,592
Importer/Exporter balance	GWh	4,777	9,431	7,488	5,441
Pumped hydroelectric storage	GWh	-926	-639	-519	-622
Consumption Related to output	GWh	49,495	50,579	50,074	49,269
Synchronous compensation	GWh	-1	0	-9	-17
Own consumption in generation	GWh	-5	-5	-5	-5
Energy Delivered to Distribution	GWh	49,489	50,574	50,060	49,247

* Excludes wind power

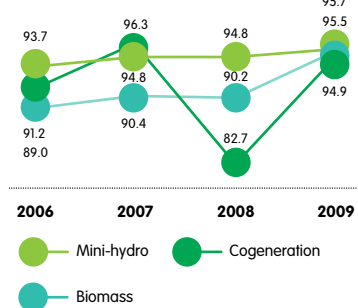
Generation portfolio (MW)



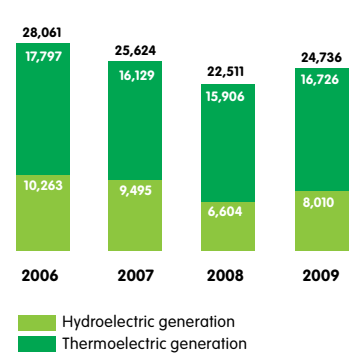
Ordinary Regime Generation - Availability (%)



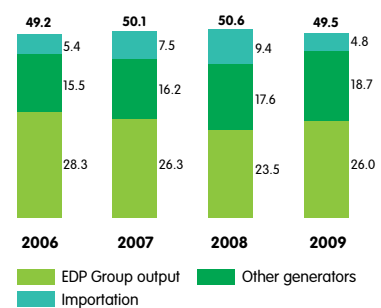
Special Regime Generation - Availability (%)



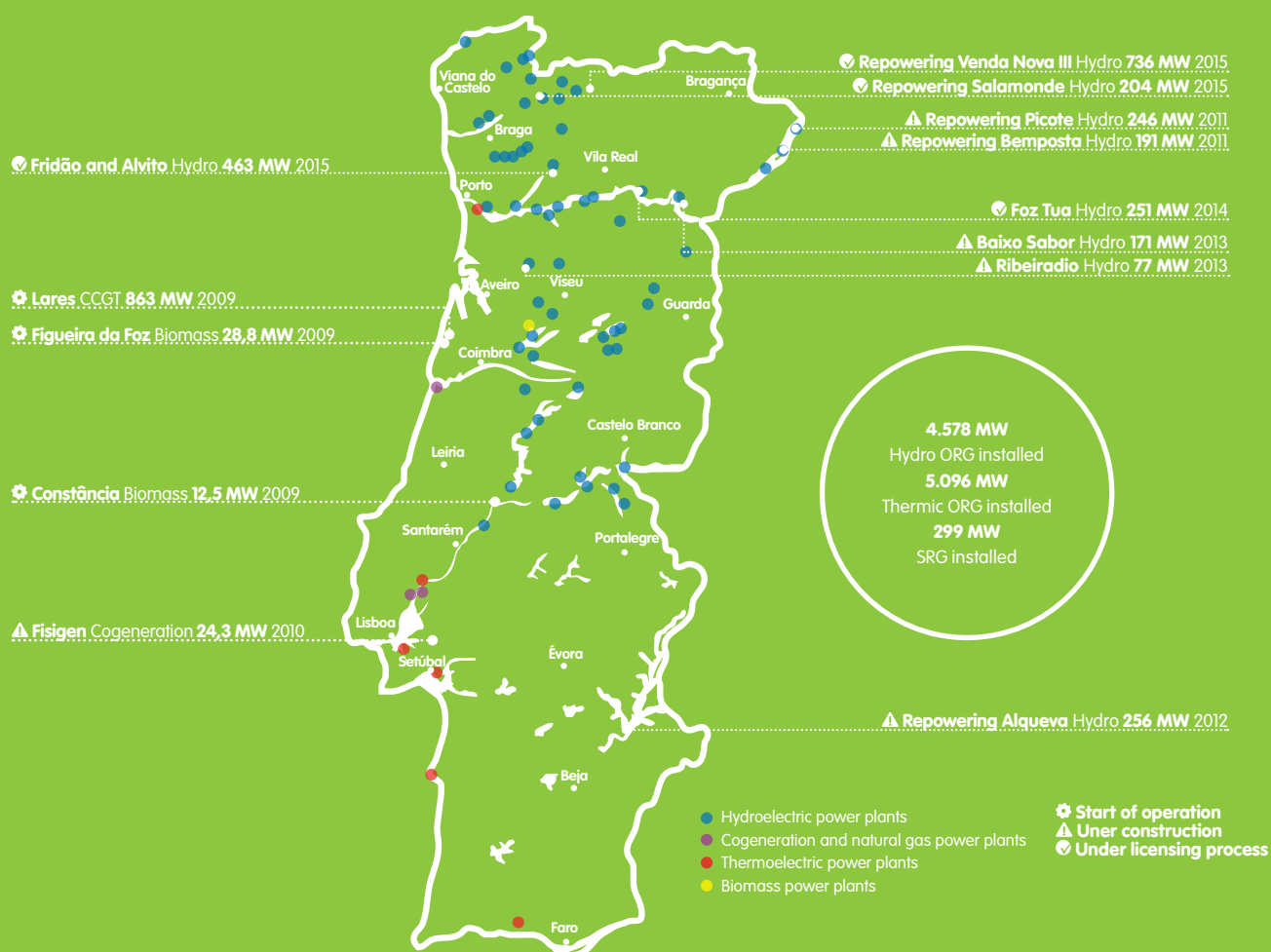
Net Generation (GWh)



Energy Balance 2009 (TWh)



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



*Excludes wind power

2009 MAIN EVENTS OF THE ELECTRICITY GENERATION ACTIVITY IN PORTUGAL

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

By the end of 2009, total installed capacity was 9,974 MW of which 4,735 MW (47%) from hydroelectric plants and 5,239 MW from thermoelectric power plants.

In October 2009, the second Combined Cycle Gas Turbine power plant (CCGT) of EDP Produção entered into service. Lares power plant consists of two generator groups with a unitary capacity of 431 MW, where Group 1 started operations in October and Group 2 in November. This plant, to an annual usage of 6000 equivalent hours, allows the achievement of a total production of 5,000 GWh.

Regarding the strengthening of the Hydroelectric portfolio capacity, EDP Produção is focused on the construction of the capacity repowerings of Picote, Bemposta and Alqueva with a total installed capacity of 693 MW which are planned to enter into service during the 2011-2012 period and on

the development work of the General construction Contract of the Baixo Sabor Hydroelectric plant with entry into service scheduled for 2013.

Mention should also be made to the work on licensing hydropower plants with a total capacity of installing 1,654 MW expected to enter into service until 2015.

During 2009 EDP Produção signed an agreement with IBERDROLA for the temporary management of the production capacity of hydroelectric Aguieira and Raiva, for a period of five years. The plant management by IBERDROLA began on the 1st of April.

In what concerns the certification of power plants, it is important to point out the completion of the registration in the EU Eco-Management and Audit Scheme (EMAS) of the first Production centers of EDP Produção, in which were issued by the APA the Certificates of Registration on EMAS of the thermal power station of Ribatejo and the hydro-electric plants of Alto Lindoso, Miranda and Cascata da Serra da Estrela, valid until September 2012.



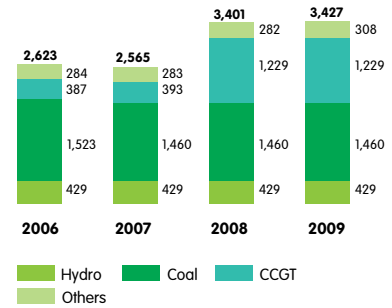
summary of activities

GENERATION IN IBERIA

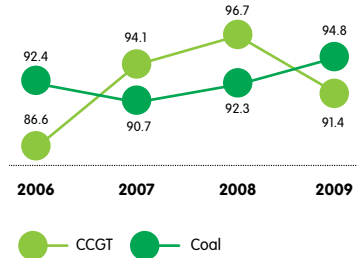
GENERATION IN IBERIA - SPAIN		2009	2008	2007	2006
	Unit				
Installed Capacity in Spain *	MW	75,096	75,004	71,789	67,614
EDP's Installed Capacity *	MW	3,427	3,401	2,565	2,623
EDP's market share *	%	4.6	4.5	3.6	3.9
Number of Generating Groups*	#	40	38	39	20
Ordinary Regime Generation	#	20	20	18	19
Hydroelectric power plants	#	12	12	12	12
Thermoelectric power plants	#	8	8	6	7
Coal	#	4	4	4	5
CCGT	#	3	3	1	1
Nuclear	#	1	1	1	1
Special Regime Generation	#	20	18	21	1
Hydroelectric power plants**	#	1	1	1	1
Thermoelectric power plants	#	19	17	20	0
Biomass	#	2	2	2	-
Cogeneration	#	11	9	12	-
Waste	#	6	6	6	-
Installed Capacity at 31 de December*					
Ordinary Regime Installed Capacity	MW	3,272	3,271	2,435	2,492
Hydroelectric power plants	MW	426	426	426	426
Thermoelectric power plants	MW	2,846	2,845	2,009	2,065
Coal	MW	1,460	1,460	1,460	1,523
CCGT	MW	1,229	1,229	393	387
Nuclear	MW	156	156	156	156
Special Regime Installed Capacity	MW	155	130	130	131
Hydroelectric power plants**	MW	3	3	3	3
Thermoelectric power plants	MW	152	127	127	128
Biomass	MW	7	7	7	4
Cogeneration	MW	63	38	38	42
Waste	MW	82	82	82	82
Total Capacity	MW	3,427	3,401	2,565	2,623
Net Generation*					
Ordinary Regime Generation	GWh	11,346	12,416	13,936	13,584
Hydroelectric power plants	GWh	877	812	786	846
Thermoelectric power plants	GWh	10,469	11,604	13,151	12,738
Coal	GWh	5,865	6,575	10,124	9,854
CCGT	GWh	3,491	3,831	1,795	1,692
Nuclear	GWh	1,113	1,198	1,232	1,192
Special Regime Generation	GWh	896	700	553	543
Hydroelectric power plants**	GWh	2	2	2	2
Thermoelectric power plants	GWh	894	698	551	541
Biomass	GWh	6	6	8	13
Cogeneration	GWh	369	192	90	176
Waste	GWh	519	500	453	351
Total Generation	GWh	12,242	13,117	14,489	14,127
Energy Balance					
Hydrological index	#	0.81	0.66	0.64	0.80
EDP Group power plants					
Hydroelectric output	GWh	877	812	786	846
Thermoelectric output	GWh	5,865	6,575	10,124	9,854
Nuclear output	GWh	1,113	1,198	1,232	1,192
CCGT output	GWh	3,491	3,831	1,795	1,692
Mini-hydroelectric output	GWh	2	2	2	2
Wind power output (ENERNOVA)	GWh	3,275	2,632	2,056	1,419
Biomass output	GWh	6	6	8	13
Cogeneration output	GWh	369	192	90	176
Waste output	GWh	519	500	453	351
EDP Group Net Generation	GWh	15,113	15,749	16,546	15,546
Other generators - ORG	GWh	181,116	207,924	209,887	207,289
Other generators - SRG	GWh	74,020	65,923	55,731	48,356
Importer/(Exporter) balance	GWh	-8,106	-11,040	-5,750	-3,280
Pumped hydroelectric storage	GWh	-3,763	-3,731	-4,349	-5,261
Consumption Related to output	GWh	258,784	274,824	272,064	262,650
Own consumption in generation	GWh	-7,081	-8,339	-8,753	-8,907
Own consumption in transmission grid	GWh	0	0	0	0
Losses	GWh	-3090	-3,389	-3,281	-3,017
Energy Delivered to Distribution	GWh	248,613	263,096	260,031	250,726

* Excludes wind power
** Includes mini-hydro from EDP Renováveis

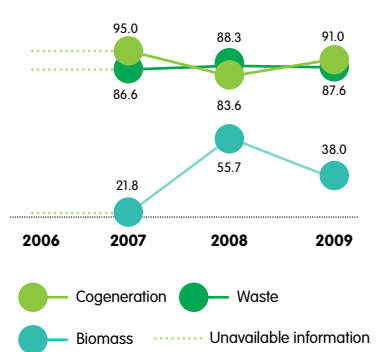
Generation Portfolio (MW)



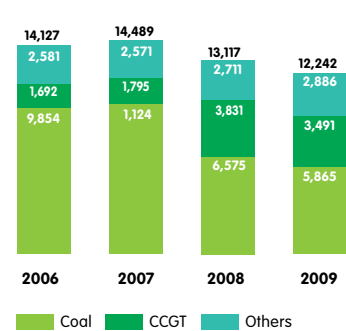
Ordinary Regime Generation - Availability (%)



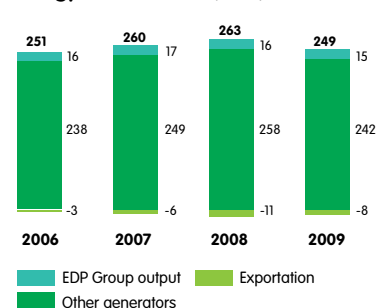
Special Regime Generation - Availability (%)



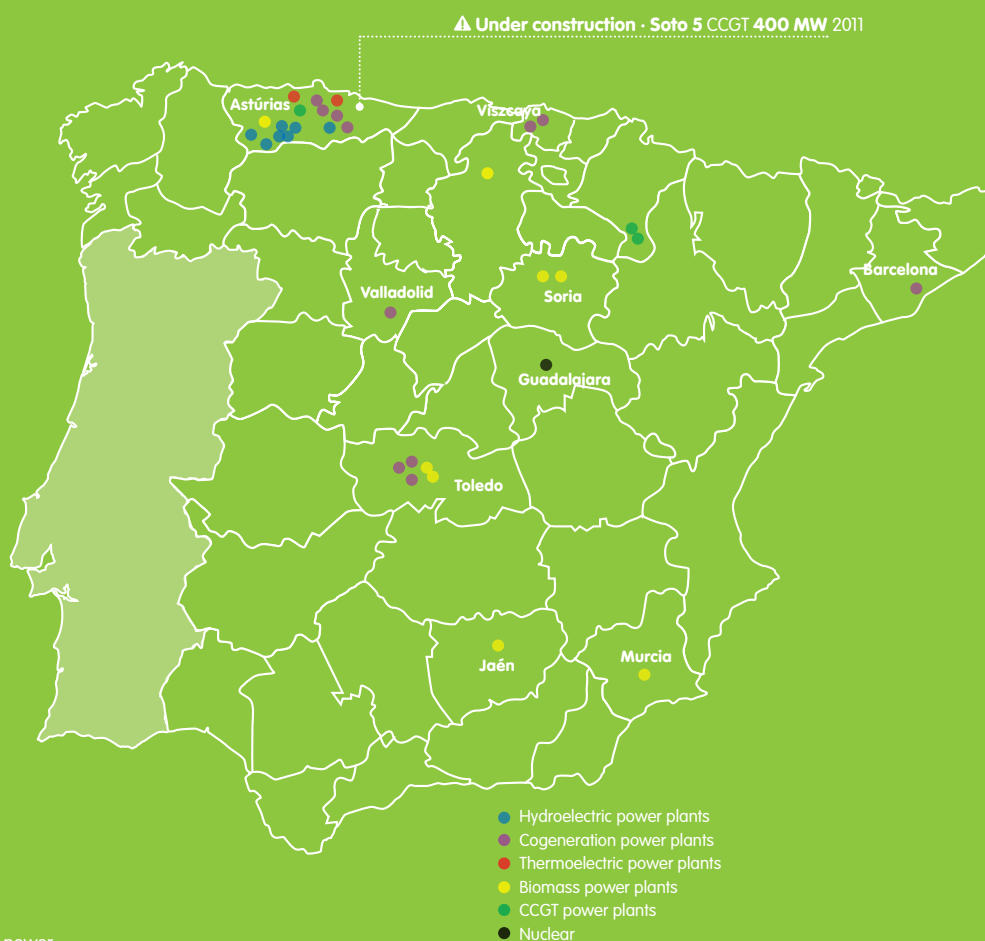
Net Generation (GWh)



Energy Balance 2009 (TWh)



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



*Excludes wind power

2009 MAIN EVENTS OF THE ELECTRICITY GENERATION ACTIVITY IN SPAIN

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

By the end of 2009, total installed capacity was 3.272 MW of which 426 MW (12%) from hydroelectric plants and 2.846 MW from thermolectric power plants.

The total availability of coal plants was 94,8% and the unavailability due to breakdowns, only 1,6%, 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 91,4% and the unavailability due to failure was 2,5%. The combined cycle also had a very flexible operation, with frequent night stops at the weekends.

Due to the various modernization works operated in the general review of the Aboño 1 nuclear power station on month, it was possible to extend the operation time of this plant even beyond its 40 years of useful life.

In 2009 HC Energía incorporated 100% of Grupo Millenium into its portfolio, which entails 32 MW at four Cogeneration plants, and a significant increase in the amount of electricity generated with this technology, bringing the total to 369 GWh.

With its strategy to diversify more and more the generation mix, HC Energía is building Soto 5 with an installed capacity of 400 MW, the second group of combined cycle power plant in Soto de Ribera, Asturias. The pace of construction is proceeding according to plan with the date of entry into service planned for the first quarter of 2011. With this entry the installed capacity in combined cycle in Spain will be 1,6 GW.



summary of activities

EDP RENOVÁVEIS

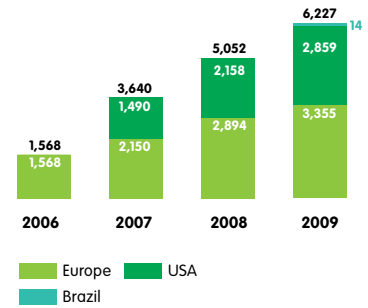
	Unit	2009	2008	2007	2006
Wind Installed Capacity	GW	157.9	120.8	93.9	74.1
EDP Renováveis Installed Capacity	GW	6.2	5.1	3.6	1.6
Source: Global Wind Report 2008, GWEC: Wind Onshore Installed Capacity					
Installed capacity at 31 December*					
Europe	MW Brutos	3,355	2,894	2,150	1,568
Portugal	MW Brutos	680	553	424	326
Spain	MW Brutos	2,278	2,109	1,639	1,213
France	MW Brutos	220	185	87	29
Belgium	MW Brutos	57	47	0	0
Poland	MW Brutos	120	0	0	0
USA	MW Brutos	2,859	2,158	1,490	0
Brazil	MW Brutos	14	0	0	0
Total Capacity	MW Brutos	6,227	5,052	3,640	1,568
Load Factor					
Europe	%	26.3	26.0	26.2	25.9
Portugal	%	27.5	26.5	24.3	26.4
Spain	%	26.2	25.7	26.8	26.8
France	%	23.2	22.8	26.7	0.0
Belgium	%	22.8	0.0	0.0	0.0
Poland	%	0.0	0.0	0.0	0.0
USA	%	31.7	33.7	29.9	0.0
Brazil	%	21.7	0.0	0.0	0.0
Net Generation*					
Europe	GWh	4,975	3,900	2,911	1,902
Portugal	GWh	1,275	1,028	735	483
Spain	GWh	3,275	2,634	2,056	1,419
France	GWh	346	238	119	0
Belgium	GWh	79	0	0	0
Poland	GWh	0	0	0	0
USA	GWh	5,905	3,907	866	0
Brazil	GWh	26	0	0	0
Total generation	GWh	10,907	7,807	3,777	1,902
MW Under Construction during 2009*					
		4Q09	3Q09	2Q09	1Q09
Europe	MW	640	866	761	718
Portugal	MW	53	128	133	72
Spain	MW	308	417	477	477
France	MW	39	30	18	26
Belgium	MW	13	13	13	23
Romania	MW	228	159	0	0
Poland	MW	0	120	120	120
USA	MW	99	427	501	300
Brazil	MW	0	0	0	0
Total MWs under construction	MW	739	1,293	1,261	1,017

*Excludes mini-hydro

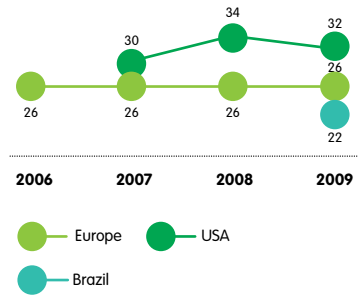
EDP Renováveis Share Price (€)



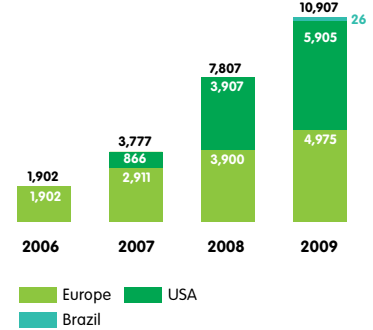
Generation Portfolio (MW)



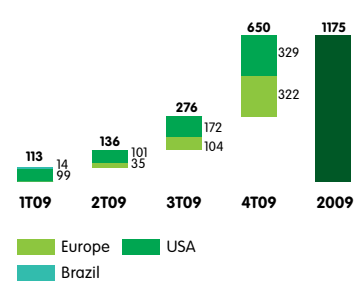
Load Factor (%)



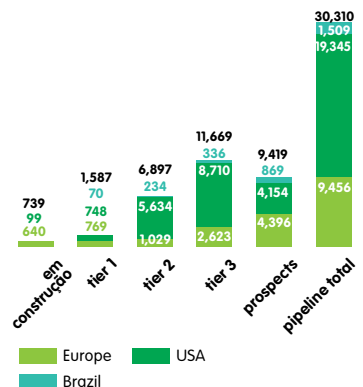
Net generation (GWh)



Entry Into Service in 2009 (MW)



Pipeline Capacity End 2009 (Gross MW)



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



2009 MAIN EVENT OF EDP RENOVÁVEIS ACTIVITY

EDP Group is present in the activity of wind energy generation through EDP Renováveis (EDPR).

By the end of 2009 EDPR is present in 8 geographies: Portugal, Spain, France, Belgium, Poland, Romania, the United States and Brazil and during 2009 increased its capacity by 1.175 Gross MWs of which 461 MW through the European platform, 700 MW in the North American subsidiary and 14 MW in Brazil. As subsequent event, EDPR also entered the markets of UK and Italy. With this global presence EDPR reaches market share positions of 8.2% in the U.S. and 4.5% in Europe.

The average load factor reached 26% in Europe and 32% in the U.S. Operational excellence and prime location of EDPR parks, allows achieving a higher premium than the market (particularly in Spain +150 percentage points).

EDPR - EUROPE (EDPR EU)

EDPR EU (Neo Energia) is at the top of the list of companies that have built more wind farms during the years 2007, 2008 and 2009, with a portfolio of 9,5 GW in various stages of development and a capacity of 3,355 MW.

In Portugal, the capacity increase benefits from the entry into operation of the parks built by ENEOP2, the company that won the wind generation public tender in Portugal (total of 1,2 GW).

In Spain, gross installed capacity is 2.278 MW which represents an increase of 169 MW in relation to 2008. At the end of 2009, 308 MW are under construction.

In 2009, installed gross capacity reached 220 MW in France and in Belgium 57 MW representing an annual increase of 35 MW and 10 MW respectively.

The Margonin wind farm (120 MW), in Poland entered in operation in December 2009.

In Romania, the year 2009 was marked by the beginning of construction of the first wind farm of EDPR in a country with a total capacity of 228 MW.

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

In the development of offshore, wind farms have been assigned to EDPR and SeaEnergy, through a joint venture called Moray Renewables, the exclusive rights to develop offshore wind farms in north-east Scotland, with a total capacity estimated of 1,3 GW.

EDPR - NORTH AMERICA (EDPR NA)

The activity in the U.S. is provided by the North American platform EDPR NA (Horizon Wind Energy).

At the end of 2009 EDPR NA has 16 wind farms in operation, with a total gross capacity of 2.859 MW, representing an increase of 700 MW compared to 2008.

By the end of 2009, EDPR NA holds a pipeline of 2009 19,2 GW of projects (excluding 99 MW already under construction) located in 18 states, divided into 5 regions.

EDPR - BRAZIL (EDPR SA)

EDPR created in June 2008, a joint venture with EDP - Energias do Brasil/ Erenova, with the name of EDP Renewables Brazil (EDPR SA).

EDPR SA has an installed capacity of 14 MW, following the conclusion of CENAEL's acquisition, and a pipeline of 1.5 GW of which 70 MW are expected to start construction in 2010 (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 load factor.

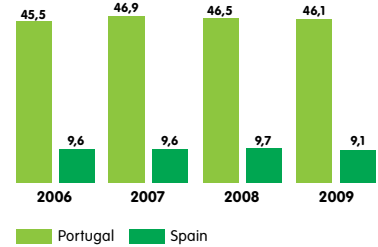


summary of activities

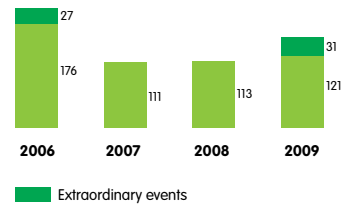
DISTRIBUTION

	Unit	2009	2008	2007	2006
PORTUGAL					
ENERGY INPUT IN THE DISTRIBUTION GRID					
For the regulated market	GWh	40,452	48,796	43,779	41,228
For the free market	GWh	8,971	1,306	5,731	7,406
Total	GWh	49,422	50,102	49,510	48,634
Note: does not include VHV consumptions					
OUTGOING ENERGY FROM THE GRID					
Energy delivered to the distribution grid	GWh	49,422	50,102	49,510	48,634
Distribution losses	GWh	-3,277	-3,633	-2,591	-3,169
Outgoing energy from the grid	GWh	46,146	46,468	46,919	45,465
Energy Sales for the Regulated Market	GWh	37,626	45,289	41,546	38,304
Very high voltage	GWh	1,330	1,667	1,527	1,394
High voltage	GWh	3,723	6,358	6,265	5,361
Medium voltage	GWh	9,128	14,052	10,290	8,603
Special low voltage	GWh	3,163	3,340	2,491	2,312
Low voltage	GWh	18,740	18,364	19,523	19,235
Street lighting	GWh	1,542	1,509	1,449	1,399
Energy output for the liberalised Market	GWh	8,520	1,180	5,373	7,161
Very high voltage	GWh	208	0	3	41
High voltage	GWh	2,089	2	11	98
Medium voltage	GWh	4,770	263	4,098	5,820
Special low voltage	GWh	413	219	996	1,190
Low voltage	GWh	1,040	695	264	13
ICEIT	Min	152	113	111	176
Points of Supply	m#	6,120	6,088	6,054	5,988
Employees	#	3,778	3,996	4,242	4,518
GRID STRUCTURE INDICATORS					
Extension	km	218,226	214,856	212,317	209,058
Substations	#	399	397	382	383
Transforming stations	#	62,036	61,157	59,841	58,513
EFFICIENCY INDICATORS					
Points of Supply/Employee	#	1,620	1,524	1,427	1,325
Energy/Employee	GWh	12.2	11.6	11.2	10.2
SPAIN					
OUTGOING ENERGY FROM THE GRID					
Energy delivered to the distribution grid	GWh	9,519	10,029	10,008	9,892
Distribution losses	GWh	389	350	386	342
Outgoing energy from the grid	GWh	9,131	9,679	9,622	9,550
ELECTRICITY DISTRIBUTION					
High voltage	GWh	5,322	5,762	5,882	5,874
Medium voltage	GWh	1,215	1,284	1,204	1,215
Low voltage	GWh	2,594	2,633	2,536	2,461
Total	GWh	9,131	9,679	9,622	9,550
Total Market Spain	GWh	247,990	257,412	238,895	231,428
EDP market share	%	3.7	3.8	4.0	4.1
ICEIT	Min	55	65	59	106
Points of Supply	m#	645	628	617	603
Employees	#	368	366	389	395
GRID STRUCTURE INDICATORS					
Extension	km	21,874	21,356	20,995	20,465
Substations	#	53	48	48	47
Transforming stations	#	6,464	6,327	6,192	6,077
EFFICIENCY INDICATORS					
Points of Supply/Employee	#	1,751	1,717	1,585	1,527
Energy/Employee	GWh	24.8	26.4	24.7	24.2

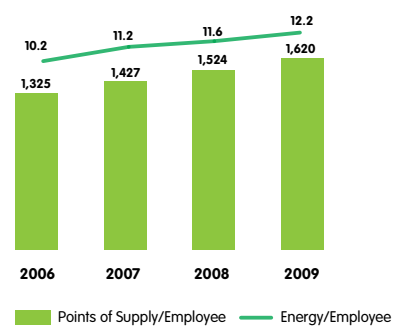
Energy distributed (TWh)



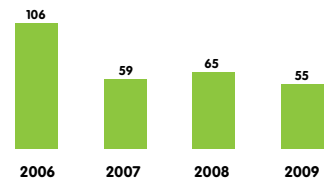
Installed Capacity Equivalent Interruption Time in Portugal (min)



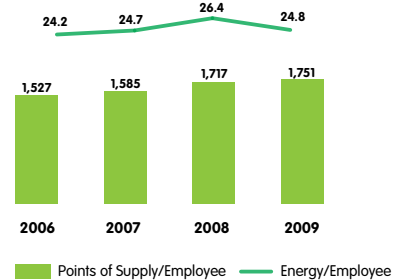
Operacional Efficiency in Portugal



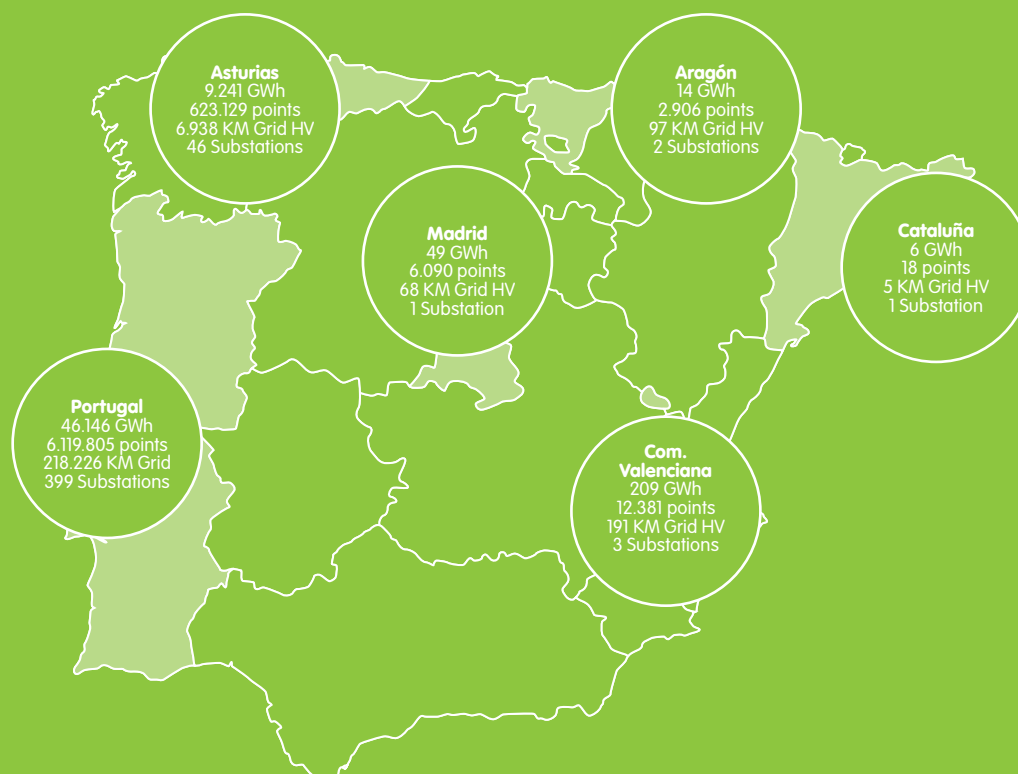
Installed Capacity Equivalent Interruption Time in Spain (min)



Operacional Efficiency in Spain



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



2009 MAIN EVENTS OF THE ELECTRICITY DISTRIBUTION ACTIVITY IN THE IBERIAN PENINSULA

EDP takes part in distribution through EDP Distribuição in Portugal and HC Energía in Spain. This operation, based essentially on efficiency improvements and quality of service in the distribution grids, distributed over 55 TWh of energy in 2009.

PORTUGAL

In Portugal, EDP Distribuição has the concession of the National Distribution (RND) Electricity of Medium and High Voltage Grid and the Concession of all the 278 Distribution Networks in Low Voltage of all the municipalities on the mainland. It has 218.000 km of network and distributed 46.1 TWh of electricity in 2009 to a total of 6.1 million customers.

The network investment in recent years, the implementation of new processes in maintenance and optimization of operating the network has had excellent results in the technical quality of service, resulting in a significant reduction, versus 2006, in the indicator "Interruption Time Equivalent of the Installed Capacity (ICET) to values in the order of 121 minutes (excluding extraordinary events), perfectly comparable with those found in networks of other distributors with similar structures and network consumption. The year 2009 was affected by unusual events, mainly the cyclone Klaus on 23 January and the adverse weather conditions with wind speeds exceeding 200 km/h on the 23rd of December in the western region of the country, which accounted for 5,83 and 25,17 minutes respectively. In response to the shortcomings resulting from the storm came to be involved 800 people, 360 vehicles and 50 generators. This intervention allowed the reinstatement of the power supply in the first 24 hours to 87% of consumers affected. After 48 hours the supply was restored to 98% of customers.

The changes in electricity supply and demand, resulting from the attainment of the objectives of energy policy, mainly the reduction of emissions of greenhouse gases, are rising and will continue to require distribution companies to make significant changes, particularly the progressive installation of more information and automation leading to "smart grids" which will also result in clear benefit to the consumer and the producer. EDP is committed to this innovation process, emphasizing the Project InovGrid where, after the installation of equipment in various parts of the network, integrated into a pilot project, chose the city of Évora for implementing the concept of "Intelligent City".

Continued to exist a strong adherence to micro-generation, with the connection to the network of 3.485 new micro-producers with an installed capacity of 12,3 MW. Were also connected to the distribution network 84 new Special Regime Producers (PRE) with an installed capacity of 645,2 MVA. In both cases, there is a predominance of wind technology and photovoltaics. At the end of the year were connected to the grid 3.967 microproducers with 14 MW of installed capacity, and 593 with PRE 4.807 MVA of installed power.

SPAIN

In Spain, HC Energía conducts the business of electricity distribution in 5 Autonomous Communities with a total of 22,000 kilometers of network and more than 9TWh distributed power, to which contributed during 2009, the acquisition of two small independent distributors of the Autonomous Region of Aragón. Aside from the Asturias HC Energía develops its electricity distribution business in the Autonomous Communities of Madrid, Valencia, Catalonia and Aragón, with a total of 21,500 new customers in these areas.

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 area of distribution, which concentrates more than 95 % of HC customers. HC Energía continues to lead the quality of service in the Spanish Electricity System. Regardless of the cyclone Klaus in 2009 HC Energía has the best index ever of quality of service with a value of 55 minutes (0.97 hours) which implies a decrease of 4 minutes for the previous record registered. Mention should be also made to the night of 23 January, when the cyclone Klaus affected the North of the Peninsula, causing severe damage to infrastructure. In the area of HC Energía, 48.000 customers were without electricity supply, but however, in less than 36 hours, 99% of them had recovered the service.

As of July 1st, in Spain, the utilities no longer conduct the business of supplying electricity, now being held by the suppliers of last resort, an activity in which the HC Energía is also present.

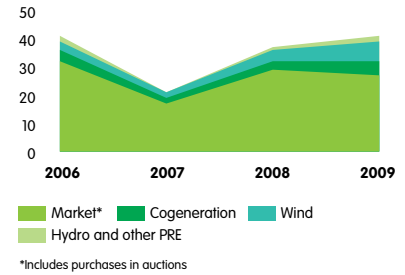


summary of activities

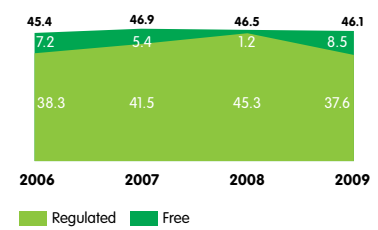
SUPPLY IN IBERIA

Unit	2009	2008	2007	2006
Last Resort Market in Portugal				
Number of costumers				
Very high voltage	# 26	53	55	20
High voltage	# 193	234	213	182
Medium voltage	# 17,681	22,913	20,748	19,955
Special low voltage	# 28,246	32,170	25,687	25,118
Low voltage	# 5,746,352	5,785,797	5,807,784	5,869,451
Street lighting	# 50,299	49,260	48,308	46,971
Total	# 5,842,797	5,890,427	5,902,795	5,961,697
Electricity				
Very high voltage	GWh 1,330	1,667	1,527	1,377
High voltage	GWh 3,723	6,358	6,265	5,358
Medium voltage	GWh 9,128	14,052	10,290	8,589
Special low voltage	GWh 3,163	3,340	2,491	2,308
Low voltage	GWh 18,740	18,364	19,523	19,222
Street lighting	GWh 1,542	1,509	1,449	1,399
Total	GWh 37,626	45,289	41,546	38,253
Liberalised Market in Portugal				
Number of costumers				
EDP Comercial	# 259,698	197,151	148,319	22,573
B2B	# 7,535	9	5,105	4,446
B2C	# 252,163	197,142	143,214	18,127
Other suppliers	# 17,310	601	3,294	3,626
Electricity	GWh 8,520	1,180	5,372	7,161
EDP Comercial	GWh 5,529	947	3,010	4,037
B2B	GWh 4,565	271	2,751	4,024
B2C	GWh 963	676	259	13
Other suppliers	GWh 2,992	233	2,363	3,124
Regulated/Last Resort Market in Spain				
Number of costumers				
High voltage	# 0	4	12	15
Medium voltage	# 0	77	306	499
Low voltage	# 422,252	549,317	564,773	541,391
Total	# 422,252	549,398	565,091	541,905
Electricity				
High voltage	GWh 1,559	5,064	5,629	5,650
Medium voltage	GWh 11	133	268	462
Low voltage	GWh 1,563	2,043	2,142	2,072
Total	GWh 3,133	7,240	8,039	8,184
Liberalized Market in Spain				
Number of costumers				
HC Energía + NG Energía	# 530,778	117,175	89,410	98,938
B2B	# 4,848	3,400	2,680	1,902
B2C	# 525,930	113,775	86,730	97,036
Other suppliers	# 2,497,404	2,036,579	1,607,930	1,882,874
Electricity	GWh 143,298	107,174	72,961	62,571
HC Energía + NG Energía	GWh 16,234	12,507	11,236	8,662
B2B	GWh 12,833	9,941	9,166	6,187
B2C	GWh 3,402	2,566	2,070	2,475
Other suppliers	GWh 127,063	94,666	61,725	53,909

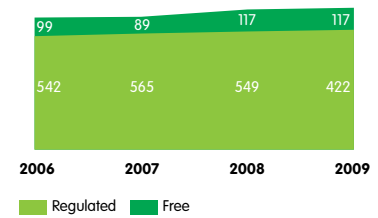
Purchase of energy in Portugal (GWh)



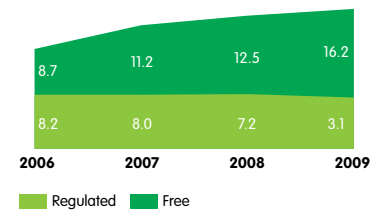
Electricity Supply in Portugal (TWh)



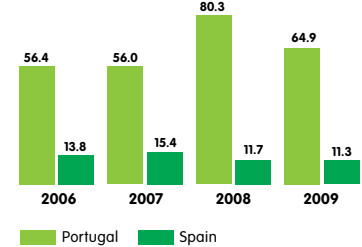
Number of supply costumers in Spain (thousands of costumers)



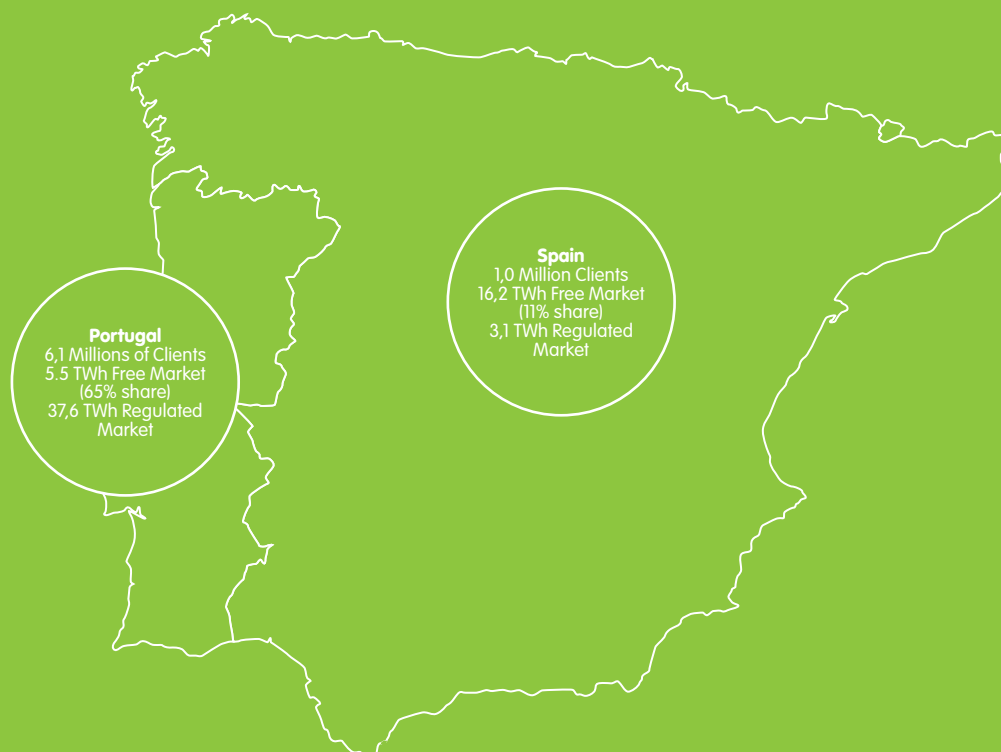
Electricity Supply in Spain



Market Share - Liberalised Market (%)



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



2009 MAIN EVENTS OF THE ELECTRICITY SUPPLY ACTIVITY IN THE IBERIAN PENINSULA

The 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 which is set by regulation and the free market through EDP Comercial. In Spain is present in the Last Resort Market by HC Energía Last Resort and in the liberalised market through HC Energía and Energía CHC in which acts in competition with other Iberian players.

PORTUGAL

During 2009, the overall number of customers in the Regulated Market fell by 0.8%, as a result of the net outflow of nearly 65 thousand customers to the free market, from which 54 thousand supplied in Low Voltage (LV), 5 thousand in Special Low Voltage (SLV) and about 6 thousand in Medium Voltage (MV). In the case of Very High Voltage (VHV), over half of the customers decided to join the free market, whereas the same decision was taken by about one third of the customers supplied in High Voltage (HV).

Electricity sales in the regulated market decreased by about 17% in relation to the previous year, particularly in HV and MV, with reductions of nearly 40% and 35%, respectively. These huge reductions are the combined effect of the referred migration of customers to the liberalized market, with the overall slowdown in electricity demand due to the economic crises.

The relation of partnership and trust that EDP Comercial maintained with customers during 2008, when in result of the adverse pricing conditions they migrated to the Regulated Market, led in 2009 to the maintenance of a leading player position in the free market, in a competitive scenario.

During the year, the EDP Comercial was allocated a 65% market share in energy demand, and had 94% of the facilities provided in the ML at the end of December. These results of EDP Comercial have been reached in a more sustained and supported way in its business units.

B2B segment was the one that observed more dynamic in the reopening of the free market of electricity. The ability that EDP Comercial had to quickly make deals that create value to its customer base, complemented with an extensive display of Value Added Services, reflected in sales of 4,6 TWh and a portfolio of more than 7.535 facilities at the end of the year, including the largest consumers of electricity in the country.

In the B2C segment EDP Comercial reached a portfolio of approximately 252 thousand residential customers and small businesses (95% of the liberalized market) at the end of the year, representing a sales volume of about 963 GWh, equivalent to an annualized consumption of 1,1 TWh.

Concerning EDP Serviços, the year 2009 was marked by the development of new products and solutions based on three strategic points – Energy Efficiency, Multitechnic Services and Decentralized energy generation. EDP Comercial saw approved under 2009/2010 PPEC measures equivalent to 5,9 million euros, 41% of the total obtained by the EDP Group and about 30% of the total made available by ERSE.

SPAIN

On 1 July 2009, when Royal Decree 485/2009 came into effect, the integral electricity tariffs were eliminated. Due to these changes, all customers are now part of the free market, whether through the independent trading company or through the Hidrocarbónico Energía Last Resort.

EDP Group operates since 2005 with the new brand name HC Energía and in less than a year has managed to obtain a recognition level of 92% in its sphere of influence. This recognition was fundamental to the growth recorded in the segments where it operates. Including CHC Energía, EDP group attained approximately 531 thousand Clients which represents an increase of 353% from 2008.

The B2B market segment recorded 12.833 GWh of energy sold, 25% 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 B2C segment recorded a total of 3.402 GWh sold, which represents a 11% increase over 2008. 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 102,000 residential level is approximately 87%.

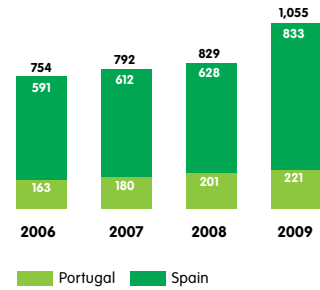


summary of activities

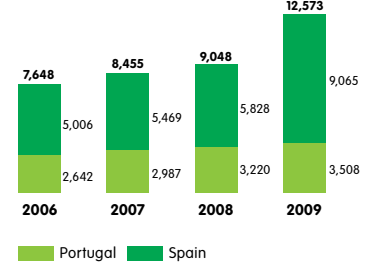
GAS BUSINESS IN IBERIA

	Unit	2009	2008	2007	2006
IBERIA					
Number of costumers (thousands)	#	1,054,806	829,282	791,695	754,275
Regulated	#	221,266	200,988	376,407	506,161
Last Resort	#	214,059	122,000	0	0
Liberalised	#	619,481	506,294	415,288	248,114
Points of Supply	#				
Distribution	#	1,185,225	891,020	844,894	804,727
Grid Length	Kms	12,573	9,048	8,455	7,648
Transportation Grid	Kms	362	309	307	250
Distribution Grid	Kms	12,211	8,739	8,148	7,398
Gas Volume (millions)	m ³				
Distributed	m ³	2.1	2.3	1.9	1.9
Supplied	m ³	2.1	2.1	1.6	1.2
Gas Volume	TWh				
Distributed	TWh	25.1	26.6	22.7	21.9
Supplied	TWh	24.6	28.9	25.3	22.4
Regulated	TWh	2.3	4.2	7.1	8.6
Last Resort	TWh	1.2	n/a	0.0	0.0
Liberalised	TWh	21.1	24.7	18.2	13.8
Number of Employees	#	537	421	409	407
PORTUGAL					
Number of costumers (thousands)	#	221,356	200,988	179,802	163,391
Regulated	#	221,266	200,988	179,802	163,391
Last Resort	#	0	0	0	0
Liberalised	#	90	0	0	0
Points of Supply	#				
Distribution	#	221,388	200,988	179,802	163,391
Grid Length	Kms	3,508	3,220	2,987	2,642
Transportation Grid	Kms	0	0	0	0
Distribution Grid	Kms	3,508	3,220	2,987	2,642
Gas Volume (millions)	m ³				
Distributed	m ³	0.5	0.5	0.2	0.2
Supplied	m ³	0.3	0.2	0.2	0.2
Gas Volume	TWh				
Distributed	TWh	6.1	6.0	2.6	2.3
Supplied	TWh	3.3	2.7	2.6	2.3
Regulated	TWh	2.3	2.7	2.6	2.3
Last Resort	TWh	0.0			
Liberalised	TWh	1.0	0.0	0.0	0.0
Number of Employees	#	101	110	112	115
SPAIN					
Number of costumers (thousands)	#	833,450	628,294	611,893	590,884
Regulated	#	0	0	196,605	342,770
Last Resort	#	214,059	122,000	0	0
Liberalised	#	619,391	506,294	415,288	248,114
Points of Supply	#				
Distribution	#	963,837	690,032	665,092	641,336
Grid Length	Kms	9,065	5,828	5,469	5,006
Transportation Grid	Kms	362	309	307	250
Distribution Grid	Kms	8,703	5,519	5,161	4,756
Gas Volume (millions)	m ³				
Distributed	m ³	1.6	1.8	1.7	1.7
Supplied	m ³	1.8	2.1	1.6	1.2
Gas Volume	TWh				
Distributed	TWh	19.0	20.7	20.2	19.7
Supplied	TWh	21.3	26.3	22.7	20.1
Regulated	TWh	0.0	1.5	4.5	6.3
Last Resort	TWh	1.2	n/a	0.0	0.0
Liberalised	TWh	20.1	24.7	18.2	13.8
Number of Employees	#	436	311	297	292

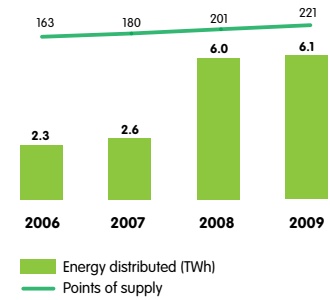
Number of costumers (thousands)



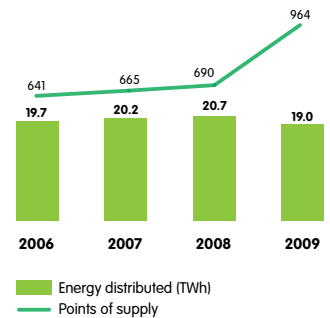
Grid Length (Kms)



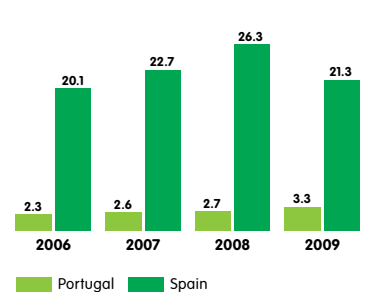
Gas in Portugal - Energy distributed and Points of Supply



Gas Spain - Energy distributed and Points of Supply



Gas Spain - Energy Supplied (TWh)



PRESENCE OF EDP GROUP IN GAS ACTIVITY IN THE IBERIAN PENINSULA



2009 MAIN EVENTS OF THE GAS ACTIVITY IN THE IBERIAN PENINSULA

EDP has a reference presence in the Iberian natural gas market. It is present in Portugal through Portgás (acting under the brand name of EDP Gás Distribuição), 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 Energía.

In December 2009, EDP Group concluded the acquisition of Gas Natural assets in the Autonomous Communities of Cantabria and Murcia. This acquisition represents a milestone for Naturgas once it has joined 3.080 Km of gas networks, 257.573 points of supply and 11 TWh of distributed gas. This operation has consolidated the company as the second largest gas distributor in the Spanish market and increase its share of supply points from 10% to 14%, achieving about 1.185.000 supply points.

Important gas supply agreements have been negotiated, including agreements with Sonatrach that enables the delivery of gas to the Group 1 of Lares Thermal Power Plant until the entrance of new Medgaz international pipeline and with Shell LNG that enables the delivery of 0,22 bcm per year during the period 2010-2012.

PORTUGAL

In the Distribution activity, continued the concession development by ensuring the extension of the level of coverage, pointing out the supply of Vila Verde and Felgueiras, and reaching an increase of more than 20.400 points of supply (+10% compared to 2008).

EDP Gas Serviço Universal, despite the customers migration with a consumption greater than 10,000 m3 for the liberalized market (57

accounts) the number of clients increased significantly to 214,441 following the growth of supply points of distributor.

In the Supply activity EDP Gas Comercial confirmed its position as an important player in the B2B segment, strengthening its strategic action in both the trading activity, trading 7,8 TWh of natural gas, as in supply activity, reaching 90 accounts and a market share of 9.77%

SPAIN

In the Transport activity important gas pipeline projects were concluded and others entered into service, of which stands the pipeline Bergara-Irun phase III. Note also to the beginning of contacts to negotiate a stake in the future regasification unit - EL Musel

In terms of the distribution activity, the continued effort to invest in expansion and densification of the network has boosted supply 16.232 points of supply surpassing 706 thousand at the end of 2009. However, adverse economic circumstances led to a decline of 8,3% of the volume conveyed over the same period.

The difficult economic situation that occurred in 2009 affected in particular the supply activities, with a continuing deterioration of sales prices in the industrial sector. Given this reality, the company was particularly attentive to its energy management and made significant new trade measures, with a great focus on risk control in a complex market situation.

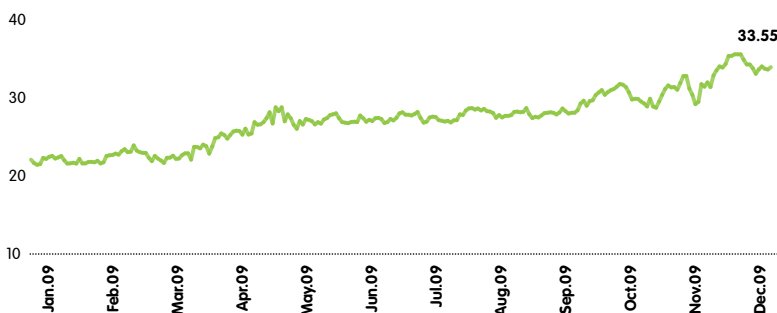


summary of activities

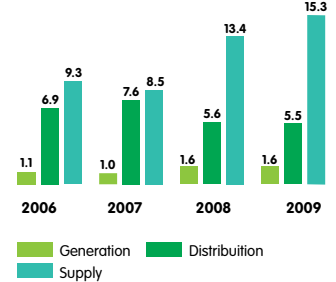
ELECTRICITY BUSINESS IN BRAZIL

	Unit	2009	2008	2007	2006
GENERATION					
Number of Generating Groups	#	39	37	32	30
Hydroelectric power stations (UHE)	#	14	14	9	9
Small Hydroelectric power stations	#	25	23	23	21
Installed Capacity at 31 December*					
Lajeado	MW	903	903	250	250
Peixe Angical	MW	452	452	452	452
Mascarenhas	MW	181	181	181	181
Suiça	MW	34	32	32	30
Mini-hydro	MW	163	130	130	106
Total Capacity	MW	1,732	1,697	1,044	1,018
Net Generation*					
Lajeado	GWh	3,169	1,795	982	1,236
Peixe Angical	GWh	2,093	2,250	2,203	1,196
Mascarenhas	GWh	846	740	838	802
Suiça	GWh	54	76	141	182
Mini-hídricas	GWh	731	612	539	564
Total Generation	GWh	6,893	5,473	4,704	3,980
DISTRIBUTION					
Energy Distributed					
Bandeirante	GWh	13,292	13,554	13,268	12,763
Escelsa	GWh	8,021	8,652	8,488	8,060
Enersul	GWh	0	2,202	3,273	3,126
Total	GWh	21,313	24,408	25,029	23,948
Points of Supply	#	2,668	2,583	3,207	3,114
Number of costumers					
Regulated					
Bandeirante	#	2,667,611	2,582,572	3,206,546	3,113,125
Bandeirante	#	1,482,355	1,438,651	1,401,302	1,364,577
Escelsa	#	1,185,256	1,143,921	1,095,116	1,058,756
Enersul	#	0	0	710,128	689,792
Liberalised					
Bandeirante	#	90	105	110	112
Bandeirante	#	73	72	74	72
Escelsa	#	17	33	21	24
Enersul	#	0	0	15	16
Total	#	2,667,701	2,582,677	3,206,656	3,113,237
Grid Structure indicators					
Extension	Kms	82,289	81,579	147,043	132,862
Substations	#	122	133	221	217
Tranformation Stations	#	180,272	168,691	223,322	214,854
SUPPLY					
Electricity supplied by Enertrade	GWh	56,120	54,345	84,566	72,067
Enertrade	GWh	8,586	7,282	7,188	6,702
Other	GWh	47,534	47,062	77,378	65,365
Enertrade's costumers	#	120	64	78	52

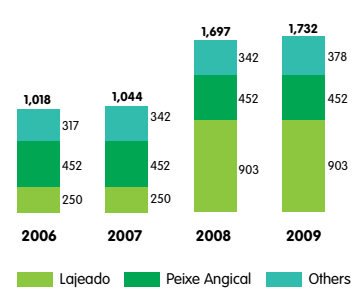
ENBR3 (BRL)



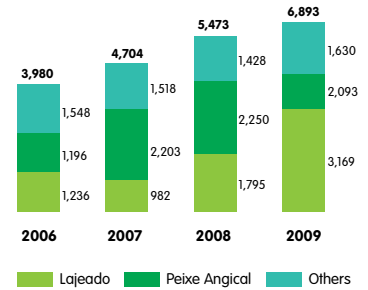
Market Share (%)



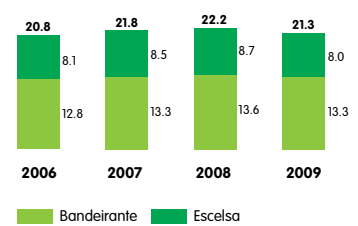
Generation Portfolio (MW)



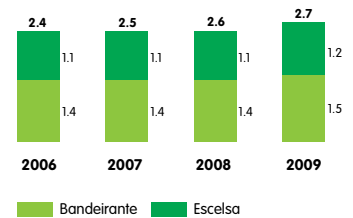
Net Generation (GWh)



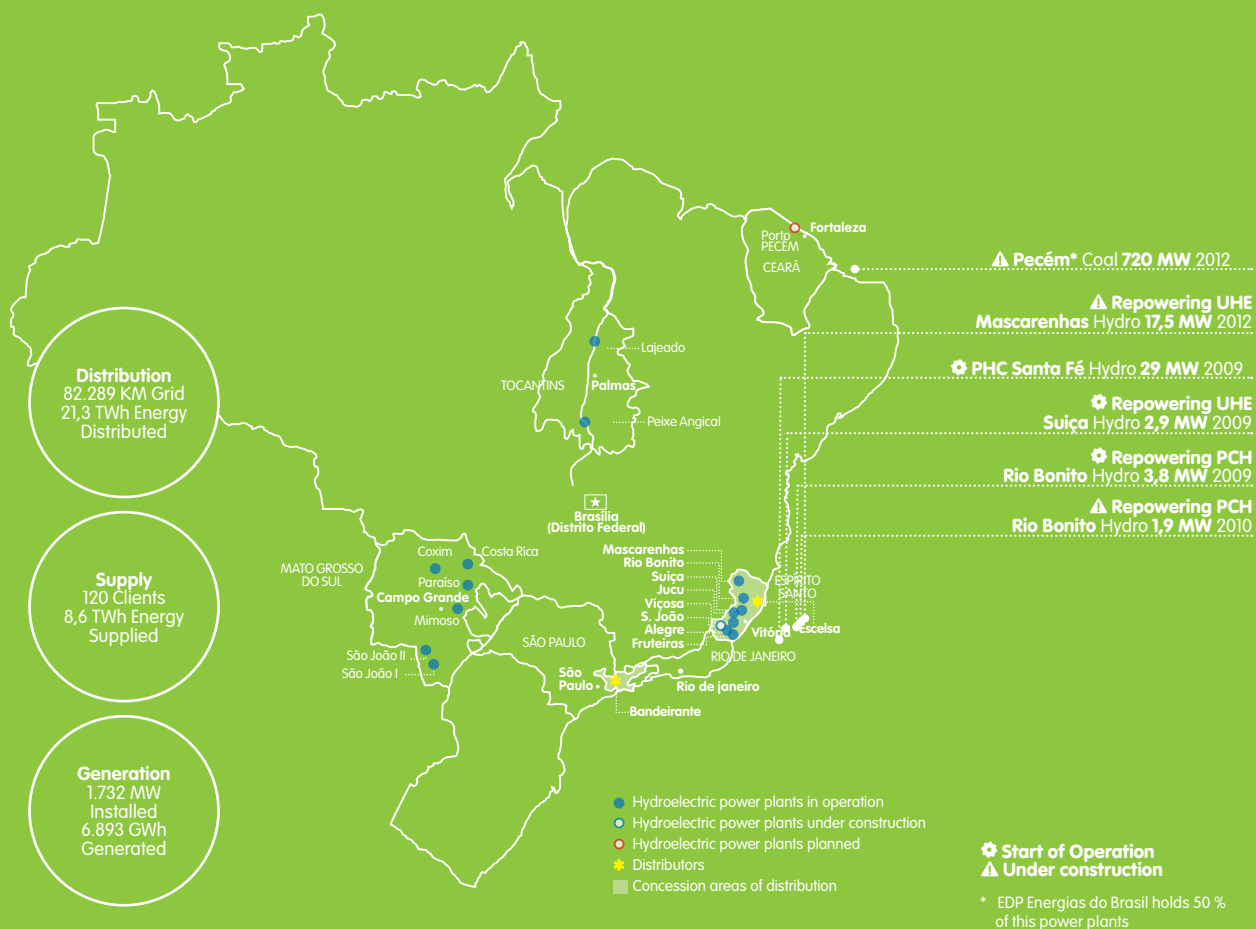
Distributed Electricity (TWh)



Number of Clientes (millions)



PRESENCE OF EDP GROUP IN BRAZIL



2009 MAIN EVENTS OF THE ACTIVITY IN BRAZIL

EDP Group is present in Brazil in the activities of generation, distribution and supply of electricity through EDP Energias do Brasil.

GENERATION

The production activity includes the management of hydroelectric power stations (UHE) and small hydro power (PCH), with a total installed capacity of 1.732 MW in December 2009.

During the year 2009 there was the repowering and modernization of three hydroelectric plants which increased the installed capacity in 35,7 MW. In the month of June began the operation Santa Fé Hidro plant in the State of Espírito Santo with an installed capacity of 29 MW.

In 2009, EDP Energias do Brasil acquired through its joint venture with EDPR of Brazil, 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 Construction is scheduled for the first quarter of 2010.

SUPPLY

In Supply, Energias do Brasil is present through Enertrade which in 2009 sold 8.6 TWh to customers in the liberalized market, with a market share of 15.3%.

During 2009, the free market in Brazil had a shrinkage of 9.7% in consumption for the year 2008, while auto production has fallen by 24.5% compared to the year 2008 and consumption of free consumers market fell by 3.2%.

DISTRIBUTION

In Distribution, EDP Energias do Brasil has full control of the companies Bandeirante and Escelsa, serving about 2.668 thousands of customers and distributing 21,3 TWh in 2009.

Bandeirante distributed in 2009 13.292 GWh, a decline of 1,9% compared to 2008. The electric energy distributed to final customers, totaled the amount of 8.585 GWh, which represented an increase of 1,3% over the year 2008.

The company ended the year 2009 with 1.483 thousands of customers, more than 3,0% of 2008. During 2009, the distributed power to the liberalized market and dealers on Bandeirante grid totaled the amount of 4.707 GWh, representing a decrease of 7,4% when compared to 2008.

Escelsa distributed in 2009 8.021 GWh, a decrease of 7,3% compared to 2008. The number of customers reached 1.185 thousand, representing an increase of 3,6% over the previous year. In the regulated market, Escelsa sold a total of 5.305 GWh, an increase of 2,6% compared to 2008. For the liberalized market, Escelsa distributed the amount of 2.716 GWh, a decrease of 22% over the previous year.

Also noteworthy is the anti-fraud program "Programa de Combate às Perdas Comerciais" which carried out 174.630 inspections in the field, replaced 90.796 obsolete, damaged and electromechanical meters by electronic ones with indirect readings and performed 32.819 regularizations of immigrant customers. The level of trading losses was 6.3% in 2009.



contribution to sustainability

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contribution to sustainability

1. RECOGNITION

Dow Jones Sustainability Index 2009/2010

For the second year running, EDP is the only Portuguese company to be listed on the Dow Jones World and STOXX Sustainability Indexes, ranked only two points below the world number one.



EDP considered "Best in Class" by Storebrand

EDP has been singled out for excellence in environmental and social performance by leading Scandinavian financial services company STOREBRAND, for the third time running.

EDP included in "The Sustainability yearbook 2010"

EDP was included in the top 15% of companies in terms of sustainability for its third consecutive year, receiving a Gold Class ranking in 2010 from SAM (Sustainable Asset Management), which evaluates companies across 58 sectors. EDP had ranked in the Silver Class in previous years.

EDP considered "Prime" by oekom Research AG

EDP obtained a B rating (B+ in environment and B in social responsibility) and was considered "Best Practice" in terms of social and environmental responsibility and one of the best practices in the world in the utilities sector.

Citizenship Award from companies and organisations

EDP took 1st place in the Industrial and Consumer Products category in January 2010, for the implementation of its social responsibility and sustainability policies in the economic, social and environmental arenas. These awards are an AESE initiative, in partnership with PricewaterhouseCoopers.

HC Energía – highest quality index in its history

HC Energía recorded the highest supply quality index in its history in 2009. This index is measured according to Installed Capacity Equivalent Interruption Time (TIEPI) – an indicator that measures supply quality in electricity distribution companies.

EDP Energias do Brasil Group listed on Corporate Sustainability Index

The EDP Energias do Brasil Group was listed on the Bovespa Corporate Sustainability Index (ISE) for the fourth consecutive year.



Accountability Rating Portugal 09 Award

EDP has been recognised by Sair da Casca and Two Tomorrows for the second year running. This internationally published rating aims to evaluate the transparency with which companies communicate and report to their stakeholders.



António Mexia – Personality of the Year 2008

Award presented by the Luso-Brazilian Chamber of Commerce (CCILB) in 2009.



António Mexia – Best Leader Award 2009

In the Corporate Management category, for his consistency in obtaining results, international expansion strategy and implementation of sustainability values.



Ana Maria Fernandes – Best Portuguese Female Executive

Awarded by the European Women's Management Development International Network (EWMD).



EDP Renováveis wins IPO of the Year

EDP Renováveis, the third largest wind energy company in the world, and the third largest in Europe and Spain, won the "IPO of the Year" award upon becoming a listed company in June 2008. This operation resulted in proceeds of EUR 1.576 billion in a difficult economic climate.

Investor Relations & Governance Awards 2009

EDP won the Special Stock Market Award at the Deloitte Investor Relations & Governance Awards 2009. These awards are presented each year in recognition of best practices and professionals in investor relations.

Best Companies for Leaders

EDP was singled out by the Hay Group for a Best Companies for Leaders award. This award recognises companies that set the market standard for talent management and leadership development.

Energy Business Awards

EDP won an Energy Business Award in the "Excellence in Energy Risk Management" category.



Procurement Leaders Awards 2009

EDP won a Special Commendation Award for Best Use of Technology for their Sinergie project – Supply Integration for Energy.



Marketeer Award

Awarded to EDP by Marketeer magazine, for their overall marketing and communication strategy and positioning during 2008.

Merit award for good practices in risk prevention

Awarded to EDP Distribuição – Energia, SA, by the Working Conditions Authority (ACT), for their Awareness Raising Campaign on Isolating Electrical Installations, under the theme "Connected to Life".

Gold Espírito Santo Quality Award (PQES)

EDP Escelsa was awarded a Gold award for Quality under the Programme to Increase Systemic Competitiveness in Espírito Santo (Compete).

EDP Bandeirante awarded Transparency Trophy

This prize was awarded by Anefac - the National Association of Finance, Administration and Accountancy Executives, for the transparency and clarity of the financial information presented in their 2008 Annual Report.

IASC 2009 – Aneel Consumer Satisfaction Index

EDP Bandeirante placed third in the Southwest Region for companies with over 400,000 consumers.

EDP in Brazil is Model Company for Sustainability

EDP Brasil was singled out by the Exame Sustainability Guide as one of the 20 best companies in the arena of corporate responsibility, for the second consecutive year.

Época Climate Change Award 2009

Awarded to EDP Energias do Brasil for being a Corporate Climate Policy Leader, for the second consecutive year.

EXAME 500 Biggest & Best

Award presented to EDP Produção by EXAME magazine in the Water, Electricity and Gas category.



Abrinq Certification

For the tenth consecutive year, EDP Escelsa obtained "Child Friendly Company" certification from Abrinq, a foundation that seeks to mobilise society on issues related to the rights of children and adolescents.

FEIEA Grand Prix 2009

The "sou edp" and ClickIdea projects received awards at this annual competition to recognise best practices in the area of corporate communication.



Best Contact Centre

Award presented to EDP in the utilities category by the Portuguese Contact Centre Association (APCC), for the second year running.



Boca Livre wins "Mogi News" social award

EDP Brasil's "Boca Livre" project won the Mogi News/ Chevrolet Alto Tiête Corporate Social Responsibility Award in the internal public relations category.

HC Energía receives Customer Service Centre award

For the 5th year running, HC Energía won the award for Best Customer Service Centre in the energy and utilities sector.

HC Energía and Naturgas most valued companies by Spanish customers

Leaders in terms of overall satisfaction, loyalty and intention to recommend, according to a study conducted by the Stiga Spanish Consumer Satisfaction Institute (ISSCE).



contribution to sustainability

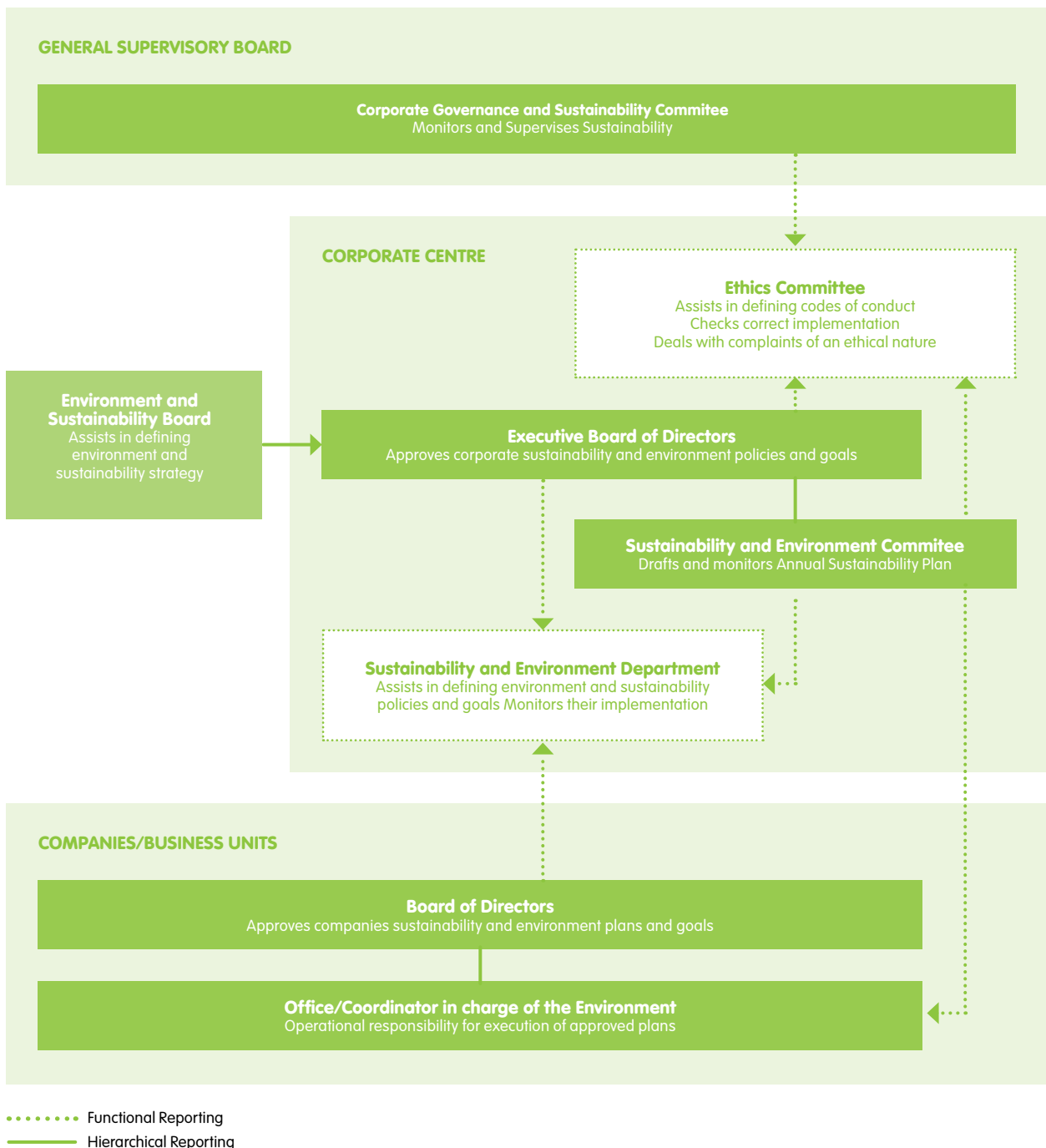
2. CORPORATE APPROACH

EDP's commitment to integrating sustainability at the highest level of management now finds expression in a new Vision based on dialogue, responsibility and innovation. While encompassing the core aspects of the business, this approach also seeks to encourage proactivity in building a future based on shared values in societies that are becoming increasingly demanding, dynamic and socially aware, an approach that ensures we do not forget the well-being and quality of life of future generations.

EDP has assumed commitments in areas where the company can genuinely make a difference, based on the Sustainable Development Principles it published in 2004. These will be reviewed and updated during 2010 to blend into the corporate Vision and Strategy.

These principles are implemented at the various levels of management, from strategic planning to application in the different business areas.

ORGANISATION OF SUSTAINABILITY



..... Functional Reporting
—— Hierarchical Reporting

Five management guidelines have been defined in accordance with EDP's Strategic Agenda 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;
- Expand the use of instruments to gather information on expectations and assess the Group's performance to the various stakeholders.

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.

In 2009, EDP was again recognised for its improvement in sustainability performance. For the second year running, it was listed on the DJSI World and Stoxx, ranking only 2 points below the leader in the electricity sector.

Also in 2009, EDP was singled out in the worldwide "Sustainability Yearbook 2010" published by SAM (Sustainable Asset Management). This is the third consecutive time that EDP has received this distinction, improving its performance from "Silver Class" in 2009 to "Gold Class" in 2010.

The company's responsibility and determination in maintaining the highest levels of sustainability performance have been reinforced by a series of initiatives and objectives, summarised below:

SUSTAINABILITY COMMITMENTS

2009	Status	Goals/Future Targets
Corporate Commitments		
Achieve the SAM Gold Class	100%	Maintain the same level of recognition
Inventory significant environmental risks for the different activities	90%	Conclusion planned for 2010
Implement new Code of Ethics Regulations	100%	Awareness of all employees by 2011
Implement the Sustainability Balance Scorecard	100%	Extend methodology to Business Units
Governance		
Ensure that the rules for handling, disclosing and acting upon the conflicts of interest described in the "Reference Framework for Handling Conflicts of Interest" and applicable to members of the EBD and GSB also apply to the Board Members and Directors of EDP Group companies	Ongoing	
Biodiversity		
Conduct a pilot study to enhance ecosystem services in a hydroelectric system in Portugal	New	
Follow the development of the new EDP Chair in Biodiversity	New	
Start plans for monitoring the biological quality of water downstream from hydroelectric plants in Portugal	New	
Develop and implement a Best Practices Manual for managing transmission corridors in protected areas in Portugal	30%	Conclusion in 2011
Harmonise biodiversity monitoring plans for new hydroelectric projects in Portugal	20%	Started in 2009, for the Sabor hydroelectric project, is expected to extend to new projects under construction
Climate change		
Improving the position achieved in Carbon Disclosure Project	New	
Measure EDP's carbon footprint in Portugal	New	
Assess the EDP Group's exposure to climate risk	80%	Conclusion planned for 2010, with the evaluation of scenarios.
Strengthening Dialogue with Stakeholders		
Improve communication on sustainability during the planning phase of new projects	80%	In 2010, raise awareness among staff of ways to improve communication with local communities on new infrastructure projects
Promote sustainability reporting practices along the value chain	70%	Complete objective of the previous year and extend over 5 suppliers in 2010
Implement an LBG management system for assessing the social return on EDP projects	100%	Test pilot cases in 2010 in the different regions where the EDP operates
Improve dialogue with stakeholders	New	Implement an Action Plan based on the framework of AA1000 APS
Human Capital Management		
Design and launch the Corporate Leadership Schools and EDP School (for training needs shared across the Group), as part of the EDP University	New	
Reduce work accidents involving EDP staff and service providers by 10%	New	
Implement a Corporate Safety Management System	New	
Environmental Management		
Establish mechanisms for analysing life cycle of EDP plans (pilot study: Baixo Sabor)	20%	Conclusion in 2011
Increase the installed capacity and number of distribution facilities with Environmental Certification according to ISO 14001:2004	New	Certification is planned for over 1,500 MW, with over 650MW from wind farms.
Obtain EMAS registration at over 11 facilities of the Iberian Peninsula		It is planned the registration of 2,276 MW of installed capacity.
R&D and Innovation		
Install 1,300 slow charging points and 50 fast charging points for electric cars by 2012	New	



contribution to sustainability

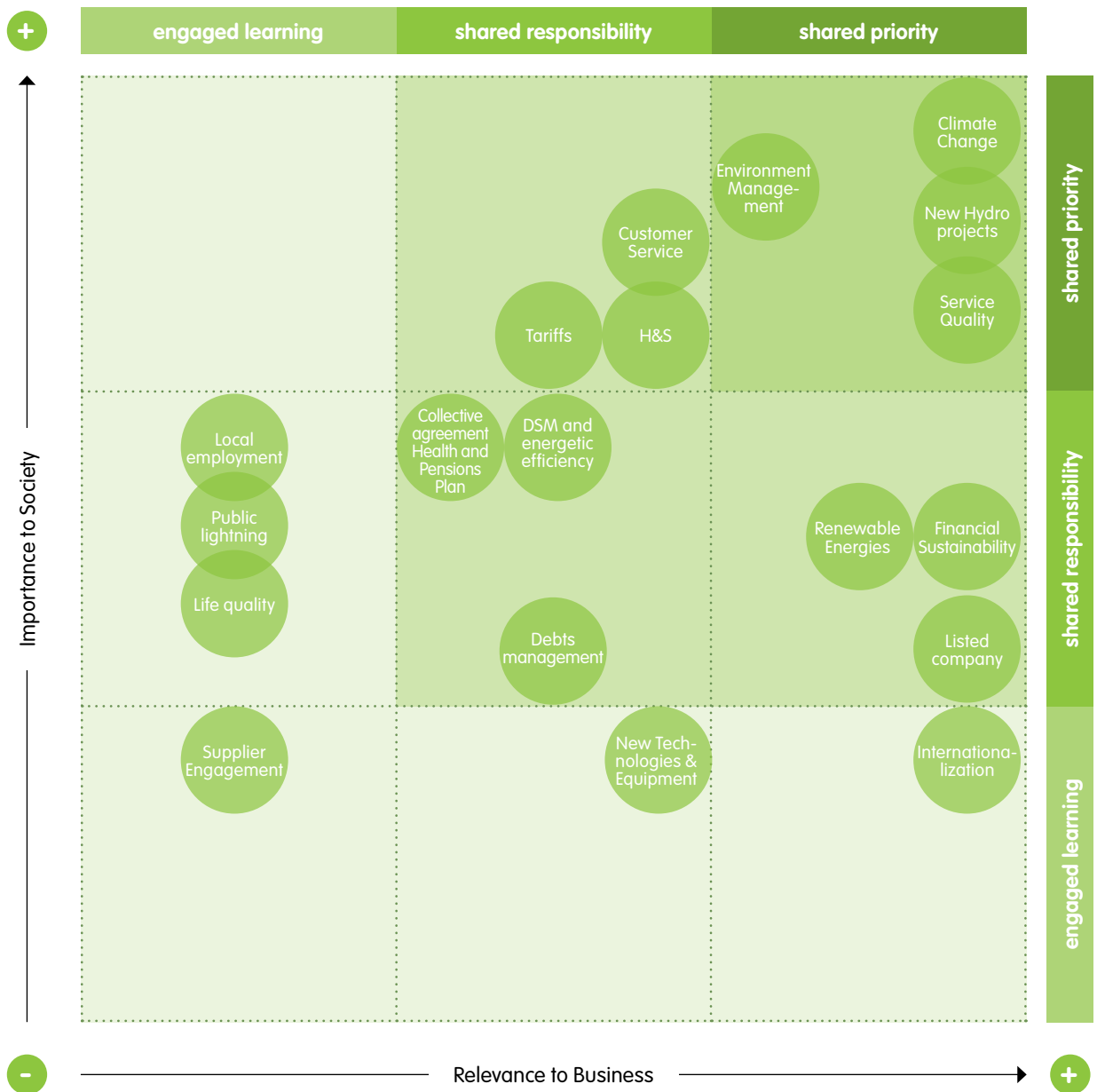
2.1. DIALOGUE WITH STAKEHOLDERS

As set forth explicitly in its Sustainable Development Principles, the company 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 2009, a systematic analysis was undertaken to assess EDP's degree of compliance with international standard AA1000 APS (2008), taking into account the strategy, principles and processes of its involvement with its major stakeholders. An Action Plan to improve the effectiveness of this involvement was drawn up based on the results obtained, to commence in 2010.

As part of a continuous process, a range of environmental, social and economic issues were identified, taking into account their importance to society and relevance to the business, and are described in this annual report. Detailed information on the process of identifying these issues and EDP's major stakeholders can be found at www.edp.pt > Sustainability > Stakeholders.



© AccountAbility Strategies
A Strategic Management Framework that helps align external expectation with internal priorities.

3. R&D AND INNOVATION

The R&D and Innovation policy followed by EDP is aligned with its strategic pillars:

- Focused Growth – implementing projects that contribute to EDP’s sustainable growth plans;
- Greater Efficiency – seeking solutions that increase the efficiency of productive processes;
- Controlled Risk – implementing projects that mitigate EDP’s exposure to risks, in particular regulatory, environmental and business risks.

EDP has restated its commitment to the following areas of strategic innovation:

- Renewable energies (offshore; wind and wave; solar);
- Electrical Mobility;
- Energy Efficiency;
- New electricity distribution technologies (smart grids and micro grids);
- Energy production (clean generation and CO₂ capture and storage);
- Added Value Markets and Services – marketing;
- Information Technologies – business “webization”.

In 2009, the Group’s companies were involved in a wide range of Research, Development and Technological Innovation (R&D+i) projects, in partnership with technology companies, industry, universities and scientific institutions, both in Portugal and internationally. In order to facilitate the financing of these projects, particular attention was focused on national and European incentive systems, with a number of successes in this regard.

A detailed description of these projects will appear in a specific publication that is currently in its final stage of editing. Notwithstanding the importance of the all various projects for the businesses involved and for the Group’s overall innovation objectives, the following projects/initiatives in the strategic areas listed below are worth highlighting. See full details on www.edp.pt > Sustainability > R&D + Innovation.

Renewable Energies

- **Windfloat** – demonstration of deep-sea offshore wind technology, using floating platforms. This project is backed by the Innovation Support Fund (EUR 3 million).
- **Acquisition of the Aguçadoura site (Portugal)** – licensed site composed of a 4MVA substation and a 5km underwater electric cable, for offshore wave energy technology demonstration projects.

- **Photovoltaic energy demonstration projects** – participation in two demonstration projects in Portugal:

1. Using dye sensitized solar cells;
2. Using high concentration photovoltaics in a more centralised approach.

An agreement was also signed with Estradas de Portugal, with a view to taking advantage of the road infrastructure to integrate renewable energy solutions, in particular photovoltaic energy.

Electrical Mobility

- **Wattdrive Project** – development of a pilot project for recharging electric vehicles in Lisbon, opening the first network of 6 recharging points for use by the public.
- **CITYELEC Project** – one of the most important initiatives in the field of electrical mobility in Spain, seeking sustainable solutions in the urban environment (supported by the Ministry of Science and Innovation).
- **Living Car Project** – obtaining data for the Asturias region on the behaviour of electric vehicles under real driving conditions, as well as on the infra-structure required for recharging (supported by PCTI - the Science, Technology and Innovation Plan).

EDP has also taken part in international working groups (such as Grid 4 Vehicle) and the working group organised by the Portuguese government to help develop sustainable electric mobility in Portugal.

Energy Efficiency

- **EDIFI Project** – installation of a pilot system to manage energy efficiency in the EDP Valor building in Lisbon, with information available on the intranet.
- **Project to Improve Cogeneration Efficiency** – development of a system to monitor the performance of cogeneration groups, integrating diagnostic and supervision functions. Project completed successfully in partnership with the University of Oviedo and with support from the PCTI - Science, Technology and Innovation Plan for Asturias 2006-2009.
- **Ecofamilies Project** – analysis of electricity consumption data for a group of Asturian families using fuzzy clustering techniques and statistical tools, to provide personalised recommendations on how to improve energy efficiency. Project run in association with the European Centre for Soft Computing and subsidised by the PCTI.

Clean Generation and CO₂ Capture and Storage

- **Co-combustion Project** – combined coal and biomass generation, tests conducted at Aboño 1 power station in Spain.



contribution to sustainability

- **Desulphurisation Gypsum Project** – researching the potential for using this material from thermoelectric power stations as a remediation agent for contaminated soil. Project run by HC Energía in cooperation with BEFESA and research institutes (University of Barcelona and two Institutes in Seville belonging to the Higher Council for Scientific Research) and subsidised by the Ministry for the Environment and Rural and Marine Affairs.

Microgeneration and Electricity Grids of the Future

- **InovGrid** – project to transform the existing electricity distribution system into an intelligent system, based on telemanagement of energy and supported by an infrastructure that can respond to the needs arising from energy efficiency, telemanagement, distributed generation and microgeneration.
- **REDES 2025 Project** – major Spanish smart grids project forming part of the FUTURE platform (Spanish Technology Platform for Electricity Grids of the Future). EDP leads the subproject on storing electrical energy using redox flow battery technology (supported by the Ministry of Science and Innovation).
- **CENIT-DENISE Project** – HC Energía is participating in the Preventative Maintenance working group. In 2009, laboratory tests were performed to locate partial discharges from underground cables (supported by CDTI).
- **Micro-cogeneration Project** – launch of a project on micro-cogeneration systems in houses, using gas boilers with Stirling and internal combustion engines (supported by PCTI).
- **CTEYE Project** – development of a telecontrol device for transformer stations, with an algorithm to detect faults in low tension grids. Project run by HC Energía in cooperation with AC&A (ISASTUR Group) and the University of Oviedo, and subsidised by PCTI.

Information Technologies

- **Openspace** – platform for a new concept in team work, based on permanent sharing of information and knowledge and designed especially for geographically dispersed work teams.
- There was a focus in on consolidating relations with the two investments made through EDP VENTURES in clean energy technology funds in the USA and the UK in order to gain access to a portfolio of innovative technologies and create growth options for EDP. EDP Ventures is a Venture Capital Fund created in 2008 to focus on investments in clean technologies for solar and offshore (wind and wave) generation, intelligent grids, energy efficiency and electrical mobility. In parallel, efforts began on generating a deal flow conducive to the fund's first direct investments, scheduled for 2010.

In terms of partnerships, the following are of note:

- **EIT Energy KIC** – The EU has been promoting the creation of the EIT (European Institute of Innovation and Technology) and corresponding regional skills centres, the KIC (Knowledge and Innovation Communities), which shall be opened to tenders and operate around themed areas. EDP will join a consortium to bid for the Sustainable Energy KIC and is an associated partner of the KIC InnoEnergy Consortium.
- **MIT-Portugal Programme** – EDP is involved as an affiliate in the strategic management of the programme and may benefit from this support by hiring new talent from the doctoral students trained through the MIT-Portugal Programme.
- **Energy Competitiveness and Technology Centre (PCTE)** – aims to develop a Collective Efficiency Strategy in the Portuguese energy sector. The centre commenced activity in September 2009. The Founding Members of the PCTE are EDP, EFACEC, GALP, MARTIFER and MIT Portugal. The project focuses especially on renewable energies and energy efficiency.
- **Offshore Energy Institute** – aims to develop a scientific skills centre in Portugal to support the implementation of offshore energy projects. Partners in the Institute include EDP, Efacec, Galp, Martifer, the Wave Energy Centre and the University of Aveiro.
- **Innovation Utilities Alliance** – alliance between the major European electricity companies (RWE, Endesa, EDF, Enel, EDP), with a view to sharing different visions on R&D+i initiatives.
- **Portuguese Association of Business Angels (APBA)** – founded in 2006 with the aim of stimulating investment, monitoring the development of innovative corporate projects and thus contributing to a new type of entrepreneurship in Portugal. EDP renewed its participation in APBA in 2009 as an Honorary Member, benefiting from access to the deal flow for all the projects submitted to the APBA for appraisal.
- **CO₂ Platform** – EDP, through HC Energía, was on the Advisory Committee and Management Board of the Spanish Technology Platform for CO₂, and is a member of the Spanish CO₂ Association.
- **EURELECTRIC** – EDP is involved in various Working Groups (WG) and Task Forces (TF), including the Research & Development WG, the Energy Efficiency WG and the Carbon Capture and Storage TF.
- **Efficiency Platform** – HC leads the Working Group on Efficiency in the Use and Management of Energy, part of the Spanish Technology Platform for Energy Efficiency (PTE-EE).

- **Futered Platform** – HC Energía is on the Management Board of the Spanish Technology Platform for Electricity Grids of the Future and is a member of the Measurement, Efficiency and Management of Demand Working Group.

EDP has promoted and sponsored various innovation awards, including:

- **EDP Richard Branson Innovation Award** – EDP, Visão and Exame launched an innovation award with Richard Branson to promote entrepreneurship in the field of clean energy technologies.

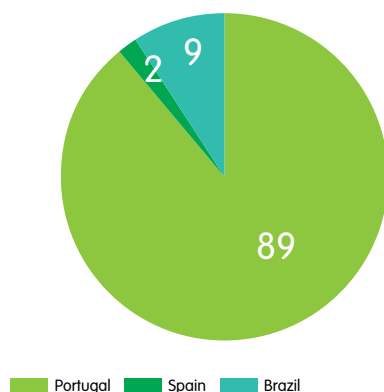
The Innovation Award is a cash prize of EUR 50,000 awarded to an innovative clean energies project that has yet to be implemented, to form a company to get it off the ground.



- **MIT Clean Energy Prize** – EDP sponsored the Renewables track of the MIT Clean Energy Prize, which forms part of the 100K Competition (the world's largest university entrepreneurship competition).

In 2009, the EDP Group spent around EUR 31 million on R&D+i activities (estimated values for Portugal).

Research and Development 2009 (%)



4. EDP COMMUNICATION

4.1. INSTITUTIONAL COMMUNICATION

The mission of the EDP Group's Brand and Communication Department is to plan, develop and control the Group's communication strategy, both internally and externally, in order to maximise the value of its brands among the company's various stakeholders.

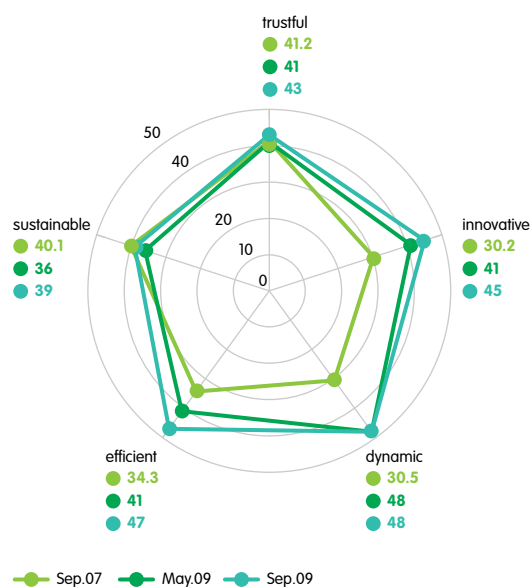
In the area of communication, the objectives for 2009 remained: to maximise the impact of the company's activity on the media; to build the value of the EDP brand among its stakeholders; and to standardise the EDP brand across all the companies in the Group.

4.2. THE EDP BRAND

The EDP brand enjoys 100% recognition in Portugal and is also the most recognised Portuguese brand abroad, holding a clear advantage over other brands, including those in the energy sector.

The value of the EDP brand has grown by 53.6% since 2005 to reach EUR 616 million in 2008. The percentage of customers who are aware of the brand's key values as presented through its communication has been increasing steadily over time, with particularly positive developments in areas such as innovation, dynamism and efficiency.

EDP's Values According to its Customers (%)



2009 was marked by greater standardisation in the architecture of an increasingly global brand (see Chapter 6. Customers). In particular, we can highlight the change of the Naturgas Energia brand in Spain; in Brazil, the parent brand



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evolved into EDP; and in the USA, the EDP Renewables brand has replaced Horizon Wind Energy.

The EDP brand was target of a minor repositioning by adopting the new signature: "Viva a nossa energia", evoking an even closer and more interactive relationship with the consumer and a strong degree of optimism and humanism.

4.3. EDP IN THE MEDIA

At EDP, disclosing information externally in a transparent and accurate manner is a daily task and concern, to ensure that the Group's activity, values, mission and strategy are fully communicated.

An analysis of Portuguese media coverage of the EDP Group was again conducted in 2009. 9,238 news items were analysed as part of this study.

Positive and balanced news accounted for 63% of the total, with gas distribution - the increase in customers and the purchase of assets from Gas Natural in Spain – providing the main focus, along with renewable energies.

July witnessed the largest number of positive news items, partly due to the disclosure of the 2009 1st half results and the investment plan. The purchase of assets from Gas Natural, the Cycling Tour of Portugal and the distribution of energy-saving light bulbs around Portugal also contributed to the positive coverage.

A total of 35,333 news items referring to the EDP Group appeared in the entire national media during 2009.

4.4. INSTITUTIONAL CAMPAIGNS

During 2009, EDP focused its institutional campaigns on promoting the values that it believes form the basis for more sustainable operations and long-term value creation.

- New dams – the objective was to inform the general public of how important hydroelectric power is to the country's economic development. The focus on environmental protection strengthened the company's public commitment to minimising and compensating the environmental and social impacts of this type of hydroelectric plant.
- Dow Jones 09-10 – we sought to highlight our listing on the Dow Jones sustainability indices for the second year running in 2009/10, a reflection of the company's efficient and judicious use of human and financial resources, social responsibility and environmental protection.
- Gift Collection Campaign – Under the motto "Este Natal dê o que tem a mais a quem tem a menos" (This Christmas, give what you have too much of to those who have too little), the EDP group mobilised the public through a campaign to collect non-perishable goods, which were distributed by a wide range of charitable institutions. (see Chapter 8. Community)



5. EMPLOYEES

HUMAN RESOURCES	2009					2008				
	group	portugal	spain	brazil	usa	group	portugal	spain	brazil	usa
Employment										
Employees (no.) ⁽¹⁾	12,009	7,331	2,041	2,339	298	12,166	7,652	1,922	2,322	270
Permanent	11,932	7,265	2,030	2,339	298	12,003	7,504	1,911	2,322	266
Fixed-term contract	77	66	11	0	0	155	144	11	0	0
Part-time	7	2	5	0	0	15	4	7	0	4
Male employees (%)	79	81	78	76	60	80	82	79	77	57
Directors	85	85	90	80	79	85	85	91	80	71
Senior management	73	72	76	78	71	74	74	76	86	69
Middle management	82	92	80	82	69	83	90	82	79	72
Supervisors	79	82	78	76	n/k	82	83	80	88	89
Qualified and highly qualified professionals	81	84	78	66	56	82	84	78	67	52
Semi-qualified professionals	78	85	48	79	4	78	87	63	79	12
Employees with special needs (no.)	124	98	8	17	1	197	n/k	n/k	n/k	n/k
Turnover ⁽²⁾ (%)	5.5	4.2	5.4	8.1	19.7	6.0	4.0	7.0	8.0	40.0
Employees leaving (no.)	787	475	88	182	42	843	496	117	161	69
Employees' average age (years)	44	46	43	39	39	45	48	43	40	39
Average age of new admissions (years)	31	29	31	29	37	32.22	28.57	32.87	29.29	37.65
M/F ratio of new admissions	1.93	1.92	2.07	2.25	1.69	2.04	2.85	1.44	2.23	2.22
Absentee rate (%)	3.61	3.55	3.24	4.41	1.14	3.44	3.46	3.35	3.45	n/k
EDP minimum wage/national minimum wage	n/a	1.56	1.88	1.30	2.22	n/a	1.50	2.07	1.59	n/k
Pay ratio by gender (M/F)	1.03	0.96	1.21	1.01	1.35	1.17	0.96	1.54	1.56	1.37
Training										
Total hours of training	353,205	126,212	63,210	157,900	5,882	487,111	204,428	68,836	209,295	4,552
Environment	3,289	1,966	1,293	30	0	5,512	3,890	1,030	0	592
Sustainable development	697	140	110	447	0	277	229	0	32	16
Ethics	876	876	0	0	0	2,660	2,660	0	0	0
Quality	4,658	3,545	385	728	0	8,418	8,045	373	0	0
Languages	16,826	370	16,422	34	0	19,731	5,527	14,096	28	80
Health and Safety	58,349	9,657	14,636	34,056	0	51,405	26,643	11,658	12,695	410
Information systems	53,444	43,760	5,914	3,771	0	53,748	42,678	6,917	3,657	496
Other	215,066	65,899	24,452	118,834	5,882	345,361	114,758	34,763	192,883	2,958
Employees trained (%)	75	72	79	78	80	82	83	97	77	n/k
Average training per employee (hrs)	29.41	17.22	30.97	67.51	19.74	40.04	26.72	35.81	90.14	16.86
Directors	37.82	35.84	50.99	48.30	18.15	41.02	38.42	48.74	220.22	18.46
Senior management	34.72	31.03	56.46	34.80	14.46	44.72	41.42	55.65	105.03	7.06
Middle management	26.73	15.58	33.03	31.63	23.80	39.21	36.82	29.86	105.62	16.56
Supervisors	22.89	8.95	24.24	35.38	15.47	43.90	21.76	29.42	140.28	25.50
Qualified and highly qualified professionals	19.53	11.74	22.02	84.55	18.11	32.29	21.50	33.26	142.49	16.85
Semi-qualified professionals	57.17	2.55	20.25	65.84	15.84	57.99	12.13	38.77	66.83	13.87
Labour relations										
Collective employment agreements (%)	87	89	76	100	0	88	90	89	90	0
Trade union membership (%)	58	72	22	53	0	61	73	31	50	0
Union Structures (no.)	37	26	7	4	0	33	26	5	2	0
Hours lost due to strikes (no.)	231	231.15	0	0	0	550	550	0	0	0
Staff engaged in further study (no.)	29	24	5	0	0	22	21	1	0	0
Professional internships (no.)	320	145	0	175	0	190	76	0	114	0
Academic internships (no.)	274	69	179	0	26	303	102	183	0	18
Health and Safety										
OSHAS 18 001 (% installed capacity)	55	85	32	23	0	46	89	0	0	0
On-duty accidents (no.)	47	32	7	8	0	76	40	18	18	0
Fatal on-duty accidents (no.)	1	0	1	0	0	0	0	0	0	0
EDP frequency rate (Tf)	2.26	2.60	2.15	1.74	0.00	3.43	3.11	5.50	3.30	0.00
EDP severity rate (Tg)	144	175	225	23	0	176	173	146	219	0
Total days lost due to accidents (no.)	2,984	2,150	730	104	0	3,894	2,224	477	1,193	0
Occupational health rate	0.05	0.08	0.00	0.00	0.00	0.19	0.16	n/k	0.37	n/k
Fatal accidents of contracted workers (no.)	10	6	0	4	0	6	2	1	3	0
Contractors working hours (no.)	3,350,285	1,745,924	393,685	934,911	275,765	n/k	n/k	n/k	n/k	n/k
EDP and contractors frequency rate (Tf_total)	5.00	5.10	7.66	4.06	2.13	6.18	4.89	8.99	7.64	6.26
Fatal accidents involving non-workers (no.)	9	3	0	6	0	17	3	0	14	0

(1) The number of employees does not include corporate bodies (87) for the purposes of this breakdown analysis; This figure includes the new company Gás Natural

(2) Low turnover figures do not warrant a breakdown of employees by gender and age group



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5.1. HUMAN RESOURCE POLICIES

The EDP Group has been implementing an Organisational Model that standardises the criteria used in personnel management and ensures that a common strategy is applied across all the companies in the Group. The objective is based on the universal nature of the values and strategy, where the EDP culture is the common denominator and the commitments are to:

- Attract and Recruit;
- Value and Develop;
- Recognise with Fairness;
- Reconcile;
- Innovate and Manage Change;
- Create Opportunities;
- Prevent;
- Motivate.

5.2. HR GOVERNANCE MODEL

The three corporate HR departments in the Corporate Centre have been merged into a single body: The Human Resources Department.

The new model has a matrix-like structure comprising eight skills centres that put the human resources value chain into practice: Communication and Management of Change; Selection and Integration; Performance Management; Training Management; Management of Potential; Career, Mobility and Succession Management; Remuneration and Benefits; and Information Technology to support HR Management.

This model also incorporates the so-called Relationship Manager, who is responsible for coordinating the Human Resource Department in the Corporate Centre with its internal customers, namely the Human Resource Departments or support structures in the Group's companies, which are structured in their own particular manner.

5.3. PROFILE

There was no great change from 2008 in the total number of employees, which dropped from 12,166 to 12,009.

As for gender differences, the majority of employees are male (79%), while women represent around 21% of the total workforce. Albeit small, worth noting is the slight rise of 1% in female representation compared to 2008.

EDP does not discriminate between genders on pay, but rather is guided by practices that promote equal opportunities. Upon analysis of the male/female ratio, we found that pay is weighted slightly in favour of men (1.03), although in Portugal (where 61% of employees work) this indicator actually favours women (0.96).

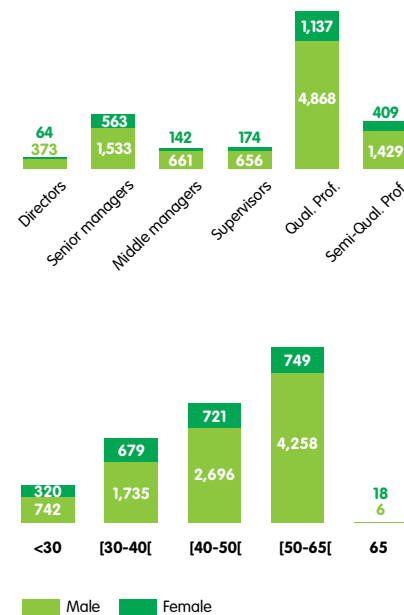
There was a total volume of 352,205 hours of training in 2009, with particular focus on professionals with lower qualifications.

Although there are no company procedures explicitly encouraging local recruitment, a high percentage of employees originate from the regions in which the company

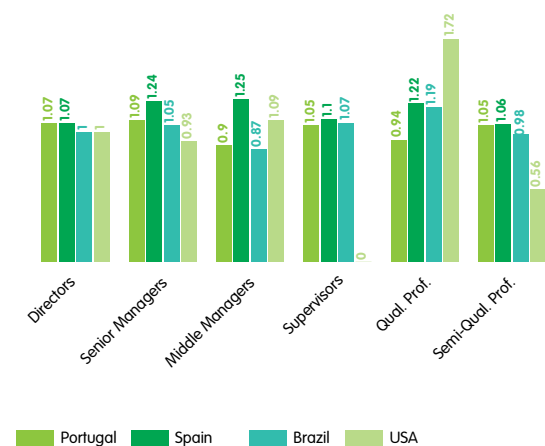
operates (96%), thereby reinforcing its important role in their development.

The company's international expansion strategy has resulted in an increase in the number of employees working outside of their home country, this figure rising from 62 to 86 in 2009.

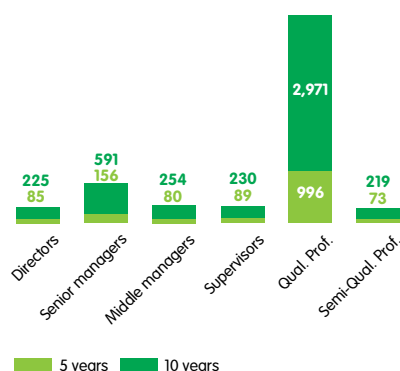
Distribution of Employees by Professional Category and Age Group



Salary Ratio (M/F) by Pay Category



Employees Eligible for Retirement



5.3.1. HEALTH SCHEMES AND OTHER SOCIAL BENEFITS

EDP Group employees are covered by illness protection schemes to complement the public health services in each country and, in their old age, by supplementary retirement pension plans and personal accident insurance policies. Most employees are also covered by specific study subsidies for employees and their children.

Through the Conciliar programme, the company also offers a range of benefits to help employees achieve a healthy work-life balance (see point 8 in this chapter).

5.3.2. REJUVENATION

The Group has continued to implement its rejuvenation policy, with 545 new staff entrants, a similar number to 2008 (556), evidence of the company's investment in a new generation of professionals and of its role as a top employer. The average age of these employees is 31.

5.4. ATTRACT AND RECRUIT



EDP's priority for 2009 was to reinforce its image as an attractive company to work for with universities and students in higher, vocational and technological education.

EDP has invested in the growth and evolution of its business areas in the various countries in which it operates, which has involved a strong focus on staff development and acquiring new skills for the Group through its rejuvenation programme. For this reason, we created the ON TOP – EDP Recruitment Program brand, an identity that hopes to attract young people with growth potential from the educational institutions that comprise our main sources of recruitment. The main objectives of this programme are:

- To attract young people with the right profile who can contribute to the Group's growth;

- To introduce students to the EDP Group's strategy, culture and people;
- To promote closer relations between EDP and the school community, by interacting and sharing expertise.

A set of initiatives of a pedagogical nature has been launched in the academic arena, with the aim of attracting youth with the right profile for the EDP Group.

2009 was marked by the consolidation of partnerships with national and international associations and communities, such as the Board of European Students of Technology (BEST) and the Community of European Management Schools (CEMS).

5.4.1. PROMOTING PLACEMENTS AND INTERNSHIPS

EDP has continued to pursue its Citizenship and Corporate Responsibility Policy by granting placements of various types:

- School and academic placements;
- Work experience placements;
- Professional internships;
- Internships offered under specific protocol agreements, including the International Association for the Exchange of Students for Technical Experience (IAESTE Portugal) and the Corporate Internship Programme for Young Students (PEJENE).

In 2009, the EDP Group hosted a total of 594 internships, of which 320 were vocational in nature and 274 academic. Compared to last year, EDP recorded growth of over 20% in the number of placements and internships granted.

5.5. WELCOME AND INDUCTION

The introduction and integration process for new employees was improved and consolidated during 2009. In addition to the welcome kit used in companies in the various different countries, a trilingual guide was also published on how EDP would like to welcome its employees and contribute to their adaptation process and job satisfaction.

2009 was also marked by the first Induction Meeting for New Employees, an event that brought together hundreds of professionals who had joined the company's workforce the previous year. It provided an opportunity to visit several electricity generation and distribution facilities and all those invited were welcomed by the Chairman of the EDP Group's Executive Board of Directors (CEBD).

5.6. VALUE AND DEVELOP

Staff training and personal and professional development constitute one of the Group's strategic priorities.

The EDP Group's Training Plan is aligned with the company's Vision, Values and Strategy and is structured around four main, global objectives:



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- Providing incentives for employees to update their professional skills;
- Promoting staff motivation;
- Encouraging the sharing of knowledge and experience;
- Building capacity and developing skills, knowledge and performance in line with the Group's strategy.

5.6.1. YOUNG EMPLOYEES WITH HIGH POTENTION (JEP)

The development programme aimed at the company's young professionals provides an example of how the EDP Group's development strategy is being implemented and an opportunity for putting these employees' potential to the test. Through this initiative, employees can implement their individual development plan while at the same time participating in a range of Group-wide initiatives to share and exchange their knowledge with young employees of other nationalities who also work in the electricity sector.

2009 saw the start of a project that aims to introduce new development programmes for other age groups and functional segments deemed critical to the Group's strategy.

EDP UNIVERSITY

The EDP Group holds an important knowledge asset, accumulated over the years from the individual and collective experience it has acquired during the course of its activity and through its employees' exercise of their intrinsic skills.

Proper management of this knowledge poses an important challenge for EDP in its quest to stand out on quality, customer service excellence and encouraging innovation and sustainability in the field in which it operates.

2009 saw the creation of a new department in the Corporate Centre called the EDP University, to develop staff knowledge and talent by launching specific Functional Schools for the different areas of its business and Generalist Schools that will work together to coordinate training, career development, knowledge management and change management in line with the EDP Group's current and future needs.

The Generation School was launched in 2009, delivering 5 programmes, 5 courses and a pilot training seminar for its upper middle, senior and top management in the 1st semester of the 2009/2010 academic year (September 2009 to February 2010).

5.7. POTENTIAL AND PERFORMANCE ASSESSMENT

Conscious that the company's success depends directly on how people are managed, EDP has been implementing a human asset management system guided by the following values:

- Developing people and organisations;

- Objectively identifying individual achievements;
- Recognising and rewarding with fairness and transparency;
- Promoting dialogue between management and team;
- Strengthening a culture of feedback and improvement;
- Aligning the organisation with international best practices.

The processes involved in managing potential and performance have emerged as fundamental tools in the management of people. In light of this, the Potential and Performance Assessment Process (PPA) has been implemented gradually across the Group, seeking opportunities to catalyse value creation through the integration of skills management and performance management. PPA aims to stimulate behaviours that maximise the productivity, responsibility, participation and development of staff, assigning each employee an indispensable role in the achievement of overall targets and valuing their individual contribution.

In Portugal, where the majority of our employees are based, there are still two potential and performance management systems operating side by side: PPA and A2D. Both seek to:

Provide	Promote	Reward
Feedback	Achievement	Results

5.8. RECONCILE



EDP believes that whole, fulfilled people are more creative, energetic and positive. EDP knows that successful organisations are made of such people.

It was for this reason that Conciliar ("Reconcile") was born, a programme that offers a range of solutions in the areas of health and well-being, family and education, work-life balance and citizenship. This programme will take the form of a growing number of measures aimed at raising the organization's awareness of this issue.

5.9. EMPLOYEE SATISFACTION

In 2009, the employee satisfaction questionnaire went digital and had a participation rate of 86.4% (an increase of 11 percentage points compared to the previous year). The overall satisfaction index increased by 6 points compared to 2008, reaching 81 points. This result reflects the

improvements introduced into the Group's management of its human potential.

5.10. COMMUNICATION AND MANAGEMENT OF CHANGE

Communication and Mobilisation are strategic priorities for the three-year term 2009-2012. Through communication, we have managed to disclose information on the company and its business, organisation, strategy and internal processes and initiatives. Mobilisation makes that sharing possible, supports change management and ensures that everyone is more aligned to face the strategic road ahead:

- Commitment to EDP's values;
- Sharing of information;
- Guaranteeing that knowledge is passed from one generation to the next;
- Innovation;
- Sustained growth;
- Trust in the organisation;
- Motivation to do;
- Be+edp.

Creation of the sou+edp/soy+edp/i'm+edp and ON TOP identities



With the aim of strengthening, clarifying and communicating its policies, processes, projects and initiatives more effectively, two images were created to identify internal and external communication, i'm+edp and ON TOP - Recruitment Program, respectively (see point 5.4.Attract and Recruit).

The i'm+edp programme got off the ground in December 2009, an initiative that seeks to mobilise all employees in the EDP Group towards implementing a common culture, vision, commitments and strategy of the new strategic cycle of 2009-2012.

This mobilisation started in Portugal and will extend to the companies in other countries during 2010, involving around 420 "energisers", employees in all countries who have been prepared to deliver a range of sessions throughout the corporate structure.

i'm+edp Learning Maps



5.11. LABOUR RELATIONS

EDP maintains a steady relationship with the structures representing its employees - Unions and Workers' Committees - providing clarifications/information on the company's creation, modification or termination of procedures, as well as participating in the negotiation processes to review and update the collective agreements in place. This relationship was consummated in 20 plenary meetings (with the participation of all the unions), 94 meetings with individual unions and 20 meetings with workers' committees at various levels (coordination committee and company committees).

The company also maintains regular supervision and support for workers' organisations of a recreational, cultural and social nature, the EDP Staff Club, the Association of Blood Donors and the Retirees' Association.

The rate of unionisation, calculated according to the union fees deducted from salaries, stands at 58% (72% in Portugal).

There were no labour disputes of any kind for reasons internal to the EDP Group, fruit of the atmosphere created through dialogue and close relations with employees and their representatives.

We would highlight that 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.

5.12. HEALTH AND SAFETY AT WORK

Occupational health and safety is an essential element of the EDP Group's sustainable development. The importance placed on this theme is reflected in the strategic objective of "Zero accidents, no personal injuries".



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In order to better manage this strategic objective, an Occupational Health and Safety Management System has been adopted, based on standard OHSAS 18001:2007 and following the directives of the International Labour Organisation as set forth in ILO-OSH 2001 and Convention no. 155 on Occupational Health and Safety.

5.12.1. EDP'S RESPONSIBILITIES

The EDP Safety Policy demonstrates its commitment to managing safety in the workplace and implementing continuous improvements, in the belief that working in a safe and healthy environment is a determining factor in employee satisfaction and contributes significantly to achieving successful results.

Responsibility for preventing and controlling occupational risks lies with the management of the business units and is integrated into the hierarchical chain.

Responsibility for preventing and controlling occupational risks lies with the responsible management of the business units and is integrated into the hierarchical chain.

Where occupational health is concerned, the 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 supplies.

The organisational structure for occupational safety management can be seen at www.edp.pt > Sustainability.

5.12.2. CORPORATE SAFETY MANAGEMENT SYSTEM

EDP's Corporate Safety Management System follows ILO recommendation ILO-OSH 2001 and the model provided by benchmark standard OHSAS 18001:2007, reinforcing the principle that occupational health and safety issues should be managed across the EDP Group companies according to common and standardised criteria.

Locally, each company/organisational unit adopts the Corporate Management System directly or uses it as a reference to develop its own specific safety management system, or one that is integrated into the areas of environment and/or quality, depending on its activity.

5.12.3 SIGNIFICANT ACTIVITIES IN 2009

EDP's 2009 safety programme was implemented on the ground through a vast range of initiatives to eliminate accidents and occupational illnesses. These included training and ongoing risk evaluation and management, with the participation and contribution of employees, as well as a programme of internal and external inspections and audits.

TRAINING OF EMPLOYEES AND SERVICE PROVIDERS

Providing employees and service providers with the proper conditions in terms of occupational safety is one of the commitments expressed in the company's Safety Policy and Code of Ethics.

Its implementation involves an extensive occupational health and safety training and awareness raising programme delivered to employees and service providers, which involved 237,296 training hours and 4,571 people in 2009.

In addition to the training mentioned above, 89 first aid training courses were delivered to 1,002 employees across the EDP Group.

EMERGENCY RESPONSE

EDP has Internal Emergency Plans (IEP) for its facilities in the various countries in which it operates. These include compulsory regular drills and in some cases these plans are being updated to comply with changes in legislation.

In terms of emergency response management, 96 drills were carried out in response to accident scenarios at various industrial and administrative facilities across the EDP Group. These were designed to test the effectiveness of their internal plans, which also involved external entities such as civil protection units, the fire department and police and public safety authorities. Of these 96 drills, 31 were performed in Portugal, 43 in Spain, 11 in Brazil and 11 in the USA.

External Emergency Plans are managed by the authorities in the countries concerned, who are responsible for their publication.

SAFETY CERTIFICATIONS

EDP has a total installed capacity of 9,018 MW in the Portuguese electricity sector, a figure that is certified in accordance with Safety Management Systems that are recognised by international standards. This figure stands at 1,658 MW in Spain and 452 MW in Brazil.

In the gas sector, Naturgas is certified for occupational health and safety in all its workplaces and facilities according to standard OHSAS 18001:2007.

EMPLOYEE PARTICIPATION

The Occupational Health and Safety (OHS) Regulations stipulate the formation of Occupational Health and Safety Committees and Subcommittees at the companies and their larger business units.

These committees and subcommittees are joint, including both company representatives and workers' representatives for occupational health and safety issues, elected according to established legal requirements, and they meet as often as deemed necessary.

Elections for workers' representatives for OHS issues for the three-year term 2009-2012 were held in 2009 across the various companies forming the EDP Group. 90 workers were elected, representing around 93% of EDP's workforce.

Structures were also formed to represent workers on OHS issues in Spain, the United States and Brazil, ensuring that 100% of workers in all three countries are represented.

ALCOHOL PREVENTION AND CONTROL POLICY

EDP's Alcohol Prevention and Control Policy was approved in 2009, together with the regulations governing its application.

This Policy was discussed with workers' representatives for occupational health and safety in the various companies and approved according to EDP's Internal Regulations.

Training and awareness raising on Alcohol and Drug Dependency Prevention will be delivered in 2010 as part of the implementation of this policy.

PANDEMIC FLU: CONTINGENCY PLAN

EDP's Contingency Plan for the influenza A pandemic was activated in response to the pandemic declaration issued by national and international health organisations.

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 services essential to the community and business.

EDP's Contingency Plan was implemented with the participation and inclusion of service providers' employees.

Information for the public on EDP's Contingency Plan is available at www.edp.pt.

SAFETY AND CITIZENSHIP

As a responsible company, EDP shows constant concern for health and safety issues and works together with the community to address them, in particular those arising during the course of the normal business activities of the Group's companies, or those that may affect the provision of essential community services.

In cooperation with fire departments, vocational and secondary schools, business associations and unions, 136 information initiatives were run across the EDP Group on the precautions and procedures to follow in fire-fighting situations in electricity installations, or locations nearby, and in gas networks and installations.

WORKSHOP ON "OCCUPATIONAL SAFETY MANAGEMENT AT EDP"

With a view to improving the Group's safety practices, a workshop was held in Lisbon on occupational safety management, under the motto "more safety, more quality of life". Around 300 people attended, including employees of the EDP Group and service providers.

INTERNAL INCENTIVES

EDP awards an Annual Award for Accident Prevention and Occupational Safety to strengthen their culture of accident prevention and safety and distinguish EDP employees and service providers with good practices in this regard. The EDP Sports and Physical Fitness Award, now in its fifth year, singles out employees who have distinguished themselves

in amateur sports, including participation in competitions or tournaments, or other physical fitness programmes and healthy lifestyle activities.

NEAR-MISSES

For EDP, the discovery and analysis 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.

37 near-misses were reported in EDP Group companies in Portugal during the course of 2009, which have resulted in the same number of correction procedures/reports to the relevant authorities.

OCCUPATIONAL ILLNESSES

In Portugal in 2009, 3 cases of occupational illness were diagnosed, with only 1 resulting in incapacity.

The occupational illness rate is 0.08 in Portugal and 0.05 across the entire EDP Group.

ACCIDENT RATE IN 2009

There were 47 work accidents resulting in absences of one or more days in the EDP Group in 2009.

The improvements recorded in accident rate indicators (see social indicators at the beginning of the chapter) reflect the action taken over the course of the year to improve safety conditions at work, in the form of training and awareness raising sessions, risk assessment and control, preventative action with service providers and stepping up the audit and inspection programme.

Notwithstanding the efforts made, we regret to report the occurrence of 1 fatal accident involving an EDP employee in Spain and 10 fatal accidents involving employees of service providers.

6. CUSTOMERS

6.1. OVERVIEW

EDP is focused on providing high quality services to its customers in all the countries in which it operates, implementing projects and initiatives that seek to continuously improve and expand dialogue while also taking into account their cultural and linguistic differences.

EDP has around 1 million gas customers, of whom 21% are in the regulated market, 59% in the free market and 20% are customers of last resort.

In the electricity sector, EDP has around 10 million customers, of whom 92% are in the regulated market and 8% in the free market (see table). In terms of distribution by type of electricity usage, most customers belong to the domestic sector. For more details, refer to the chapter "Regulatory Framework".

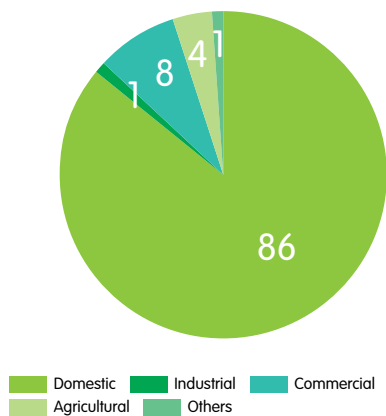


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DISTRIBUTION OF EDP CUSTOMERS BY TYPE OF MARKET

2009	Portugal	Spain	Brazil	Total
Regulated Market	5,842,797	422,252	2,667,611	8,932,660
Free Market	259,698	530,778	120	790,596
Total	6,102,495	953,030	2,667,731	9,723,256

Breakdown of customers by type of usage (%)



For more information see: "Summary of Activity" and "Electricity Business in Brazil".

6.1.1. SAFETY, ACCESS TO SERVICES PROVIDED AND COMMUNICATION

The use of electricity and gas products, by their nature, requires special care. In response to this demand, instructions are provided on the EDP website under the title "Safety Tips", including sections on Wires and Sockets, Safety for Children, Electrical Devices, and Water and Electricity. These same instructions are also provided in the Customer Care Guide. On the EDP Gás website, safety is addressed under the sections dealing with Prevention, Emergencies and Periodic Inspections. Similar instructions are published on the internet in Spain and Brazil.

In Brazil, the Good Energy in the Community Programme was aimed at customers, presenting talks on safe consumption and the risks of improper use of electricity. EDP has also created a special channel to help hearing-impaired customers in Brazil overcome communication barriers.

In Portugal, with a view to improving relations with a unique segment of customers, two guides in Braille have been published in partnership with the Portuguese Association for the Blind and Partially Sighted: a Customer Care Guide and an Energy Efficiency Guide.

In Spain, leaflets on safe energy usage have been published in Basque and Catalan. The Naturgas Energia website is bilingual, allowing customers to access content in Spanish and Basque.

Under the theme of safety, customers in Portugal are invited to inform the company through a freephone number of situations of potential electrical danger, such as fallen lines, tree branches close to lines and open electric cabinets or street lamp circuit boxes.

A line is available in Brazil for reporting illegalities, alerting people to the damage that improper connection can cause

to their own electric installations and those of third parties, as well as the accidents that may occur. The informer's identity is treated with total and absolute confidentiality and the company commits to inspecting reported situations as a matter of urgency. Customers are also invited to provide information on cases where trees are close to electricity lines, either through an online form or a freephone number in case of emergency.

Similarly to what has been implemented in Spain and in accordance with European legislation, as of June 2009 electricity bills in Portugal have included monthly information on the mix of technologies used to generate the energy supplied, and the amount CO₂ emissions resulting from the consumption in question. This information is also available in www.edp.pt.

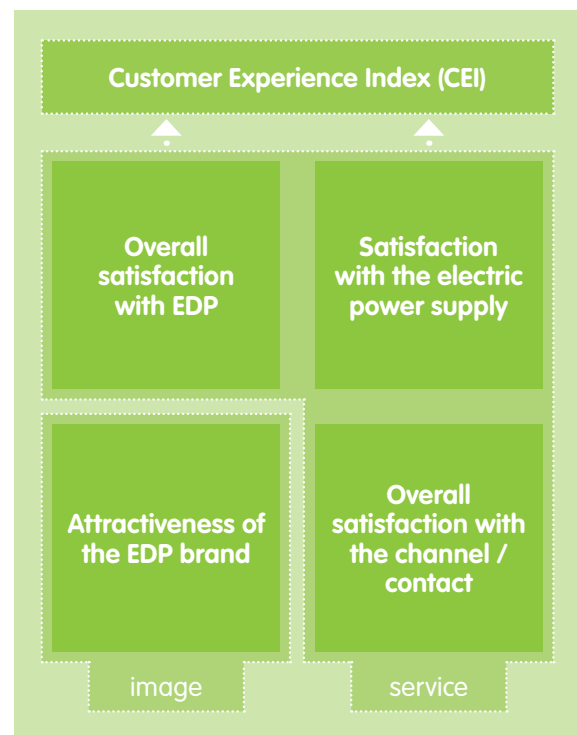
With a view to further developing a customer-focused culture, an internal channel called Cliente OK was launched in 2009 in Portugal and Brazil. Through this channel, any employee can participate in a structured manner by answering questions or problems submitted by friends, family or relations. Over a hundred solutions have now been presented by employees in Portugal.

6.2. CUSTOMER EXPERIENCE

EDP customers are viewed in a holistic manner, in the sense that the company wants them to have a positive experience.

The customer's experience results from all their direct and indirect contacts with the company. In this light, and because EDP wants to interact positively with its customers, a whole range of opportunities has opened up to develop and implement initiatives to improve that experience.

Once the goal is defined, one must evaluate whether, in fact, it delivers. From here stems the importance of devising a Customer Experience Evaluation Model.



Customer Experience Index

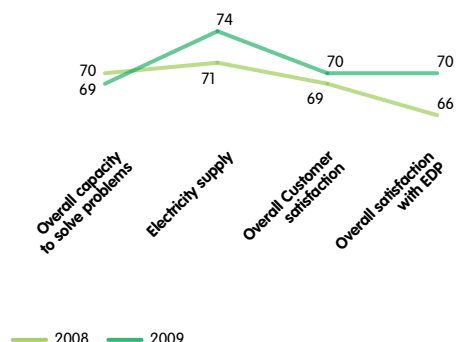
A broad-ranging survey of residential electricity customers' experiences was conducted in Portugal in 2009. This survey allowed us to determine exactly how customers felt each time they contacted the company, as well as their needs and expectations.

The Customer Experience Index (CEI) provides a measure of customers' relations with EDP and what they feel when they hear someone mention the EDP brand. It combines two major factors, with equal weighting: Image and Service.

Image is evaluated using the GFK (BPI) international index, which includes a rational element (product/service), an emotional element (brand affinity) and a behavioural element (consumption/use). In 2009, the EDP brand's BPI stood at a very positive 70 points, on a scale from 0 to 100.

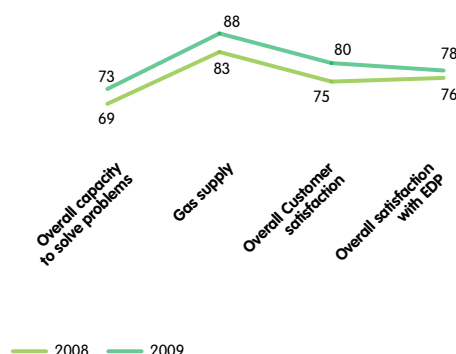
Service is evaluated using independent satisfaction indicators, which have also shown improvement.

Satisfaction with the Service - Trend of main indicators



With regard to natural gas in Portugal, satisfaction indicators have also evolved in a positive manner:

Natural Gas Satisfaction - Trend of main indicators



The EDP Group consolidates figures for overall customer satisfaction with electricity and gas suppliers in the various countries in which it operates.

BAROMETER OF ATTITUDES AND BEHAVIOURS OF DOMESTIC CONSUMERS TOWARDS ENERGY EFFICIENCY IN PORTUGAL

EDP measured the Barometer of Attitudes and Behaviours of Domestic Consumers towards Energy Efficiency in Portugal for the third consecutive year in 2009. The Barometer's objectives include measuring the change in behaviours and attitudes towards energy use in the home and obtaining an energy efficiency index.

We are able to confirm that the Overall Energy Efficiency Index has improved, revealing that Portuguese consumers are increasingly efficient in terms of home energy consumption.

Index 2007: 77%

Index 2008: 79.9%

Index 2009: 80.7%

Ideal Energy Efficiency Index 100%

6.3. SERVICE QUALITY

6.3.1. TECHNICAL SERVICE QUALITY

In 2009, Installed Capacity Equivalent Interruption Time (TIEPI) was an average of 2.5 hours in the Iberian market and 12 hours in Brazil. These values correspond to an availability of 99.86%. For more information on technical service quality results, refer to the chapters "Summary of Activity" and "Electricity Business in Brazil".

6.3.2. SUPPLY SERVICE QUALITY

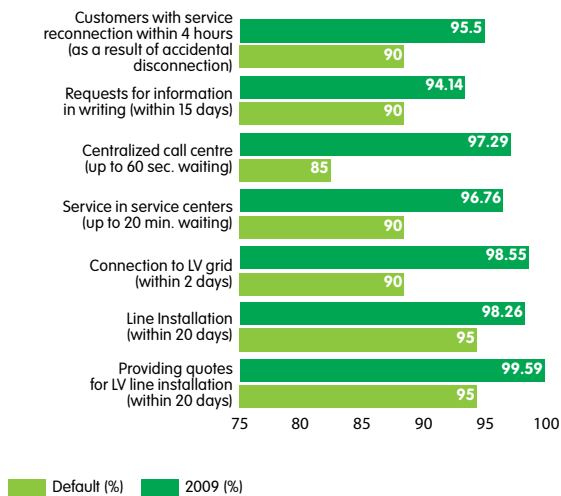
EDP has continued its efforts to listen to its customers and communicate transparently using simple language.

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



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General Service Quality Indicators



6.3.3. PRIVACY PRACTICES AND COMPLIANCE

The privacy of customer data in Portugal is protected through the registration of the Customer Database with the National Commission for Personal Data Protection (CNPD). In the general terms and conditions of the electricity and gas supply contract, there is a specific clause which states explicitly that "personal data (...) is processed automatically and used for the commercial and administrative management of the supply contract(s) (...) and related services. Duly identified interested parties may have access to the information held on them, directly at customer services centres or by written request, and may amend this information pursuant to the personal data protection law."

For the purposes of market research and direct marketing, the customer's authorisation is sought to record and use their personal data, as well as pass it to third parties.

In Spain, the supply contract contains specific clauses on the handling of personal data pursuant to Organic Law no. 15/1999 and Royal Decree no. 1720/2007, whereby the customer may refuse for their data to be used for advertising and informational campaigns on products and services. During the validity period of the contract, the customer may revoke the implicit consent provided to handle their personal data and request that it be destroyed if the contract is terminated.

In Brazil, the privacy of information contained in the customer database is guaranteed by means of processes, procedures and tools in line with corporate security systems and technology.

As of 2009, electricity and gas customers, in Portugal, may seek assistance from the Customer Ombudsman, through a dedicated website – provedordocliente.edp.pt. The Customer Ombudsman is an external and independent entity whose mission is to "help build trust in the relations between EDP Group companies and their customers". Its activities are guided by the principles of rigour, impartiality and fairness.

The following key activities were identified in order for it to fulfil its mission: receiving and examining complaints filed

by customers and directly related to actions or omissions by EDP Group companies; entering into dialogue with customers who complain; arbitrating disputes and conflicts between customers and EDP Group companies; issuing opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their governing bodies; proposing the adoption of measures to help improve levels of service quality and customer satisfaction; establishing 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.

Customers submit their requests for examination via the internet and may check the status of their application at any time. At the end of 2009, 461 requests for examination had been submitted, 96% of which related to electricity complaints. Most of these requests (57%) were regarding issues related to supply and readings/billing/payment. Of the 461 requests submitted, 423 (91.8%) were replied to by the end of the year. Of these 423 requests, the Ombudsman's opinion agreed with the applicant in 49% of cases and disagreed in 23% of cases.

6.4. SPECIAL, SOCIAL AND UNIVERSAL SERVICE CUSTOMERS

EDP has 415,028 customers to whom it supplies electricity at a social tariff, in accordance with the regulations in force in the countries where it operates. Most of these are in Brazil (86%), while in Spain 49,617 customers can take advantage of frozen tariffs from June 2009 until 2012, a "social benefit" applicable to certain domestic customers entitled to the tariff of last resort in specific circumstances. For more details, refer to the chapter "Regulatory Framework".

In 2009, EDP had 11,352 customers with special needs, most of whom are in Spain (around 93%), 5% in Portugal and 2% in Brazil.

EDP has launched a number of initiatives to promote access to electricity in Brazil, under the "Light for All" Programme. This programme, which is promoted by the Ministry of Mines and Energy in coordination with concessionaire electricity distribution companies, seeks to provide the entire rural population of Brazil with access to electricity by 2010. Since the first contract signed in 2004 by EDP's distributors in Brazil and the aforementioned Ministry, around BRL 264.5 million have been invested and 60,515 customers connected to the grid.

6.5. NEW SERVICES

6.5.1. ENERGY EFFICIENCY

EDP has implemented a number of projects in various countries under its Energy Efficiency Programme, in order ensure its customers make the best use of the product it sells.

Good Energy in the Community

In Brazil, we should highlight the Good Energy in the Community Programme, which aimed to supply good quality, safe energy to low-income residential customers, as well

as promoting its efficient use. Internal installation kits and energy-saving light bulbs were provided, in addition to electric meter cabinets, fuse boxes and connection lines where grid connections were non-existent. Educational talks were held in local communities to promote efficient energy use. A community customer service centre was also provided.

136,000 families in various municipalities in the concession area have benefited since 2006 from educational and guidance initiatives, and 527,000 energy-saving light bulbs have been distributed.

Low-Income Housing Estates

This programme included the substitution of electric showers in 1,680 family homes in Mogi das Cruzes municipality, in Brazil, with a solar heating alternative. There are also plans to replace all residential and communal area light bulbs as part of the project.

Hospitals Programme

This programme covers 4 hospitals in Brazil. 2,107 lighting points, 155 air conditioning units and 111 refrigerators were replaced and improved in 2009.

Efficient Community

There are plans to increase the energy efficiency of low-income communities in 33 neighbourhoods in Grande Vitória, in Brazil. As part of this project, training sessions were delivered on the safe and efficient use of electricity. During the sessions, 103,765 compact fluorescent light bulbs bearing the PROCEL/INMETRO performance seal were distributed to replace incandescent bulbs, 78 inefficient refrigerators were replaced with others bearing the PROCEL energy economy seal, and 9,097 residential electric meter cabinets* and 3,045 kits containing electrical materials for internal installations were handed out.

“Reluz”

The Reluz Programme was launched in Brazil in 2007, for implementation over a five-year period. Its main objective is to modernise public lighting points and thus provide greater security to communities. 69,000 lamps have already been replaced and the programme is due finish in 2012, by which time around 98,000 more lamps will have been replaced.

ECO Programme



The ECO Programme went ahead in 2009, its main objectives being to ensure that EDP continued to set the standard for energy efficiency in Portugal, to mobilise Portuguese consumers to take concrete action to improve energy efficiency, and to guarantee the plan's impact and changes in behaviour through an integrated approach.

The initiatives run in 2009 included:

- Mass media campaigns and other awareness raising initiatives at specific events;
- Activities conducted as part of the Plan for Promoting Consumption Efficiency (PPEC) coordinated by ERSE and including projects that started in 2008 and others approved for 2009;
- Cooperating in the government campaign to distribute 1.7 million energy efficient light bulbs through schools (The National Action Plan for Energy Efficiency – PNAEE);
- ECO Bills – offsetting the environmental impact of EDP bills throughout their life cycle;
- Refreshing and restructuring the ECO website with new activities and information on energy efficiency;
- Econosco internal programme – initiative that extends beyond Portugal and aims to reduce internal consumption (electricity, water and waste). Reductions in consumption of 22% were achieved in Brazil and 13% in Portugal.

As part of the ECO programme, EUR 10 million were invested in initiatives to promote sustainability and energy efficiency in 2009.

We should highlight the continued distribution of energy-saving CFL light bulbs in historical neighbourhoods (108,306 in 2008 and 2009), social housing estates (335,764 in 2008 and 2009), on the Cycling Tour of Portugal (51,724), through a freephone number in Visão magazine (100,000) and in areas where dams are situated (59,296).

EDP also participated in the Green Fest, a key event in the field of sustainable development.

At the SPOT Youth Fair, EDP distributed energy-saving light bulbs and recruited young volunteers to help distribute CFLs in historical neighbourhoods and social housing estates.

We should also make special mention of EDP's active participation in the new PPEC tender competition for 2009-2010, against other companies and institutions linked to the energy sector. As a result of the quality and innovative character of the projects it put forward, EDP was awarded around 80% of the total funds put up for tender. This corresponds to an figure of EUR 14.33 million to launch 17 initiatives to improve energy efficiency, targeted at various sectors of the economy and specific target audiences.

* Physical structure in the consumer's home which connects to the electricity pole on the street. It is the cabinet that houses the residential power meter.



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EXPECTED ENVIRONMENTAL IMPACT OF ACTIONS PPEC 2009-2010*

PPEC 2009-10	PPEC Budget (€ thousand)	No. interventions	Total energy avoided (MWh)	Total CO ₂ avoided (t)
Intangible Measures				
Eco-IPSS	228	n/k	n/a	n/a
EcoFamílias II	397	n/k	n/a	n/a
EnergyBus II	222	n/k	n/a	n/a
TWIST (Generation 3E)	625	n/k	n/a	n/a
Tangible - Residential				
Solar Hot Water	92.5	500	18,700	6,919
CFL Exchanges in Social Housing Estates	1,576	800,000	173,014	64,015
CFL Exchanges in Super/Hypermarkets	1,696	850,000	183,828	68,016
CFL Campaign Exchange	1,431	700,000	151,388	56,013
Tangible - Trade and Services				
T5 lamps in Schools	238.3	45,000	47,169	17,452
CFLs	1,290	800,000	179,892	66,560
eCube Refrigeration Units for Super/Hypermarkets	1,457	10,000	190,365	70,435
Astronomical Clocks	1,026.5	1,600	114,685	42,434
eCube for Companies with refrigeration Needs	96	198	9,483	3,509
Tangible - Agriculture and Industry				
eCube Refrigeration Units for the Food Industry	1,860	10,800	1,140,502	421,986
CFLs	261	160,000	37,338	13,815
eCube Refrigeration Units for Food Processing	347	2,000	63,992	23,677
T5 Discharge Lamps	1,495	13,485	197,418	73,045
Total	14,338.3	3,393,583	2,507,773	927,876

*Taking into account the equipment's lifespan.

The energy efficiency programmes implemented in Brazil in 2009 were certified in accordance with standard NBR ISO 9001:2008.

6.5.2. SERVICES

In order to meet the growing needs of energy services customers, the EDP Group created EDP Serviços in 2009. This company provides energy services for a whole range of customers, developing, implementing and financing projects in the areas of energy efficiency, renewable energies and decentralised generation, with or without performance guarantees.



serviços e consultoria

Some of the most important projects implemented in 2009 by this company included:

- Installation of a Thermal Solar Plant at the Alcochete Shooting Range;
- Energy audits for the Auchan chain of supermarkets;
- Increase in the voltage level at around 40 Pingo Doce facilities from NLV to MV;
- Innovative product for the management of energy for public lighting, consisting of a consumption management system, EWebReport@, to monitor and oversee the energy performance of the new solutions installed;

- Development of a network of agents to allow a personalised service approach that meets the needs of SMEs;
- Start-up of energy services supply to small businesses, through the "edp5D negócios" brand. In 2009, 400 lighting audits were carried out.

6.5.3. PRODUCTS

During 2009, under the electricity commercial activity of the EDP's companies, several initiatives with potential positive impact on the Client Experience Index were implemented:

- Simplicity and clarity in billing – The bill for low voltage customers was redesigned in 2009. A space was created with information on meter readings and when they should be sent. The new bill also includes a space for advertising new products/services and another for useful information.
- Electronic Billing – In 2009, 538,781 EDP customers in Portugal received electronic bills (162% increase against 2008).

EDP has 83,521 contracts in Spain. This figure is the result of an electronic billing campaign launched in 2009 ("one customer, one tree") to inform customers of the main benefits of this free service, which led to the planting of 6,677 trees.

- EDP ON – EDP distributed this internal TV channel across their network of EDP stores, creating another channel of communication/information for all customers in different markets and businesses. The aim of this service is to promote products and services, energy efficiency, create other points of contact with EDP, disseminate information on structural themes and publicise the company's social responsibility initiatives.

- New website – EDP launched a new, more interactive and easy-to-use website. Intimacy, simplicity and clarity were the factors informing the redesign of the EDP website, improving its image, structure, language and ease of use. Through this new EDP website, customers have access to the new EDP Serviço Universal and EDP Distribuição websites, the EDP website and a new addition called Our Energy, on renewable energies in general and new hydroelectric projects in particular.

The EDP website includes new means of disclosing information, by providing access to videos and edp On live.



- Easier access to EDP ONLINE – In 2009, the sign-up process for edpOnline was simplified to make it quicker and more convenient. Customers immediately receive an e-mail to activate the service and edpOnline now offers a range of services including current balance checks, recent bills, consumption history and meter readings.
- More intimacy and simplicity in written communication – As part of the response to customer complaints and queries, a review was made of the company's written communication in order to make the language used less formal, clearer and simpler.
- Insurance extended for edp5D customers – In 2009, residential, business and condominium edp5D customers saw their insurance broadened to include more benefits, including cover for the cost of lost or stolen keys. The policy also sends security technicians to provide advice on adequate anti-theft, fire and emergency medical protection.
- edp5D Community – As part of its customer loyalty programme, edp5D created a new project called the edp5D Community. This project aims to help customers understand the product as an integrated offer that comes with a series of real advantages that go beyond just energy supply, and that create an emotional attachment to the edp5D brand. A number of deals have been arranged with customers in the small business segment, through which they may offer a discount or benefit to other edp5D customers on the product or service they sell. 1,000 establishments had signed up by December 2009.
- “Mude o seu Mundo que o Mundo muda” (Change your world to change the world) – efficiency campaign and programme on Portuguese television (RTP), in which public figures provide examples of how to be more efficient and

consumers get the chance to win a EUR 1,000 voucher to purchase energy-efficient appliances.

- WattDrive – In May, EDP opened a free network of recharging points for electrical vehicles.

To mark this opening, a small event was held at which each user was given a kit containing a sticker, keys to access the recharging points, an instruction manual and a keyring.



- “Casa Eficiente” (Efficient home) – To celebrate 29 May, Energy Day, EDP took part in the construction of an Efficient Home in partnership with National Geographic. The two-bedroom house with an area of around 100m² was situated next to the Knowledge Pavilion in Parque das Nações until 5 July.



- HC points programme – For more details on this initiative launched in Spain to attract new customers to the electronic billing service, see www.hcenergia.com/puntoshc.
- MYENERGY – EDP ran several initiatives to encourage microgeneration. As part of this effort, the company launched a campaign advertising microgeneration solutions, focusing on two electricity generation technologies: photovoltaic solar panels and micro wind turbines. With emphasis on the former, “I’m already creating my own energy” made a comeback in the media.
- Green Electricity – EDP has started supplying green electricity, under the EDP5D Green Tariff. There were 4,108 customers for this service in Portugal in 2009, with a total of 9 GWh supplied. In Spain, the company had around 189,000 customers,



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corresponding to an annual consumption of 3,577 GWh. In Portugal, EDP supplied around 13,400 GWh from renewable energy sources on the regulated and free markets (this figure was calculated according to the methodology recommended by ERSE for compliance with Directive no. 2003/43/EC). In the USA, a total of 5,905 GWh of renewable energy was generated and certified through the issue of carbon credits.

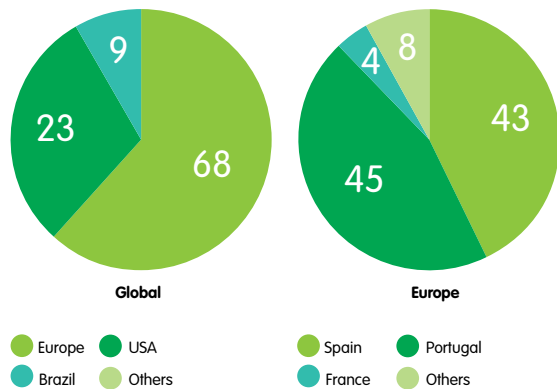
7. SUPPLIERS

7.1. PROFILE

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

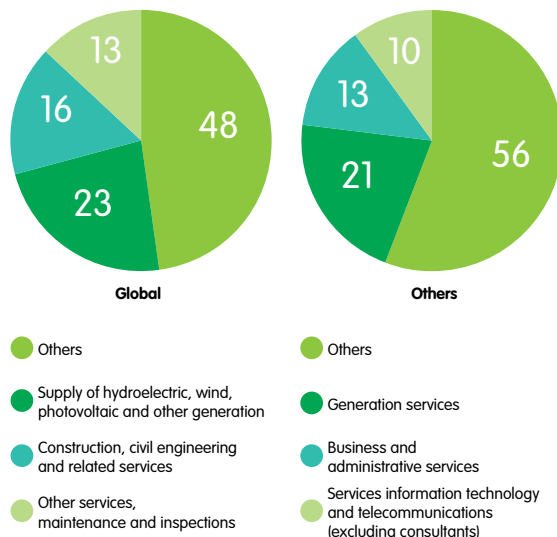
During 2009, procurement activity in the EDP Group (not including energy) totalled EUR 3.282 billion, distributed geographically as follows:

Geographical Distribution of Procurement Activity (not including energy) in the EDP Group



The main categories of supply were as follows:

Main Categories of Supply (%)



EDP has a positive influence on local economies, promoting the growth of local businesses. Procurement from foreign suppliers represents around 2% of total procurement.

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;
- Fostering permanent, open dialogue to enable us to ascertain the expectations of this important group of stakeholders;
- Sharing knowledge.

EDP's objective is to "Respond to challenges and establish, control and develop relations with suppliers" through Supplier Relationship Management (SRM) solutions.

In this regard, a risk analysis programme for strategic suppliers is currently being implemented, which will enable the early identification of critical situations or breaks in the supply chain and guarantee the continuity of contracted supplies.

This programme is based on an early-warning management model that allows EDP to obtain a wide range of information on its suppliers in a consolidated manner and monitor the "aptitude" of companies to become qualified as EDP Group suppliers. SRM solutions facilitate communication between the different partners and the sharing of methodologies, fostering closer relations between both parties.

SRM also helps suppliers to get to know the company's business and its real needs, leading to better terms of purchase and optimisation of the entire procurement process.

7.3. GOOD PRACTICES

EDP employs a system of researching, selecting and classifying its suppliers - the EDP Group Supplier Registration System (SRF) - which allows it to act in a clear, transparent and efficient manner and build mutually beneficial partnerships.

The system is supported by a database that is shared across all the Group's companies, with registration currently an essential prerequisite for any company wishing to become qualified, be consulted or present a tender for supply. Through this platform, suppliers can also familiarise themselves with the EDP Code of Ethics and declare their acceptance of its values and principles. 10,950 suppliers were registered with the EDP Group in 2009, 19% more than in 2008.

To appear in the database, a supplier should enter the suppliers' section of the EDP website www.edp.pt and complete a pre-registration questionnaire that asks for information on quality, environmental and safety systems and corporate social responsibility policies, among other things.

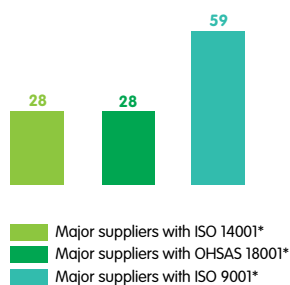
One of EDP's objectives for 2010 is to increase the amount of information requested from suppliers, to cover their social performance as measured using the Global Reporting Initiative indicators.

For their part, registered companies also enjoy a range of advantages, including:

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

In 2009, 46% of the suppliers in Portugal, Spain and Brazil delivering over EUR 75,000 in goods and services were registered on the EDP Group SRF. Of these, 59% employ quality management systems that have been certified by third parties. 28% possess environmental certification and 28% occupational health and safety certification.

Certified Suppliers (%)



* Number of suppliers registered in the Corporate Registration System Supplier of the EDP.

EDP has implemented a sourcing tool supported by a web environment that allows sharing of market and supplier information - Sinergie - Supply Integration for Energy. This system is in use in across all the Group's companies, acting as a basis for all consultation and negotiation processes over EUR 75,000 in Europe and EUR 150,000 elsewhere in the world. Its main objective is to enable the sharing of information on consultation and negotiation processes across the EDP Group, independently of the business unit or the market in which it operates, employing the internet as the engine for all procurement processes on a global level.

The resulting solutions and practices enable the company to significantly reduce the associated environmental costs and administrative burden.

EDP was one of the first two companies in the world to join the GRI Global Action Network for Transparency in the Supply Chain project, which aims to support corporate initiatives to encourage the publication of sustainability reports in line with GRI directives throughout their value chains. As such, EDP is a GRI Organisational Partner and conscious of the fact that voluntary and regular reporting by an organisation on its sustainability performance is an extraordinarily powerful means of improving its performance and communicating its results. In 2009, EDP secured support from GRI and their partners for 5 of its suppliers in Portugal to receive free training and consultancy support to develop the skills they need to prepare sustainability reports in line with GRI directives (www.globalreporting.org).

Also as part of its activity as a GRI Organisational Partner, EDP has joined the Multi-Stakeholder Supply Chain Disclosure Working Group, whose objectives are to: provide recommendations to the GRI Technical Consultation Committee, with a view to improving the contents of the report in terms of performance throughout the value chain; and preparing, where required, supplementary guides to support the interpretation and application of the supply chain reporting requirements.

Suppliers Meeting 2009

Given that suppliers are understood to be fundamental partners in the EDP Group's development and growth, one of its objectives is to maintain and strengthen their contribution.

In this regard, a meeting of around 90 companies was organised, including the EDP Group's main suppliers. A detailed presentation was made on the EDP Group's Investment Plan, allowing them to anticipate and prepare for the various business opportunities that will arise over the next few years.

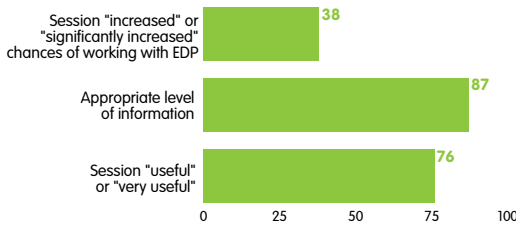




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To help it better respond to its partners' expectations, EDP asked them to express their opinion on the meeting held:

Suppliers' Opinion on the Meeting Held (%)



Environment and Safety

Regardless of the type and size of the work to be performed, 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 Pre-Qualification System for service providers (including a questionnaire on environmental matters);
- Compliance with EDP's Environmental Policy and Health and Safety Policy, as well as with all other legal requirements incumbent upon the service provider;
- Application of new accident prevention and control instruments, in particular the requirement for basic safety training for all employees;
- Monitoring and evaluation of environmental and safety performance during the execution of work, by means of scheduled audits;
- Conducting service provider questionnaires and assessments and allocating an annual bonus to recognise those who perform exceptionally well and contribute to safety in the workplace.

For further information on suppliers' accident prevention and safety practices, see chapter 5. Employees, section 5.12.2. Corporate Safety Management System.

Contractors and Subcontractors

Pre-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.

The volume of subcontracting was used in 2009 as one of the assessment criteria for awarding contracts, whereby excessive subcontracting was penalised.

Criteria were introduced in pre-qualification schedules/ contract specifications to force subcontracted companies to assume certain commitments, such as not using illegal labour, implementing quality guarantee systems and following environmental protection policies.

As part of the training programme on "live electrical work" (TET) and safety for teams of external service providers, 2009 saw the start of a process to define the requirements and qualifications of trainers employed in the accreditation process for contractors and subcontractors. This project aims to improve and standardise the requirements of the training delivered to employees of contracted and subcontracted companies.

8. COMMUNITY

In 2009, the EDP Group gave great impetus to its strategy of dialogue and work with the communities in which it operates. We stepped up some existing programmes and implemented some new actions in order to create value for society.

Communicating with the community assumes different expressions and approaches within the Group and is spearheaded by the different Foundations.

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

They play an important role in the consolidation of our commitment to provide the community with support in social, environmental, educative, cultural and recreational areas.

The Group's companies and its Brand and Communication Department are also directly involved in creating a closer relationship with society.

EDP has been a member of the London Benchmarking Group (LBG) since 2007. Since the 1990s, this working group has been developing a model for assessing the social performance of voluntary contributions by its members, the LBG Model. This enables EDP:

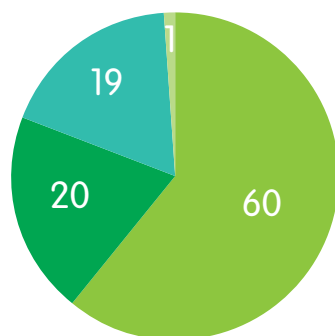
- To demonstrate the work that it does with the community;
- To engage with its various stakeholders to ascertain benefits to the company and the community;
- To determine the social return of resources invested in harmony with the SROI methodology.

In 2009 there were significant improvements in terms of implementing a social accounting system for the EDP Group, which resulted in the launch of pilot schemes to assess the social return of the resources invested in several of the Group companies, to be developed in 2010.

CONTRIBUTIONS^(a) TO THE COMMUNITY IN 2008 AND 2009

Total value of contributions (€) ^(b)	2009	2008
Category		
Nonstrategic Investment	1,625,551	3,246,873
Strategic Investment	12,263,973	7,428,572
Commercial initiative	3,088,798	1,751,134
Not applicable	71,783	
Nature		
Education	2,623,431	1,888,646
Health	353,650	1,276,468
Economic development	329,332	312,316
Environment	982,160	518,208
Art and culture	6,489,601	4,373,713
Social welfare	2,178,595	1,180,297
Emergency response		19,282
Others	4,093,337	2,857,649
Cash contributions		
Value	15,226,586	11,606,722
Volunteer "Staff" (c)		
No. employees involved in volunteering during working hours	248	
No. volunteering hours during working hours	5,817	1,511
Value of volunteer time	149,762	5,891
Contributions in kind		
Value of contributions in kind	1,673,757	495,702
Management costs		
	n/k	163,169
Total value of contributions (including management costs)	17,050,104	12,589,747

(a) Values of 2009 are provisional: not yet validated by the Corporate Citizenship.
 (b) Excluding management costs.
 (c) At the time of this publication, values for Brazil were still not available.

Contributions by Region in 2009 (%)


■ Portugal ■ Brazil ■ Spain ■ USA

Provisional values: not yet validated by the Corporate Citizenship.

8.1. SUPPORT FOR ECONOMIC DEVELOPMENT
8.1.1. LOCAL COMMUNITIES

For many years now, EDP has focused on its relationship with the community in all the geographical areas in which it operates and devotes special attention to people living in the vicinity of its facilities.

2009 witnessed the start of construction on new facilities, especially in Portugal, and dialogue with communities (organisations, representatives). This dialogue is seen as part of an ongoing process of interaction and there is a highly diversified programme of initiatives involving local partners.

Portugal

- Supporting the development of Trás-os-Montes – In order to foster entrepreneurship and cultural activities in the region, EDP signed three agreements, one with Glocal to create jobs, which will also include the pilot project known as the Premium EDP Sustainable Entrepreneur Programme; one with the Learn to Learn Association to improve the skills of upper secondary school students and the other with the Calouste Gulbenkian Foundation and Music School of the National Conservatory to promote culture and expand the Generation Youth Orchestras model. (www.a-nossa-energia.edp.pt)
- Lares, Figueira da Foz – EDP delivered a multi-sports park to the local community, one of the facilities in the parish support plan. In addition to the park, a children's playground and repaving work around these facilities will soon be completed.
- Energy Bus in Trás-os-Montes – The energy efficiency bus travelled the regions where EDP is building new hydroelectric power stations, particularly the municipalities of Miranda do Douro, Mogadouro, Torre de Moncorvo, Alfandega da Fé and Macedo de Cavaleiros and received 2,945 visitors. This mobile project uses equipment for demonstrating new technologies, interactive experiences, information panels, leaflets and useful advice to encourage more efficient, environmentally-friendly behaviour. (www.eco.edp.pt)



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- “EDP Solidária Barragens” – This programme sponsors charitable projects run by institutions in Trás-os-Montes and Alto Douro, the areas of influence of the new dams. In its first edition, EUR 100,000 was distributed to the winning projects: CERCIMAC – Cooperative for the Education and Rehabilitation of Handicapped Citizens/graphic arts workshop, Portuguese Red Cross – Alijó Branch / Smile – a support scheme for children and young people, Cerejais Community Centre / Mobility and Health – assistance for the elderly, Picote Parish Council / Youth Centre – volunteer scheme for EDP employees and suppliers. (www.a-nossa-energia.edp.pt)
- Visits to power stations – this is of special interest to the school community to complement their syllabus and in 2009 EDP received some 40,000 primary and secondary school visitors.

Communication plans and procedures for major projects (COMPRO) – definition of major project communication methods and procedures in order to involve all stakeholders in the early stages of preliminary studies. A methodological test was conducted for the new Fridão and Alvito hydroelectric plants.

Main goals: to guarantee an open, transparent, trusting relationship with different stakeholders; to bring forward “public adaptation” to projects through appropriate involvement of EDP stakeholders; to train staff in communication management in order to minimise exposure to risk; to standardise a manual of guidelines for major project communication.

In 2009, the phases completed were: identification of stakeholders, surveys of communities’ expectations, wishes and concerns, Landscape Outcome Assessment Methodology (LOAM) sessions and evaluations of results – whenever possible the information collected was considered in the planning of Environmental Impact Assessments (EIA).

Goals for 2010: drafting and approving the training manual and planning training and in-house training courses.

Brazil

EDP sponsored projects for children and young people in the different states in which it operates and was considered a “child-friendly company” by Abrinq. Examples:

- Humanisation of care given to underweight newborns – Cassiano Antonio Moraes University Hospital Support Foundation (FAHUCAM), Vitória, Espírito Santo
- Music with Energy, Educanto Choir – Secretariat for Education, Aparecida, São Paulo
- Growing Citizen Project - Dona Durvalina Rosa Teixeira Social Project NGO, Itaquaquecetuba, São Paulo
- Dra. Heloísa Lotufo Manzano Children’s Centre - Municipal Council for the Rights of the Child and Adolescent, Porto Nacional, Tocantins

In addition to all these projects, there are also energy efficiency programmes not only for EDP customers but also for the community as a whole. For further information, see Chapter 6. Customers, section 6.5.1. Energy Efficiency.

8.1.2. DEVELOPING COUNTRIES

- Through EDP Internacional, EDP is involved in projects to expand and repair Angola’s electricity systems, which have a high impact on the quality of life of large sectors of the local population. We would like to highlight the following figures: In the Lobito/Benguela region, 100,000 people benefited from new electricity infrastructures, as well as 90,000 in Malange, 60,000 in Namibe, 20,000 in Caxito/Bengo and 120,000 in Cabinda.

EDP is also conducting planning studies to schedule over 20 years of investments in expanding electricity distribution grids by 50% in its main cities and towns.

- No-Man’s Land - EDP joined the United Nations High Commission for Refugees (UNHCR) to bring renewable energy to the Kakuma Refugee Camp in Kenya. The project was presented at the 5th Annual Meeting of the Clinton Global Initiative in New York and will generate power for more than 50,000 people, along with a technical training programme for 100 to 150 local people and the distribution solar light bulbs for domestic use.
- Community Schools - EDP, in partnership with Doctors of the World – Portugal (NGO) and EFACEC, is sponsoring the construction of two open access centres in the Cocomela and Impaputo neighbourhoods in the Namaacha district in Maputo, as part of an Integrated HIV/AIDS and Malaria Programme in Mozambique. This project will enable the generation of renewable energy for a health centre equipped with a refrigeration system for vaccines, a kindergarten and a water pump. The Mozambican Humanitarian Association (AHMO) is providing support at a local level.

8.2. PATRONAGE AND SPONSORSHIP POLICY

EDP’s patronage policy is implemented by its various foundations. It gives preference to activities that are geographically decentralised, credible institutions that perform well and initiatives that focus on the long term.

The following are examples of initiatives in the different areas of intervention in the countries in which we operate:

EDUCATION AND SUPPORT FOR YOUNG PEOPLE

Portugal

- University Challenge 09 – this is a competition for university students seeks to activate their academic knowledge through a project on strategy and marketing. This year’s theme was “EDP and Renewable Energies: a future side by side”. The winners were a group of students from the Higher Institute of New Professions (INP), who won a EUR 10,000 study grant and three-month internships at EDP (Portugal, Spain or Brazil). The lecturer who supervised the project was awarded a prize of EUR 3,500.



- 14th Physics Olympiads – this competition organised by Portuguese Physics Society and the Electricity Museum challenges 9th and 11th grade students from around the country to demonstrate their knowledge of physics through a series of theory and practical tests.
- Live Science: Summer Engineering – this programme in August and September offered the public the chance to come into contact with engineering works, particularly in the arena of energy generation. Visits were made to the Alto Lindoso, Carrapatelo and Castelo do Bode plants and Ribatejo and Sines power stations.
- European Days of Sun: 2nd Solar Festival – this programme was developed in partnership with APISOLAR and sought to promote knowledge of and contact with solar solutions: seeing how they work, measuring and experimenting.

Brazil

- EDP in Schools – The EDP Institute distributed 19,000 school kits to 62 schools in the States of São Paulo, Espírito Santo, Santa Catarina, Tocantins and Mato Grosso Sul, involving around 1,000 teachers.
- “Letras de Luz” (Letters of Light) - The Brazil Institute donated 2,880 books in nine cities in the State of São Paulo.
- 1st class of female electricians – ten women were trained in a 32-person class on the Grid, Distribution, Inspection and Metering Electrician Training Programme, the first to train female technicians.

Spain

- 150 study grants – The Hidrocontábrico Foundation awarded a group of 150 science students at Oviedo University a grant to complete their final course assignment or a post-graduate course. In addition to this grant, they will have a six-month, four-hour-a-day internship on a prearranged schedule.

ENVIRONMENT

Portugal

- Mora River Aquarium – EDP is sponsoring the largest aquarium to be built in Europe since 2007. This scientific, cultural and leisure facility is unique in Portugal and

the live, dynamic models in its exhibitions help visitors to acquire a broad knowledge of the importance of biodiversity and the ecological wealth associated with nature conservation programmes.

As a centre of local development, the River Aquarium has contributed to the municipality by creating new direct and indirect employment, helping to reduce regional asymmetries and stimulating the local economy.

Spain

- “Un Cliente, un Árbol” (One Customer, One Tree) - The Hidrocontábrico Foundation planted 6,677 trees in 2009 as part of this campaign, as a result of 62,323 customers subscribing to its electronic billing service (see Chapter 6.Customers).
- Planting of native species in public areas – An agreement between the Hidrocontábrico Foundation and Gijón Municipal Council, with the participation of the Municipal Parks and Gardens Service, in collaboration with the Fund for the Protection of Wild Animals (FAPAS). The HC Foundation is responsible for planting and preserving the species. The project, which includes environmental education initiatives, will be implemented in the Monte Deva Nature Park and is the first of several agreements to be signed with a number of municipalities.

HEALTH AND SOLIDARITY

Brazil

- “Dentistas do Bem” (Pro Bono Dentists) – volunteer dentists treated low-income children and adolescents up to the age of 18, free of charge. They were selected based on need by a triage performed on 5th to 8th grade pupils at state schools. The poorest children and those with serious dental problems and young people about to enter employment were given priority treatment.
- EDP Solidária – in 2009 this programme was extended to Brazil, where 15 projects were selected in the areas of education (literacy, environmental education, school integration, promotion of reading and robotics), health and social support (early cancer diagnosis in children, entrepreneurship and vocational and social qualifications) in the States of São Paulo, Espírito Santo, Mato Grosso do Sul and Tocantins.

ART AND CULTURE

Portugal

- Remade in Portugal - Eco-Design Exhibition – Promotion of cultural and social awareness initiatives related to recycling, encouraging the design and development of products made of at least 50% recycled materials and promoting the reuse of household and industrial waste.
- Generation Orchestra – Project in partnership with the Gulbenkian Foundation to set up a youth symphony orchestra that will make an innovative contribution



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towards the integration and development of children from disadvantaged social backgrounds.

- Portugal Art Biennial 2010 – Displays of international contemporary art in different locations to encourage the active participation of the public. Its aims to celebrate the social and cultural importance of public places and art and encourage visitors to come to the cities and regions where it is held - Lisbon, Cascais, Grândola and the Algarve. This model allows the work of Portuguese artists to be displayed abroad and foreign artists to show their work in Portugal.
- Summer Mornings and the Electricity Museum – Bringing different generations together in August and September. Sunday mornings were devoted to the whole family, offering an educational and recreational introduction to the study of electricity for children and a varied music programme for adults.

Brazil

- The Art of Photography - The Little Things in Life - the EDP Institute and EDP Bandeirante chose 40 photographers from the 998 contestants who entered 3,642 photos. In addition to enabling access to and promoting art, an exhibition travelled to 28 municipalities.
- Opening Doors that Never Existed – this travelling play was sponsored by the Brazil Institute, in partnership with the company Abarêteatro. A truck taking culture and education to the people visited seven cities in Tocantins.

Spain

- Chapel of Nuestra Señora de los Dolores, in Grado - artistic illumination of the exterior of the chapel as part of the restoration programme for the historical and cultural heritage of the Principality of Asturias.
- Revillagigedo Chamber Orchestra Christmas Concerts – series of concerts in four venues in Asturias sponsored by the HC Foundation in partnership with the Revillagigedo Palace International Centre for Contemporary Art in Gijón.

SOCIAL WELLBEING

Portugal

- “Partilhar um sorriso” (Sharing a Smile) – Temporary programme to give out meal tickets to EDP pensioners with a monthly income of less than EUR 450.
- EDP Solidária – Series of projects sponsored by the EDP Foundation and aimed at improving the quality of life of socially disadvantaged people and integrating people or communities at risk of social exclusion. In the 2009 edition, EDP selected 12 institutions from around

the country that work in the areas of local and social entrepreneurship, help for the elderly, reducing school dropouts, environmental education, time bank, exclusion, social promotion and integration and help for people with special needs. www.edp.pt> Sustainability> Foundations> EDP Foundation> EDP Solidária 2009.

- Casa das Cores – EDP donated EUR 25,000 to this temporary shelter for children aged 3 to 12 at risk of or victims of abuse, as part of the 19th Lisbon Half Marathon. EDP gave one euro for each phone call.
- País Solidário Campaign – In response to the financial crisis, the EDP Foundation and the Calouste Gulbenkian Foundation organised a campaign aimed at minimising new risks of poverty in Portugal. The donations were distributed through Cáritas, the Portuguese Red Cross and the Federation of Food Banks Against Hunger.
- Mentally disabled athletes received special attention from EDP, which sponsored the National Sports Association for People with Mental Disabilities (ANDDI) and athletes in different sports by contributing to the cost of national training camps and international travel.



Share your holiday spirit with a smile

The EDP Group's paper Christmas cards were replaced by an electronic version and the saving on printing and postage was converted into donations to charitable non-governmental organisations, in all the countries where the company operates.

SPORT

Portugal

- Lisbon, Porto and Setúbal Marathons, the Cycling Tour of Portugal and the Lisboa Bike Tour: highly successful events that attracted thousands of participants.

Spain

- 11th Asturias Sailing Week – Held in July and sponsored by the Hidrocantábrico Foundation and Cajastur.

- San Silvestre Run – The Hidrocantabrico Foundation sponsored the races held on 31 December 2009 in Gijón and Oviedo. For each participant aged under 12 and over 60, the foundation donated one euro to charitable institutions: the Red Cross, Nuevo Futuro and Energía sin Fronteras.

8.3. VOLUNTEER CAMPAIGNS

Portugal

- “Aprender a Apreender” (Learning to Learn) – educational volunteering under the agreement with Junior Achievement Portugal, which aims to nurture entrepreneurship, creativity and innovation in future generations by encouraging proactivity among schools and companies. In the previous school year, EDP had 83 volunteers working in programmes focused on families (primary school), community (primary school), economics for success (lower secondary) and companies (upper secondary).

Gift Collection Campaign

This Christmas, give what you have too much of to those who have too little – a campaign run by EDP employees in Portugal to collect non-perishable goods. All it took to improve the quality of life of the disadvantaged was a little time, a gesture and a donation.

- Collection points around the country: 40
- EDP volunteers: 110
- Non-perishable goods collected: 11 tonnes
- Beneficiaries: 14 institutions reaching 300,000 people

EDP had many partners that supported the campaign free of charge, without which it would not have been possible. They included Ativism, TSF, Jornal de Negócios, Jornal I, Media Edge:cia, APS Media, MOP, Urbanos and Lógica.

Brazil

- Volunteering policy – through its Brazil Institute, EDP Brasil approved its volunteering policy to encourage and support this activity among its employees.
- Oral Hygiene Campaign - EDP volunteers, in partnership with Colgate and dentists, visited schools in Espírito Santo, Mato Grosso do Sul, São Paulo, Santa Catarina and Tocantins to tell the students about the importance of brushing their teeth properly in order to stay healthy. They were also given a kit containing a toothbrush, toothpaste and a leaflet on oral health.

8.4. PARTNERSHIPS AND ORGANISATIONS

As the largest Portuguese company, EDP has always played a role in encouraging international best practices. It has joined

and actively collaborated with a number of organisations along its path to continuous improvement.

A list of its current partners, with particular focus on the environment, citizenship and culture can be found on its website at www.edp.pt> Sustainability> Approach to Sustainability> Participations and at www.edp.pt> Sustainability> Foundations> EDP Foundation> Partnerships.



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9. ENVIRONMENTAL PERFORMANCE

ENVIRONMENTAL INDICATORS	2009					2008				
	Group	Portugal	Spain	Brazil	USA	Group	Portugal	Spain	Brazil	USA
Primary Energy Consumption (TJ)	242,878	114,472	98,341	64	n/a	237,259	141,842	95,329	88	n/a
Coal	132,628	81,675	50,952	n/a	n/a	121,423	65,442	55,981	n/a	n/a
Fuel Oil	6,105	5,909	196	n/a	n/a	11,292	11,076	217	n/a	n/a
Natural Gas ⁽¹⁾	89,051	52,472	36,579	n/a	n/a	90,180	64,463	25,716	n/a	n/a
Blast furnace gas	7,996	0	7,996	n/a	n/a	9,673	0	9,673	n/a	n/a
Coke Gas	1,483	0	1,483	n/a	n/a	2,496	0	2,496	n/a	n/a
Diesel Oil	109	16	93	n/a	n/a	86	11	75	n/a	n/a
Forest waste	4,227	4,227	0	n/a	n/a	676	676	0	n/a	n/a
Iron and Steel industry gas	1,030	0	1,030	n/a	n/a	1,156	0	1,156	n/a	n/a
Fuel for vehicle fleet	249	172	13	64	n/a	277	174	15	88	n/k
Electricity Consumption (MWh)										
Generation internal consumption	2,429,843	1,800,337	629,506	n/k	n/k	2,244,466	1,572,290	672,175	n/k	n/k
Administrative services	33,256	18,590	942	7,463	6,261	31,138	21,373	851	11,914	n/k
Grid losses (%)	8.32	6.84	4.97	12.68	n/a	8.39	7.50	3.63	11.99	n/a
Environmental Certification										
ISO 14001 Environmental Certification (MW)	12,633	8,835	3,347	452	0	11,424	8,491	2,933	0	0
Net maximum installed capacity certified (%)	62	84	63	26	0	61	88	60	0	0
Gas distribution certified (%)	100	100	100	0	0	100	100	100	0	0
Atmospheric Emissions										
Total Emissions (kt)										
CO ₂ ⁽²⁾	20,007	11,075	8,932	n/a	n/a	19,783	10,110	9,673	n/a	n/a
SO ₂	17.07	8.24	8.84	n/a	n/a	33.99	21.68	12.31	n/a	n/a
NO _x	33.31	21.49	11.83	n/a	n/a	33.26	20.15	13.11	n/a	n/a
Particles	1.05	0.55	0.50	n/a	n/a	1.68	0.83	0.85	n/a	n/a
Mercury (kg)	142	100	42	n/a	n/a	145	69	76	n/a	n/a
SF ₆ (kg)	280	227	5	48	n/a	333	234	42	57	
Overall specific CO ₂ Emissions (g/kWh)	362.3 ⁽²⁾	411 ⁽²⁾	594 ⁽²⁾	n/a	n/a	387	388	613	n/a	n/a
Specific emissions from thermal facilities (g/kWh)										
CO ₂	704.7 ⁽²⁾	632 ⁽²⁾	821 ⁽²⁾	n/a	n/a	647	552	790	n/a	n/a
SO ₂	0.60 ⁽²⁾	0.47 ⁽²⁾	0.74 ⁽²⁾	n/a	n/a	1.13	1.18	1.05	0	n/a
NO _x	1.17 ⁽²⁾	1.23 ⁽²⁾	0.99 ⁽²⁾	n/a	n/a	1.11	1.10	1.12	0	n/a
Particles	0.04 ⁽²⁾	0.03 ⁽²⁾	0.04 ⁽²⁾	n/a	n/a	0.06	0.05	0.07	0	n/a
Water collected by source (10³x m³)										
Ocean	1,606,412	1,166,003	440,409	n/a	n/a	1,495,630	1,001,546	494,084	0	n/a
River or stream	119,170	104,887	14,283	n/a	n/a	205,097	188,321	16,776	0	n/a
Reservoir	316	316	0	n/a	n/a	2,078	2,078	0	0	n/a
Artesian well	1,086	745	341	n/a	n/a	884	884	0	0	n/a
Well	40	12	0	28	n/a	33	15	0	18	n/a
Use of water (10³x m³)										
Cooling water	1,726,053	1,271,032	455,021	n/a	n/a	1,700,122	1,189,836	510,287	0	0
Raw water	6,577	4,013	2,564	n/a	n/a	6,688	3,898	2,790	n/k	0
Drinking water	245	134	24	86	n/a	253	159	12	80	2
Wastewater (m³)										
Wastewater treated during generation	3,624,412	1,368,573	2,255,839	n/a	n/a	4,323,869	2,034,430	2,289,439	0	0
Discharge into sea	1,608,305,923	1,166,689,787	441,616,136	n/a	n/a	1,497,569,009	1,002,326,244	495,242,765	0	0
Discharge into inland and estuary water	112,435,382	100,952,408	11,482,974	n/a	n/a	195,436,820	184,037,335	11,399,485	0	0
Waste sent to final disposal										
Total waste (t)	929,642	587,289	333,287	8,931	136	835,922	390,267	438,206	7,363	86
Total hazardous waste (t)	3,012	1,776	1,129	91	22	3,328	1,914	1,287	98	29
Recoverd waste (%)	94	98	86	99	98	85	88	83	99	100
Main waste categories (t)										
Fly ash recovered	580,062	333,303	246,759	n/a	n/a	583,352	248,408	334,944	0	0
Used oils	959	600	222	58	79	672	470	169	20	12
PCB	314	0	314	0	0	64	3	61	0	0
Metals	3,072	799	685	1,525	63	5,553	3,979	722	554	298
Gypsum	129,179	86,736	42,443	n/a	n/a	85,247	64,779	20,648	0	0
Biodiversity										
High voltage lines in protected areas (km)	948	844	39	65	n/a	931	850	39	42	n/a
Medium voltage lines in protected areas (km)	12,930	8,383	613	3,934	n/a	12,700	8,247	610	3,843	n/a
Substations in protected areas (no.)	42	19	11	12	n/a	41	19	10	20	n/a
Environmental Costs (EUR thousands)	118,898	73,693	27,793	11,428	5,984	163,783	91,338	52,239	20,206	n/k
Investment cost	86,670	62,889	11,079	9,495	3,207	131,512	84,064	30,233	17,215	n/k
Current cost	32,228	10,804	16,714	1,933	2,777	32,270	7,274	22,006	2,991	n/k
Compliance										
Environmental fines and penalties (EUR thousands)	29	0	29	0	0	132	0	132	0	0
Environmental Complaints (no.)	101	89	n/k	12	n/k	90	90	n/k	n/k	n/k

(1) Not including vehicle fleet

(2) Based on the net generation following the new GRI guidelines sector specific

9.1. MANAGING ENVIRONMENTAL CONCERNS

EDP's environment policy expresses the company's ambition to be a role model in the environmental management of its activities, considering stakeholders in the decision-making process and promoting good practices in this area. Additional information on EDP's environment policy and internal organisation with regard to environmental matters is available on www.edp.pt > Sustainability > Environment.

The maintenance of EDP's Corporate Environmental Management System in accordance with ISO 14001:2004 frames and reinforces EDP's commitment to integrating environmental concerns into planning and decision-making at every level, in particular the evaluation, monitoring and minimisation of significant impacts that may arise from its activities.



Corporate management of environmental policies and strategic environmental plans, environmental information and performance of EDP Group organisations

Continuous improvement in environmental management is also ensured through the maintenance and extension of ISO 14001:2004 certification of environmental management systems. Today, 62% of EDP's installed generation, all of its gas distribution and its substation maintenance activity, managed by the Coimbra Substation Department for electricity distribution in Portugal, are certified according to ISO 14001:2004. By the end of 2009, EDP had also registered 19% of its installed capacity with EMAS.

The company's approach to each of its most important environmental concerns is described at www.edp.pt.

Every year targets are set for a series of key environmental indicators, as shown in the table below. Significant changes are duly explained throughout the course of this chapter.

EDP has a (15.5%) shareholding in the Trillo nuclear power station in Spain, but does not consolidate environmental information from this plant. Information on its performance is available at www.cnat.es.

EDP ENVIRONMENTAL KEY INDICATORS

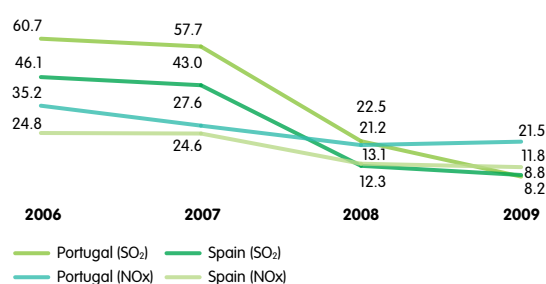
	2009	Targets set	Difference
Primary Energy Consumption (TJ)			
Total for generation	242,878	225,395	1,7483 ↓
ISO 14 001 Environmental Certification			
Net maximum installed capacity certified (%)	62	67	-5
Gas distribution certified (%)	100	100	0 ↑
Atmospheric Emissions			
Overall specific CO ₂ emissions (g CO ₂ /kWh)	362	341	22 ↓
CO ₂ emissions intensity (g/€)	1,640	1,566	74
Water			
Use of water (10 ³ xm ³)	1,732,875	1,767,929	-35,054 ↑
Waste			
Total waste (10 ³ x ton)	930	500	430 ↓
Environmental Costs			
Current costs (million €)	119	71	48 ↑
Investment costs (million €)	87	40	47 ↓
Environmental investment as % of total investment	3.67	1.14	3 ↓

↑ Better than or as predicted ↓ Worse than predicted
 ⬆ Above target ⬇ Below target

9.1.1. ATMOSPHERIC EMISSIONS

Desulphurisation systems, which are now fully operational at our coal-burning plants, have substantially reduced overall SO₂ emissions. The reinforcement of primary NO_x reduction measures was completed with the installation of the BOFA system at the Sines Power Station. A catalytic denitrification system for combustion gases is currently being installed at this plant and offers efficiency of around 70% of current emission levels. The system is already under construction in Group 2 and will be installed in Groups 1, 3 and 4 in turn in 2011.

Atmospheric Emissions (kt)



9.1.2. WATER USAGE

Most of the water collected is for use in cooling circuits. Only a small amount is lost in closed circuits and it is all returned to water sources in the case of open circuits.

The thermal impact of cooling water from EDP's thermoelectric power stations is monitored through spot checks, in accordance with the specific characteristics of each plant and their environmental licences. The company uses aerial thermal imaging and regular sampling to ensure compliance with the stipulated temperature limits. The use of cooling towers in all new projects has substantially reduced this impact, as it significantly reduces the amounts of water released into water resources.



contribution to sustainability

9.1.3. WASTE

EDP's generation activities produce large quantities of fly ash and slag from burning coal and fuel oil at thermal power stations. Coal fly ash has a high recovery potential and has been used for several years as a by-product in the cement and concrete industry. 333,303 tonnes of fly ash from the Sines plant has been recovered for use in the cement and ready-mix concrete industries. In pursuit of our goal to close down the landfill for ash and other fuel oil waste on Sines plant land, 4,645 tonnes were sent for recovery.

Gypsum is collected in desulphurisation processes and we are now studying the feasibility of selling it on the market.

Other waste is also produced during operation and maintenance. The waste produced in largest quantities is concrete posts and used oils.

Pursuant to the Basel Convention, EDP limits cross-border movement of its waste. It only allows the export of PCBs or waste from accidents for which Portugal does not have the technical capacity and necessary facilities for its disposal.

EDP has a PCB disposal plan ending in 2010. Only a residual quantity will be exported from Portugal and Spain this year.

In Spain, EDP reported a spill of PCB-contaminated oil from a transformer leak in Carrió Substation. In Portugal, it reported a number of small oil spills with a total volume of 24 m³. A transformer also ruptured due to a lightning strike and emergency procedures were implemented to recover 5 m³ of oil and 10 m³ of oil/water mixture, thus preventing any environmental damage.

In this regard, EDP implements measures to prevent and minimize incidents and their impact, hiring licensed waste managers to treat contaminated soils.

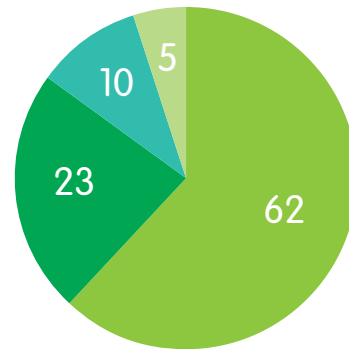
9.1.4. ENVIRONMENTAL EXPENSES

In 2009, EDP incurred environmental costs of around EUR 119 million to prevent, repair or minimise environmental damage. Environmental investment was EUR 87 million, accounting for 3.67% of the EDP Group's total investment. Of particular important were the amounts spent on minimising the effects of atmospheric pollution (around EUR 68 million) and reducing impacts on biodiversity and landscape (around EUR 19 million). The sale of waste and by-products generated EUR 10 million in environmental income.

For full details on our environmental financial information, please see the Financial Report, note 50.

Also of note was the environmental provision of EUR 21,466,000 for decommissioning the Trillo nuclear power station, and EUR 63,956,000 for decommissioning wind farms.

Environmental Costs in 2009 (%)



Portugal Spain Brazil USA

9.1.5. ELECTRIC AND MAGNETIC FIELDS

EDP has monitored scientific developments in studies of the potential risks of long-term exposure to the electric and magnetic fields generated along electricity lines.

Following a number publications and awareness campaigns in 2008, a new project began in 2009 to study ways of improving present levels of electromagnetic fields from standard electricity distribution facilities.

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

9.1.6. NEW PROJECTS

EDP's growth strategy has given priority to the expansion of its renewable electricity facilities, especially wind and hydroelectric generation.

The inclusion of an environmental component in the planning and design phase is common practice throughout the Group and special concern is now shown for maintaining and improving local residents' quality of life. For more details, refer to the chapter on Community.

In 2009, EDP made its full environmental impact studies available online to encourage public participation, and created a portal for monitoring its new hydroelectric plants, where visitors can view the progress of each project under way in Portugal (www.a-nossa-energia.edp.pt).

9.2. CLIMATE CHANGE

EDP made a commitment to reduce its specific CO₂ emissions by 56% by 2012, as measured against 2005 levels. More recently, on the occasion of the Copenhagen Climate Change Conference, EDP extended this commitment by setting itself the target of reducing its specific CO₂ emissions by 70% by 2020, as measured against 2008 levels.

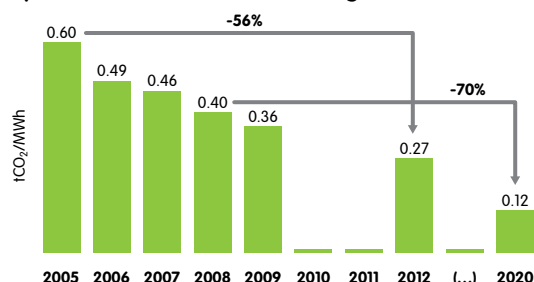
This ambitious target is in line with EDP's sustainable development policy, which makes it one of the leading companies in this field worldwide. Its main strategic guidelines are:

- To focus the expansion of the electricity generating system on renewable energy sources (RES), especially wind and hydroelectric power;
- To invest in cleaner, more efficient generation technologies, e.g. CCGT;
- To promote energy efficiency through both technology and behaviour.

In 2009, the renewable component of EDP's generation assets, in terms of installed capacity, was 60.7% (slightly higher than in 2008) and electricity generated from RES represented 50.5% of the total (42% in 2008).

With this generation structure, EDP's overall emission factor has gone down to 0.362 tCO₂ /MWh (0.400 in 2008), continuing the downward trend of recent years and on course for its 2012 and 2020 targets.

Specific CO₂ Emission Reduction Targets



In Portugal, 2009 was not as dry as 2008 – with a hydrological index of 0.77 (0.56 in 2008) - which allowed hydroelectric energy to make a larger contribution to the overall mix. Even so, it was necessary to make intensive use of thermoelectric power to meet the needs of the national generation system. This affected CO₂ management in the EU Emissions Trading Scheme (ETS) and EDP exceeded its allocated credits by around 1.8 Mt.

It was therefore necessary to offset this excess by the using credits in our portfolio, which is managed centrally by UNGE, and purchasing allowances on the market.

CO₂ EMISSIONS (KT)

	Licenses allocated in 2009	Real emissions in 2009
Portugal		
Sines	5,833.30	7,706.30
Setúbal	1,119.00	166.6
Carregado	377.2	13.9
Barreiro	139	248.2
Tunes	4.5	0.9
Ribatejo	1,423.10	2,131.20
Energim	226	194.9
Soporgen	239.3	240.8
Mortágua	1.2	1.3
Lares	381.5	364.4
Total PORTUGAL	9,744.10	11,068.30
Espanha		
Aboño	5,362.20	5,718.90
Soto de Ribera	1,640.60	1,319.00
Soto 4	328.3	543.9
Castejón	627.4	800.8
H. Central Oviedo	27.7	29.6
EITO Cogeneración	20.3	24.2
Tercia	52.9	65.3
Intever	29.8	63.1
Sinova	52.9	57.6
Biogas y Energía	28.4	37.9
Sidergás Energía	271.9	271.9
Total SPAIN	8,442.40	8,932.20
TOTAL EDP	18,186.50	20,000.50

Notes:

- 1 - CO₂ emissions in Portugal do not include Rodão (1,1kt), Figueira da Foz (4,4kt), and Constância (0,5kt) power stations.
- 2- For comparison purposes, CO₂ emissions from Mortágua represent the total amount of emissions.
- 3- 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.

In Brazil, we strengthened our portfolio of CDM (Clean Development Mechanism) projects through the acquisition of the Água Doce and Horizonte wind farms, the plans for which had already been approved (see table below). In addition to these, the plans for the Santa Fê mini-hydroelectric plant are being prepared and a package of other mini-hydroelectric plants consisting of turbines 1, 2 and 3 at Mascarenhas, Suíça and Rio Bonito is in the approval stage.

Project	Type	Annual reductions (tCO ₂ e/year)	Validity	Total reductions (tCO ₂ e)
Mascarenhas	Mini-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

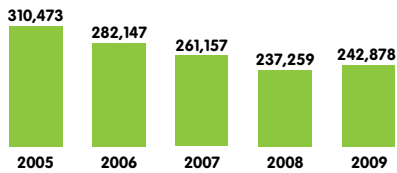
In 2009, 32,588 VERs (Verified Emission Reductions) from these CDMs were sold on the European market.

Overall primary energy consumption, including fleet, was approximately 243,000 TJ in 2009, up slightly (2.4%) compared to 2008 due to the increased use of coal and biomass plants in the Iberian Peninsula.



contribution to sustainability

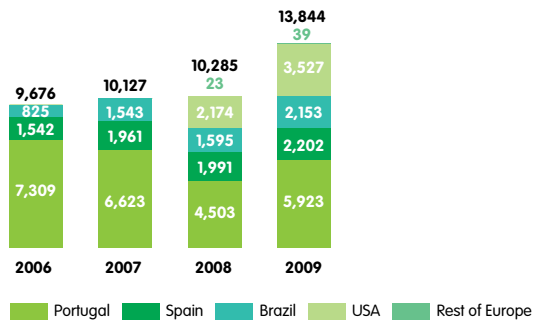
Primary Energy Consumption (TJ)



In 2009 the efficiency of coal and combined cycle power stations, defined as the ratio of net energy produced to primary energy, was 37.3% and 53.9% respectively.

Our strategy of investing strongly in renewables in all the countries in which EDP operates continues to have a substantial impact on the CO₂ emissions avoided from conventional thermoelectric power stations. This figure rose 35% between 2008 and 2009.

Emissions Avoided (kt CO₂)



In terms of the strategic aspect of demand - efficient final energy use - EDP stepped up its ECO Programme in 2009. These activities and other initiatives in 2009 are described in the chapter Customers.

9.3. BIODIVERSITY

EDP MANAGEMENT IN PROTECTED AREAS IN 2009

		Portugal	Spain	Brazil	USA
Distribution Grids (km)	Overhead	834	39	64	n/a
	Underground	11	0.5	0.1	n/a
MV	Overhead*	7,640	587	3,924	n/a
	Underground	743	26	10.3	n/a
No. of substations		19	11	12	n/a
Generation activity (ha)					
Area flooded by reservoirs(*)		3,426	260	0	n/a
Area assigned to wind generation		792	n/k	0	0
Wind farms in sensitive areas (%)		17	11	n/k	0

*Not including Alqueva and Pedrógão

EDP published its biodiversity policy in 2007. In 2009 a brochure was produced to provide more detail on the work carried out in this area, which is of strategic importance to the Group due to recognition of the significant environmental impacts of its new projects. The brochure will be published in 2010, the International Year of Biodiversity.

In terms of generation activities, the environmental certification of power plants takes into account the most important

environmental concerns, which include, where applicable, impacts on surrounding ecosystems.

We also evaluated the effectiveness of ecological flows at certain hydroelectric plants in Portugal and Spain and surveyed the situation downstream of the other plants in Portugal for reference purposes. This will allow the effectiveness of any future ecological flows to be assessed.

FISH ELEVATOR AT PROAZA HYDROELECTRIC PLANT

HC Energia began building work on an elevator to minimise the impacts of the Proaza hydroelectric plant on fish communities. It is designed to:

- Allow the passage of different species, including salmon, shad, trout, eels and possibly sturgeon, although addition measures may have to be considered for this species;
- Ensure correct operation during all the phases of migration (all year round);
- Respect the physical integrity of migrating fish.

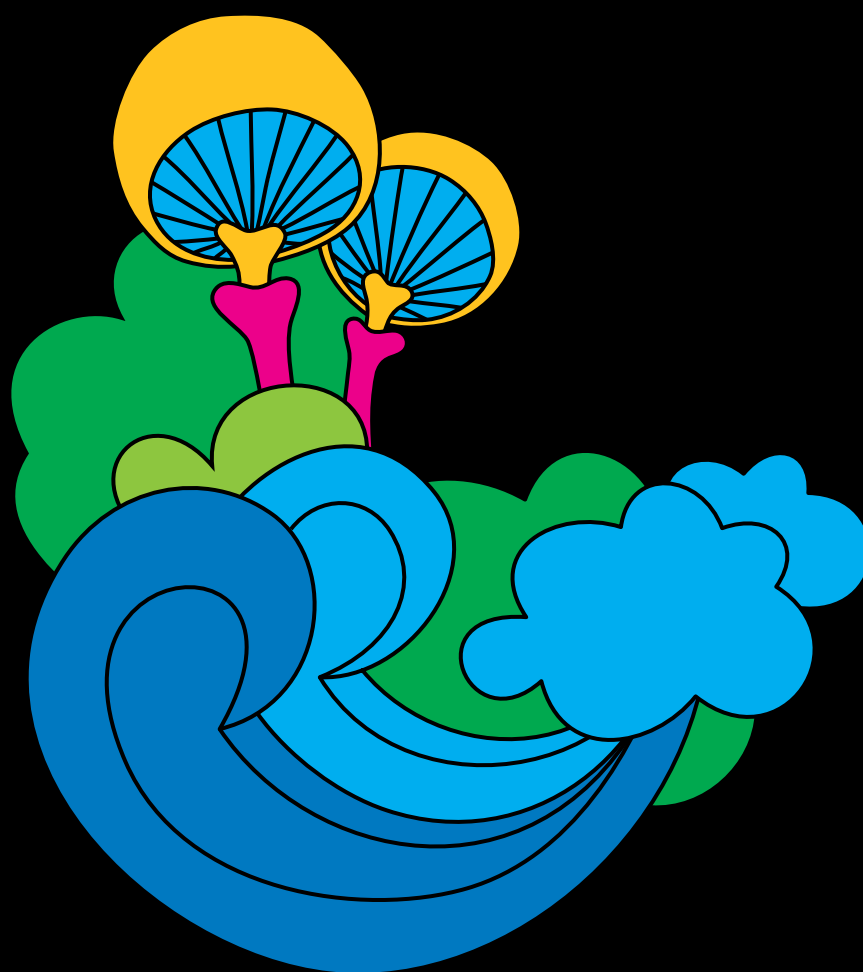
With regard to wind generation, particular emphasis was placed on the monitoring of new wind farms. In 2009, monitoring studies were under way at 66% of these, corresponding to a total of 218 studies.

In terms of distribution, the impact on birdlife is the most important environmental concern and management of vegetation in transmission corridors has recently warranted special attention.

So far, approximately 126 km of electricity grid lines have been protected against the effects of collision and electrocution of birdlife in Portugal, and corrections are planned for around 247km of lines until 2010. Most of this work has been carried out under an existing agreement between EDP, the Institute for Nature Conservation and Biodiversity and two non-governmental organisations: The Portuguese Society for the Study of Birds and Quercus, which together have been identifying the areas of highest risk to birds. This work is recognised by the energy sector regulator.

In terms of corridor management, Portugal currently has two different programmes that will significantly improve processes:

- A project approved by ERSE to draft a manual of good practices in the management of transmission corridors for high and medium-voltage lines, with particular focus on environmental protection areas and developing their potential as ecological corridors.
- Sflinet Project to implement a "Good Practice Management System for Fire Barriers along Transmission Corridors" to identify the corridors, plan cycles of intervention and minimise the impacts on biodiversity caused by this mandatory intervention, among other activities.





corporate governance report

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corporate governance

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 Euro1ist by Euronext Lisbon). Accordingly, the corporate governance recommendations contained in the “Corporate Governance Code” approved by the CMVM in September 2007 apply to the company. The full text of the code is available on the CMVM website at “www.cmvm.pt”.

Ever since the company was listed in the former Lisbon Stock Exchange, the organisation and functioning of the EDP corporate governance model have been guided towards achieving the highest standards of corporate governance and business conduct and ethics referenced on the best national and international practices in corporate governance.

In this context, EDP declares that it adopts in full the CMVM recommendations on corporate governance for listed companies in the aforementioned “Corporate Governance Code”, approved in September 2007 and in force during the year 2009, with the exception of Recommendation 1.6.2 of said code, which is not adopted for the reasons given below.

The following table lists the CMVM recommendations in the Corporate Governance Code and indicates whether they were fully adopted or not by EDP, as well as the section of this report that contains more detailed information on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE			
Recommendation	Adoption status	Observations	Description in the Report
I. GENERAL MEETING OF SHAREHOLDERS			
I.1 BOARD OF THE GENERAL MEETING			
I.1.1 The Chairman of the Board of the General Meeting shall have the necessary human and logistical resources at his/her disposal, taking the company's economic situation into account.	Adopted		2.3.1
I.1.2 The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the annual corporate governance report.	Adopted		5.2.
I.2 PARTICIPATION IN THE GENERAL MEETING			
I.2.1 The period for depositing or blocking shares prior to participating in a General Meeting imposed by the Articles of Association shall not exceed five working days.	Adopted	Article 14 of the Articles of Association	4.7.
I.2.2. If a General Meeting is suspended, the company shall not oblige shareholders to block shares for the whole period until the session is resumed. The ordinary period required for the first session shall suffice.	Adopted		4.7.
I.3 VOTING RIGHTS AND VOTING			
I.3.1 Companies shall not impose any restrictions on postal votes.	Adopted	Article 14 of the Articles of Association	4.9.
I.3.2 The time limit set for receipt of postal votes prior to meetings shall not exceed three working days.	Adopted	Article 14 of the Articles of Association	4.9.
I.3.3 Companies' Articles of Association shall indicate that one share is entitled to one vote.	Adopted	Article 14 of the Articles of Association	4.8.
I.4 QUORUM AND DECISIONS			
I.4.1 Companies shall not establish a constitutive or deliberative quorum greater than that laid down by law.	Adopted		4.10.
I.5 MINUTES AND INFORMATION ON DECISIONS			
I.5.1 The minutes of General Meetings shall be made available to shareholders on the company's website within five days, even if they are not inside information, as required by law, and a history of attendance lists, agendas and decisions made shall be maintained on the site covering the meetings of at least the three previous years.	Adopted	This recommendation has been adopted in general terms but is not considered applicable with respect to the maintenance of historic records of attendance lists at the General Meeting, given the personal nature of the information involved.	4.11.

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Observations	Description in the Report
I.6 COMPANY CONTROL MEASURES			
I.6.1 Measures adopted to prevent successful takeover bids shall respect the interests of the company and its shareholders.	Adopted	No measures designed to prevent successful takeover bids have been adopted. As far as other measures concerning company control, in particular the restriction of the number of votes exercisable by each shareholder holding category A shares, in accordance with article 14.3 of the Articles of Association, it is considered that these measures, even if not adopted with an aim to prevent successful takeover bids, considering their origins, the characteristic of the shareholder structure of the company and the general interests they aim to protect, respect the interests of the company and its shareholders.	4.12.
I.6.2. Companies' Articles of Association 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 this provision shall be put to the vote by the General Meeting – without the need for a quorum greater than the legal quorum – and that all the votes cast shall count in this decision without the limitation.	Not adopted	The alteration of any provision in the company's Articles of Association requires the approval of the General Meeting of Shareholders. No provision has been established in the Articles of Association exclusively devoted to the assessment of the maintenance or alteration of the rule limiting the voting rights that can be exercised by each shareholder holding category A shares. Considering the representativeness of the shareholders at the General Meeting at which the Article of Association in force was approved (participation or representation of 60,7% of the capital and an approval rate of 95% of the votes cast), the characteristic of the shareholder structure of the company and even if the matter under consideration is decided upon exclusively by the shareholders, one is of the opinion that the interests of the latter are adequately respected.	4.12.
I.6.3 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors, thereby affecting the free transferability of shares and the free appreciation by shareholders of the performance of the members of the Board of Directors.	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, in its governance report, assess the model adopted, identify any constraints on its functioning and recommend appropriate measures to overcome them	Adopted		2.1.
II.1.1.2 Companies shall set up in-house control systems for the effective detection of risks associated with their activity in order to safeguard their assets and ensure the transparency of their corporate governance.	Adopted		3.6.
II.1.1.3 Management and supervisory bodies shall have their own regulations which shall be posted on the company's website.	Adopted		2.3.2. and 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 guaranteeing an effective capacity to oversee, supervise and evaluate the work of the executive members.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.1.2.2 The non-executive directors shall include a suitable number of independent directors, taking into account the company's size and shareholder structure. The number shall be no less than one quarter of the total number of directors.	Not applicable	This recommendation does not apply, 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, Committee on Financial Matters/Audit Committee or Financial Committee shall be independent and have the appropriate competences to perform his/her duties.	Adopted		2.3.8
II.1.4 WHISTLE-BLOWING POLICY			
II.1.4.1 The company shall adopt a whistle-blowing policy for reporting alleged irregularities with the following indications: i) the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) the treatment to be given to reports, including confidentiality if the whistleblower so requires.	Adopted		2.3.8.
II.1.4.2 The general lines of this policy shall be described in the corporate governance report.	Adopted		2.3.8.



corporate governance

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Observations	Description in the Report
II.1.5 REMUNERATION			
<p>II.1.5.1 The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure that it aligns their interests with those of the company.</p> <p>In this context: i) the remuneration of executive directors should include a performance-based component and therefore take into consideration the performance assessments regularly carried out by the competent body or committee; ii) the variable component shall be consistent with the maximisation of the long-term performance of the company and depend on the sustainability of the performance variables adopted; iii) when this is not stipulated directly by law, the remuneration of non-executive board members shall be made up exclusively of a fixed amount.</p>	Adopted		5.3.
<p>II.1.5.2 The Remuneration Committee and the Board of Directors shall submit to the Annual General Meeting a statement on the remuneration policy for the managing and supervisory bodies and other managers as set forth in Article 248-B.3 of the Securities Code. In this context, the criteria and main parameters for assessing performance in order to determine the variable component, be it in the form of shares, share options, annual bonuses or other components, shall be explained to the shareholders.</p>	Adopted		5.1 to 5.5
<p>II.1.5.3 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.</p>	Adopted		2.3.5. and 2.3.8.
<p>II.1.5.4 A proposal on the approval of share distribution and/or share option plan or plans based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in Article 248-B.3 of the Securities Code, shall be submitted to the general meeting. These proposals should contain all the information necessary for a proper appraisal of the plans and should be accompanied by their regulations, or if these have yet to be drafted, by the general conditions that shall govern them. Likewise, the main features of the pension system for members of the managing and supervisory boards and other company officers, as set forth in Article 248-B.3 of the Securities Code, should be approved by the general meeting.</p>	Not applicable		
<p>II.1.5.5 The remuneration of the individual members of the managing and supervisory bodies shall be disclosed annually, indicating, where applicable, the different components received as fixed and variable remuneration and remuneration received from other group companies or companies controlled by shareholders with qualifying holdings.</p>	Adopted		5.3. and 5.4.
II.2. BOARD OF DIRECTORS			
<p>II.2.1 Within the limits of the law for each managing and supervisory board and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be indicated in the annual corporate governance report.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that are considered strategic due to the amounts or risks involved or their special characteristics.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.3 If the chairman of the Board of Directors has executive duties, the board shall find efficient mechanisms for coordinating the work of the non-executive members so as to ensure that they can make independent, informed decisions and shall explain these mechanisms to the shareholders in the corporate governance report.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.4 The company's annual report shall include a description of the work done by the non-executive directors and mention any constraints encountered.</p>	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
<p>II.2.5. The Board of Directors must ensure rotation of the financial director at the end of at least every two terms of office.</p>	Not applicable	<p>This recommendation does not apply, given the corporate governance model adopted by EDP.</p> <p>In addition to the argument resulting from the chapter insertion of this recommendation, it is EDP's understanding that adopting a dual governance model allows for protection of the same rights, given that:</p> <ul style="list-style-type: none"> the General and Supervisory Board, and not the Board of Directors, is responsible for hiring the external auditor and for the relations with it; the Statutory Auditor is chosen by the General Meeting after a proposal by the General and Supervisory Board, which permanently monitors the former's activities; assessing the independence of the Statutory Auditor and External Auditor in their relations with the company is the competence of the General and Supervisory Board (assisted in this task by the Committee on Financial Matters/Audit Committee, as per the regulations for the latter). 	

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Observations	Description in the Report
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 in a timely fashion and appropriate form.	Adopted		2.3.3.
II.3.2 The chairman of the Executive Committee shall send the invitations to and minutes of its meetings to the chairman of the Board of Directors and, as applicable, the chairman of the Supervisory Board or Committee on Financial Matters/Audit Committee.	Not applicable	This recommendation does not apply, given the corporate governance model adopted by EDP.	
II.3.3 The chairman of the Executive Board of Directors shall send the invitations to and minutes of its meetings to the chairman of the General and Supervisory Board and chairman of the Financial Committee.	Adopted		2.3.3.
II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL COMMITTEE, COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE AND SUPERVISORY BOARD			
II.4.1 In addition to its supervisory duties, the General and Supervisory Board shall advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinions include: i) defining the company's general strategy and policies; ii) the business structure of the group; and iii) decisions that are considered strategic due to the amounts or risk involved or their special characteristics.	Adopted		2.3.2
II.4.2 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board shall be published on the company's website along with the financial statements.	Adopted		2.3.2.
II.4.3 The annual reports on the activities of the General and Supervisory Board, Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board shall include a description of their supervisory activities and reference any constraints encountered.			2.3.2.
II.4.4 The Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board, depending on the applicable model, shall represent the company in all dealings with the external auditors. They may also make suggestions as to the providers of these services and their remuneration, ensuring that the right conditions exist in the company for the services to be performed and acting as the company's interlocutor and first recipient of their reports.	Adopted		2.3.8.
II.4.5 The Financial Committee, Committee on Financial Matters/Audit Committee and Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and should just cause be given move that the General Meeting dismiss them.	Adopted		2.3.8.
II.5. SPECIALISED COMMITTEES			
II.5.1 Unless the company is very small, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any committees necessary for: i) performing a competent and independent assessment of the executive directors' performance and evaluating their own overall performance and that of other committees; ii) reflecting on the adopted system of governance, checking its effectiveness and proposing, to the competent bodies, measures aimed at improving it.	Adopted		2.3.8.
II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors.	Adopted		2.3.8.
II.5.3 All committees must keep minutes of their meetings.	Adopted		2.3.8.
III. DISCLOSURE AND AUDITS			
III.1 GENERAL DISCLOSURE OBLIGATIONS			
III.1.2 Companies shall ensure permanent contact with the market, respect the principle of equality of shareholders and prevent imbalance in access to information by investors. In order to achieve this, the company shall have an investor relations office.	Adopted		7.1. and 7.2.
III.1.3 The following information on the company's website must be published in English: a) the company name, status as public limited company, registered office and all other information mentioned in Article 171 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		7.3



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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.

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.

In accordance with this procedure the members of General and Supervisory Board declared, in accordance with the independence criteria provided for in Article 414 5) of the Companies Code and Article 9 of the Articles of Association, that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and do not hold a stake in EDP of 2% or more of its share capital nor represent any such shareholder.

At this respect is worth mention that at the General Meeting of 15 April 2009, the appointment of Sonatrach as a member of the General and Supervisory Board under Article 10.4 of the Articles of Association was authorised, given that, pursuant to Articles 10.1 a) and 10.7 of the Articles of Association, Sonatrach is a legal person that competes with EDP.

The Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders have also declared that they comply with the independence and incompatibility criteria for their respective offices laid out in Articles 414.5 and 414-A.1 of the Companies Code and Articles 9 and 10 of the company's Articles of Association.

Through the term of office in course, it was not verified any circumstance that lead to a situation of loss of independency or to the appearance of any incompatibility regarding the members of the Executive Board of Directors, the members of the General and Supervisory Board and the Chairman and Vice-Chairman of the Board of the General Meeting of Shareholders.

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 comprising an administration body responsible for the company management, the Executive Board of Directors, and a supervisory body, the General and Supervisory Board.

The EDP corporate governance model is aimed at ensuring separation of functions and specialisation of supervision with the due transparency and rigour. The EDP management and supervision structure is made up of three bodies:

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

This model is also aimed at aligning the interests of EDP and its shareholders. Accordingly, the EDP General Meeting of Shareholders appoints and dismisses 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).

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.

The choice of this management and supervision model was made in the context of the amendments to the Companies Code introduced by Decree-Law no. 76-A/2006 of 29 March. The model came into force on the same date as the new EDP Articles of Association, i.e. 30 June 2006, according with the deliberation approved on the Annual General Shareholders Meeting of 30 March 2006. For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

In accordance with the EDP Articles of Association, the General Meeting appoints and dismisses the members of the Executive Board of Directors and of the General and Supervisory Board, as well as the Statutory Auditor.

The General and Supervisory Board may propose to the General Meeting the dismissal of any member of the Executive Board of Directors and of the Statutory Auditor.

In relation to the assessment of the corporate governance model and in accordance with its powers in this matter, the



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General and Supervisory Board registered its conclusions in its Annual Report, which can be summarised as follows:

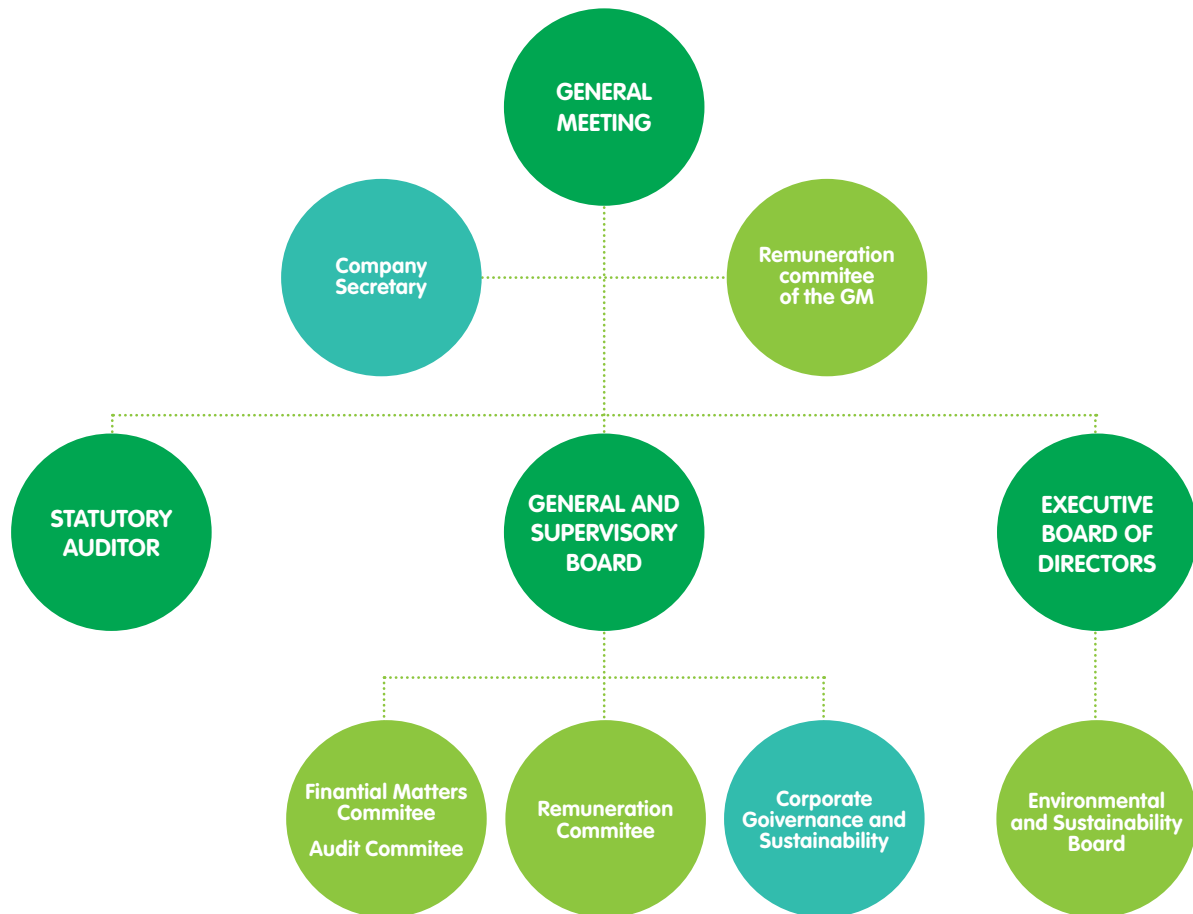
- The governance model adopted by the shareholders proves to be adequate to the organisation of the EDP business, especially as it ensures a fair balance between the necessary flexibility and amplitude of the management powers and the effectiveness of the general supervision of the company and specific 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



● Corporate bodies¹ ● Corporate entities ● Other statutory bodies

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.

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 re-elected by the General Meeting on 15 April 2009 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 Menezes 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 EDP General and Supervisory Board is the body that oversees the company's management activity and guarantees permanent monitoring and supervision of the administration of the company, cooperating with the Executive Board of Directors and all other corporate bodies in 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 made up of 17 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by an internal regulation, available on the EDP website (www.edp.pt).

The professional qualifications of the members of the General and 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;



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- 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 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 2009, the General and Supervisory Board met 7 times.

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 2009 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.

Until April 15, 2009, the composition of the General and Supervisory Board was as follows:

General and Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Coraceiro de Castro	Independent
	António Francisco Barraso de Sousa Gomes	Independent
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Barradas de Lacerda Machado	Independent
	Eduardo de Almeida Catroga	Independent
	Fernando Manuel Barbosa Faria de Oliveira	
	José Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	
	José Maria Espírito Santo Silva Ricciardi	
	Khalifa Adbulla Khamis Al Romaihi	
	Manuel Fernando de Macedo Alves Monteiro	Independent
	Mohamed Meziane (as representative of Sonatrach)	
	Rui Eduardo Ferreira Rodrigues Pena	Independent
	Vasco Maria Guimarães José de Mello	
	Vitor Domingos Seabra Franco	Independent

On 4 and 6 March 2009, Victor Domingos Seabra Franco and Vital Moreira Martins resigned, respectively, to the office of members of the General and Supervisory Board. As a consequence, the offices held by them in the committees that they belonged to were also terminated.

Following the General Meeting held on 15 April 2009, the company Cajastur Inversiones, SA and Societe Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialization des Hydrocarbures ("Sonatrach") appointed, respectively, José Maria Brandão de Brito and Mohamed Meziane, as their representatives in the General and Supervisory Board.

After the General Meeting on 15 April in which members of the corporate bodies for the term corresponding to the three-year period 2009/2011 were elected, the General and Supervisory Board has the following composition:

General and Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Coraceiro de Castro	Independent
	António Sarmiento Gomes Mota	Independent
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Barradas de Lacerda Machado	Independent
	Eduardo de Almeida Catroga	Independent
	Fernando Manuel Barbosa Faria de Oliveira	
	José Manuel dos Santos Fernandes	Independent
	José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	
	José Maria Espírito Santo Silva Ricciardi	
	Khalifa Adbulla Khamis Al Romaihi	
	Manuel Fernando de Macedo Alves Monteiro	Independent
	Mohamed Meziane (as representative of Sonatrach)	
	Ricardo José Minotti da Cruz Filipe	Independent
	Rui Eduardo Ferreira Rodrigues Pena	Independent
	Vasco Maria Guimarães José de Mello	
	Vitor Fernando da Conceição Gonçalves	Independent

On 10 February 2010, Sonatrach informed EDP that, pursuant to the resignation to the office of Mohamed Meziane, he would be replaced by Farid Boukhalfa as its representative in the General and Supervisory Board.



corporate governance

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

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 made up of 7 members, who were re-elected at the General Meeting of 15 April 2009 for the term corresponding to the three year period 2009/2011.

The professional qualifications of the members of the Executive Board of Directors can be consulted in the Corporate Bodies section.

The Executive Board of Directors habitually meets once a week, though it is obliged to meet only once every two months.

The Executive Board of Directors requires the presence of a majority of its members at a meeting in order to deliberate. Each member may not represent more than one other member at a meeting. All directors have equal voting rights and the Chairman has the casting vote.

The work of the Executive Board of Directors is governed by 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.

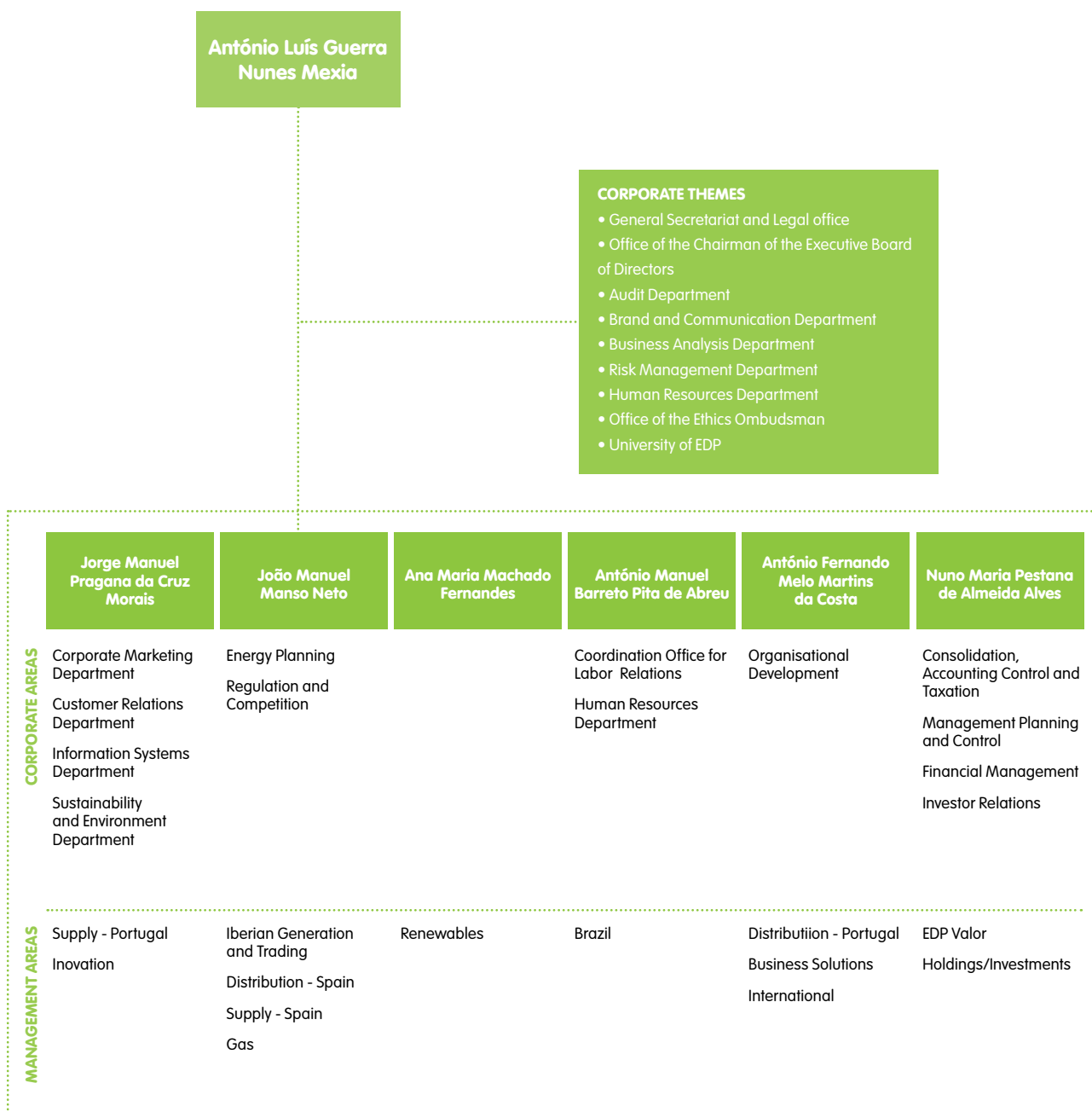
The Chairman of the Executive Board of Directors forwards to the support office of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible 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 48 times in 2009.

The Executive Board of Directors is organised in accordance with the following management areas and corporate areas:

EXECUTIVE BOARD OF DIRECTORS





corporate governance

The offices held by members of the Executive Board of Directors in other Group companies are as follows:

Offices Held by Members of The Executive Board of Directors							
	António Mexia	Ana Maria Fernandes	António Martins da Costa	António Pita de Abreu	João Manso Neto	Jorge Cruz Morais	Nuno Almeida Alves
Balwerk – Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	-	CBO	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	CBO	A	-	VCBD + DC	-	-	A
EDP – Estudos e Consultoria, S.A.	-	-	-	-	A	CBO	-
EDP – Gestão da Produção de Energia, S.A.	R	R	R	R	R	R	R
EDP – Soluções Comerciais, S.A.	-	-	-	-	CBO	-	-
EDP Ásia – Investimentos e Consultoria Lda.	-	-	-	-	CBO	-	-
EDP Comercial – Comercialização de Energia, S.A.	-	-	-	-	CBO	A	-
EDP Energias do Brasil, S.A.	-	-	-	-	A	CBO	-
EDP Energia Ibérica S.A.	-	-	-	-	-	-	CBO
EDP Finance BV	-	-	CBO	-	-	-	-
EDP Gás II, SGPS, S.A. (ex NQF Gás, SGPS,S.A.)	-	-	-	-	CBO	-	-
EDP Gás III, SGPS, S.A. (ex NQF – Energia, SGPS, S.A.)	-	CBO	-	VP	-	-	-
EDP Gás, SGPS, S.A.	CBO	VCBD	A	-	A	-	A
EDP Gás.Com – Comércio de Gás Natural, S.A.	-	-	-	A	-	CBO	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	CBO
EDP Internacional, S.A.	-	-	-	-	-	-	D
EDP Investimentos, SGPS, S.A. (ex NQF – PTE, SGPS, S.A.)	-	-	-	-	CBO	-	-
EDP Renováveis Brasil, S.A.	-	CBO	-	-	-	-	-
EDP Renováveis, S.A.	-	-	-	-	-	-	CBO
EDP Serviner – Serviços de Energia, S.A.	-	A	-	A	VP/CD	A	A
EDP Valor – Gestão Integrada de Serviços, S.A.	-	A	CBO	-	-	-	A
Electricidade de Portugal Finance Company Ireland Lt.	-	-	-	-	VP	A	-
Empresa Hidroeléctrica do Guadiana, SA	-	CBO	-	-	-	-	-
ENEOP – Eólicas de Portugal, S.A.	-	-	-	-	-	-	CBO
Energia RE, S.A.	-	-	-	-	-	-	CBO
Hidroeléctrica del Cantábrico, S.A.	-	A	-	A	VP/CD	A	A
Horizon Wind Energy, LLC	-	A	PCA	-	-	-	A
Naturgás Energía, S.A.	-	-	-	-	VP	A	-
Nuevas Energias de Occidente, S.L.	-	PCA	-	-	-	-	-
Sávida – Medicina Apoiada, S.A.	-	-	-	-	-	-	PCA
SCS – Serviços Complementares de Saúde, S.A.	-	-	-	-	-	-	PCA

CBD - Chairman of the Board of Directors
 M - Manager
 CEBD - Chairman of the Executive Board of Directors
 VCBD - Vice-Chairman of the Board of Directors
 DC - Director-Chairman of the Board (Executive Board)

A – Administrador
 R – Representative
 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 were re-elected by the General Meeting of 15 April 2009 and are as follows:

Statutory Auditor

Permanent	KPMG & Associados, SROC, S.A. represented by Jean-éric Gaign, ROC
Alternate	Vitor 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.

Until April 15, 2009, the Remuneration Committee – General Meeting was composed of the following members:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	Parpública – Participações Públicas, (SGPS), SA

The current members of the Remuneration Committee – General Meeting elected by the General Meeting of 15 April 2009 are as follows:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	Carlos Alberto Veiga Anjos
	Parpública – Participações Públicas, (SGPS), SA

This General Meeting was attended by the members of the Remuneration Committee – General Meeting who have set the remuneration of the corporate bodies during the term of office which expired on 31 December 2008.

The President of the Committee issued a statement on the remuneration policy followed by the Committee over such term.

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 of 2010, in accordance with Law 28/2009 of 19 June, the Chairman of the Remuneration Committee - General Meeting intends to submit the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period term.

2.3.6. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment and Sustainability Board was elected by the General Meeting of 15 April 2009 for a term period of three years.

This 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.

Until April 15, 2009, the Environment and Sustainability Board was composed by the following members:

Environmental and Sustainability Board

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

The current composition of the Environment and Sustainability Board elected by the General Meeting of 15 April 2009 is as follows:

Environmental and Sustainability Board

Chairman	João Martins Ferreira do Amaral
	Miguel Pedro Brito St. Aubyn
	Maria Madalena Monteiro Garcia Presumido
	Maria da Graça Madeira Martinho
	José de Sousa Cunhal Sendim

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.

Until April 15, 2009, the Company Secretary and alternate were:



corporate governance

Company Secretary	
Secretary	Maria Teresa Isabel Pereira
Alternate	Maria Virgínia Bastos dos Santos

The current Company Secretary and alternate are:

Company Secretary	
Secretary	Maria Teresa Isabel Pereira
Alternate	Ana Rita Pontífice Ferreira de Almeida Côte-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.

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).

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.

At April 15, 2009, the Committee on Financial Matters/Audit Committee was composed of the following members:

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

Currently, and since May 7, 2009, the Committee on Financial Matters/Audit Committee comprise the following members elected at the General Meeting of 15 April 2009 for the current three year term of office 2009/2011:

Financial Matters Committee/Audit Committee	
Chairman	Vítor Fernando da Conceição Gonçalves
	António Sarmento Gomes Mota
	Manuel Fernando de Macedo Alves Monteiro

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 2009, the Committee on Financial Matters/Audit Committee met 15 times. Minutes of all meetings were drawn up.

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. 1/2007.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the 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.

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 2009, the committee met 5 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.

Remuneration Committee of the GSB

Chairman	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	Vasco Maria Guimarães José de Mello

The members of the Remuneration Committee, which belonged to this committee during the term of the General and Supervisory Board ended December 31, 2008, attended the General Meeting on 15 April 2009. The Chairman of the Committee submitted at the General Meeting a statement on the remuneration policy adopted by the Committee during this period.

As regards the term 2009/2011, the Remuneration Committee decided on 21 September 2009 to approve the remuneration policy applicable to the Executive Board of Directors, setting their fixed remuneration. In the annual General Meeting of 2010, in accordance with Law 28/2009 of 19 June, the Chairman of this Committee intends to submit for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term.

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.



corporate governance

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 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 2009, the Committee met 4 times. Minutes of all meetings were drawn up.

Until April 15, 2009 the committee had the following composition:

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	Diogo Campos Barradas de Lacerda Machado
	José Maria Espírito Santo Silva Ricciardi
	Manuel Fernando de Macedo Alves Monteiro

The committee currently consists of the following members:

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	António Sarmiento Gomes Mota
	Diogo Campos Barradas de Lacerda Machado
	José Maria Brandão de Brito
	José Manuel dos Santos Fernandes
	José Maria Espírito Santo Silva Ricciardi
	Khalifa Abdulla Khamis Al Romaihi
	Ricardo José Minotti da Cruz Filipe

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 2009, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

In the context of the qualitative improvement of the governance practices, it should be noted that the General and Supervisory Board has approved, on 29 October 2008, the "Reference Framework for the Treatment of Conflicts of Interests", which is available for consultation on the EDP website (www.edp.pt). This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that resulting from CMVM Regulation no. 1/2007.

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.

With reference to 2009, the Corporate Governance and Sustainability Committee concluded that, with respect to the cases it analysed and on the basis of the information provided by the Executive Board of Directors, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

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 2008 and 2009, in compliance with Article 447 5) of the Companies Code.

EDP SHARES HELD BY COMPANY OFFICERS

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil S.A.
	Movements in 2009	Avg. Purch./ Sales price (euros)	N.º Shares 31-12-2009	N.º Shares 31-12-2008	Avg. Purch./ Sales price (euros)	N.º Shares 31-12-2009	N.º Shares 31-12-2009
General and Supervisory Board							
António de Almeida ¹	-	-	0	0	-	1,200	0
Alberto João Coraceiro de Castro	-	-	4,578	4,578	7.70	1,580	0
António Sarmiento Gomes Mota	-	-	0	-	-	0	0
Cajastur Inversiones, S.A.	-	-	183,257,513	183,257,513	-	-	-
José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	-	-	0	0	-	0	0
Carlos Jorge Ramalho dos Santos Ferreira	-	-	40,000	40,000	-	0	0
Diogo Campos Barradas de Lacerda Machado	-	-	260	260	-	0	0
Eduardo de Almeida Catroga	-	-	1,375	1,375	-	0	0
Fernando Manuel Barbosa Faria de Oliveira	-	-	0	0	-	0	0
José dos Santos Fernandes	-	-	0	-	-	600	0
José Maria Espírito Santo Silva Ricciardi ²	-	-	0	0	-	2,320	0
Khalifa Adbulla Khamis Al Romaihi	-	-	0	0	-	0	0
Manuel Fernando de Macedo Alves Monteiro	-	-	0	0	6.82	2,750	0
Ricardo José Minotti da Cruz Filipe	-	-	6,622	-	-	500	0
Rui Eduardo Ferreira Rodrigues Pena	-	-	1,445	1,445	8.00	380	0
Sonatrach	-	-	81,713,076	81,713,076	-	-	-
Mohammed Meziane (as representative of Sonatrach)	-	-	0	0	-	0	0
Vasco Maria Guimarães José de Mello	-	-	0	0	-	0	0
Vitor Fernando da Conceição Gonçalves	-	-	3,465	3,465	-	680	-
Executive Board of Directors							
António Luís Guerra Nunes Mexia	-	-	1,000	1,000	7.79	4,200	1
Ana Maria Machado Fernandes	-	-	0	0	7.72	1,510	1
António Fernando Melo Martins da Costa ³	-	-	13,299	13,299	7.68	1,480	11
António Manuel Barreto Pita de Abreu ⁴	-	-	34,549	34,549	7.60	1,810	1
João Manuel Manso Neto	-	-	1,268	1,268	-	0	0
Jorge Manuel Pragana da Cruz Morais ⁵	-	-	12,497	12,497	7.80	1,990	0
Nuno Maria Pestana de Almeida Alves	10,000	2.614	50,000	40,000	7.76	5,000	1

¹ The shares of EDP Renováveis, S.A. were purchased in 2008;

² The shares of EDP Renováveis, S.A. are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi and were purchase in 2008;

³ The shares of EDP Renováveis, S.A. includes 150 shares held by his wife, Anna Starzenska Martins da Costa;

⁴ The shares of EDP - Energias de Portugal, S.A. includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;

⁵ The shares of EDP Renováveis, S.A. includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto.

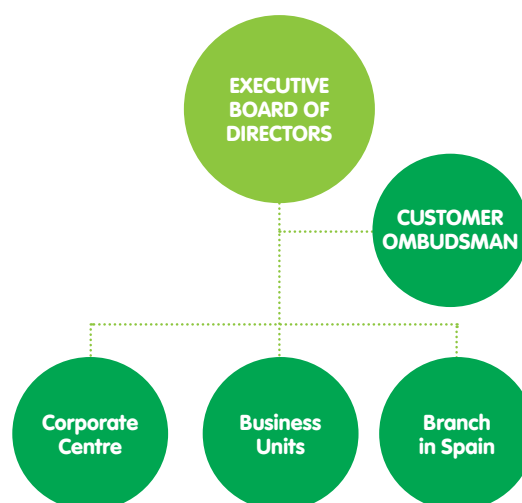
3. FUNCTIONAL STRUCTURE OF EDP

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.



● Functional structures



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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, Accounting Control and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Financial Management Department	Paula Cristina Guerra
MARKETING AND COMMUNICATION AREA	
Corporate Marketing Department	Maria Inês Lima
Brand and Communication Department	Paulo Campos Costa
Customer Relations Department	Paula Pinto da Fonseca
SYSTEMS AND ORGANISATIONAL AREA	
Information Systems Department	José Salas Orta
Organisational Development Department	Rui Ferin Cunha
HUMAN RESOURCES AREA	
HR 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

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, Accounting Control and Taxation Department (DCF)** is structured into three areas of operation: (i) the area of consolidation, the main task of which is consolidation of the Group accounts and accounting reports; (ii) the area of corporate accounting standardisation (national, international and environmental); and (iii) the area of taxation. Its mission is to render the Group's accounts and define, implement, monitor and coordinate the rules, guidelines, policies and procedures for all the Group companies in Portugal, Spain, Brazil and other countries in matters of accounting, internal control, taxation, consolidation and

reporting on a local and international basis (IFRS-IAS) in a standardised and consistent way.

The main tasks of the **Management Planning and Control Department (DCG)** are to support the Executive Board of Directors in the Group's corporate planning and to challenge the business units in their performance, guaranteeing their alignment with the Group's strategic objectives. It is responsible for coordinating the EDP Group's business plan and budget and for the corporate management control process.

The mission of the **Financial Management Department (DFN)** is to optimise the consolidated financial operations of the Group and control the financial liabilities in accordance with the approved policies. The DFN proposes the financial management policy of the Group and pursues implementation thereof. Its main responsibilities are: i) negotiating, managing and controlling financing, credit lines and banking and financial products and services; ii) optimising the Group's cash management; iii) proposing financial risk management policies, particularly in relation to interest and exchange rates, and applying the policies in the market; iv) liaisons with the debt capital and banking markets and the rating agencies; and v) 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



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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

Following the approval of the Group EDP Code of Ethics Regulation in 2008 by the General and Supervisory Board, the Ombudsman was designated and its respective office was set up, reporting directly to the Chairman of the Executive Board of Directors.

In the carrying out of its activity, the GPE has the technical support of the Sustainability and Environment Department.

During 2009, 226 complaints were received by the communications channels set up in the several geographical areas in which the group is present for the ethical reports, 23 of which were considered as not having an ethical nature.

From those reports, 14 are still active in 2010, as they are still pending proceedings.

The assessment and treatment of the above mentioned complaints were carried out by the competent structures as set out in the Group EDP Code of Ethics Regulation.

The ethical reports are classified in accordance with the principles and values established in the Code, including the areas of Ethics and Legislation, Workplace Behavior, Human Rights and Equal Opportunities, Integrity, Relations with Clients and Suppliers and Sustainability and Environment.

Of the complaints received in 2009, 76% related to the Relations with Clients and Suppliers area, 6% to the Workplace Behavior area, 5% to the Sustainability and Environment area, 3% to the Human Rights and Equal Opportunities area and 0% to the Integrity area (the remaining 10% corresponded to complaints of a non ethical nature).

The majority of the complaints included in the Relations with Clients and Suppliers area did not result from complaints having an ethical nature but from processes with clients to whom a contact with the Ethics Ombudsman was suggested.

Of all complaints received, around 53% originated in Brazil, 43% in Portugal and 4% in Spain.

Additionally, the EDP Ethics Project was launched through training of employees who have leadership responsibilities, who shall train the remaining employees in the second phase of the Project.

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.

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

In 2009 this committee met three times, all such meetings being chaired by the Chairman of the Executive Board of Directors.

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.

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

The Innovation Committee held one meeting in 2009, which was chaired by a member of the Executive Board of Directors responsible for the financial area as a representative of the Chairman of the Executive Board of Directors.

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. The committee meets on a quarterly basis.

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



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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.

In 2009, this committee met three times, with the presence of members of the Executive Board of Directors at all meetings.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- To support the Executive Board of Directors in drawing up proposals for defining the EDP Group's strategic objectives with regard to accident prevention and safety at work, appraising the degree of application and effectiveness thereof and reporting on progress;
- To provide a critical analysis of the Annual Report and to give an opinion on the EDP Accident Prevention and Safety Action Plan;
- To monitor the evolution 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.

Accident Prevention and Safety Committee

Member of Executive Board of Directors
 Member of the Board of EDP Valor (Responsible for Accident Prevention and Safety Department)
 Member of the Board of EDP Distribuição (RH)
 Member of the Board of EDP Produção (RH)
 Member of the Board of EDP Valor (RH)
 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

During 2009, the committee held one meeting, chaired by the member of the Executive Board of Directors member responsible for the financial area.

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.

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 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.

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

In 2009 the committee met 18 times, with the Executive Board of Directors member responsible for the financial area attending all meetings.

CAREERS, MOBILITY AND TRAINING COMMITTEE

The Careers, Mobility and Training Committee has the following main areas of responsibility:

- Approving measures designed to further evolution and/or mobility of the workforce, in particular with reference to Macrostructure workers, high-potential managerial staff and performers with potential;
- Guaranteeing the implementation of Succession Plans for key positions in the EDP Group;
- Monitoring the development of careers in the Macrostructure workforce, high-potential managerial staff and performers with potential and analysing expectations and possible hindrances; and,
- Approving the EDP Group's Training Plan and monitoring its implementation.

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

This committee met once in 2009. All members of the Executive Board of Directors attended the meeting.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for the following:

- Approving the remuneration model (fixed, variable and incentives) for all employees in the EDP Group, 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.

Remuneration Committee

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (6 Members)
Human Resources Department

This committee met once in 2009. All members of the Executive Board of Directors attended the meeting.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technologies Committee is responsible for the following:

- Developing guidelines for the strategic planning of information systems;
- Approving the annual plan and budget for information systems (application and infrastructure projects), to be submitted to the Executive Board of Directors for approval;
- Allocating funds and resources for large-scale initiatives;
- Defining priorities with respect to strategic projects;
- Projecting budget allocations for unplanned projects; and,
- Resolving issues such as the distribution of limited resources and those involving with unplanned requirements for strategic projects.

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

This committee met once in 2009. This meeting was chaired by the member of the Executive Board of Directors responsible for information systems.



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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.

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 Gas
Officer of HC Energia (Regulation)
Officer of Naturgas (Regulation)
Officer of EDP - Energias do Brasil (Regulation)
Representative of Naturgás (Regulation)
Representative of EDP Renováveis

This committee met 8 times in 2009, in the presence of members of the Executive Board of Directors and with the member of the Executive Board of Directors responsible for regulation attending the meetings.

ENVIRONMENT AND SUSTAINABILITY COMMITTEE

The Environment and Sustainability Committee has the following responsibilities:

- Preparing and annually updating the medium/long-term Strategic Sustainability and Environment Plan for the EDP Group to be submitted to the Executive Board of Directors for approval;
- Proposing the annual action plans and defining the objectives and goals to be met by the Group to be submitted to the Executive Board of Directors for approval;
- Monitoring the progress of approved plans of action; and,

- Monitoring the activities of the sustainability and environmental management structures of the Group companies.

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 Energia (Environmental)
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

Given the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever he/she deems fitting. The committee meets at least once every quarter.

The Committee of Sustainability and Environment held a meeting in 2009 and was attended by the Chairman of the Executive Board of Directors and the administrator with responsibility for the area of sustainability.

However, in 2009, most of the affairs of the Committee of Sustainability and Environment have been addressed in meetings of the Steering Committee, which was formed to follow up specific projects in the areas of sustainability and the environment.

This Committee met 5 times in 2009, with the presence of the Chairman of the Executive Board of Directors and the Administrator with responsibility for the area of sustainability.

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.

Procurement Committee

Member of Executive Board of Directors (CFO)
 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 Platform)
 Representative of EDP Gás (Procurement)

In 2009, this committee held 5 meetings which were chaired by the director responsible for the financial area.

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.

Prices and Volumes Committee

Member of Executive Board of Directors (Energy Planning and Gas)
 Member of Executive Board of Directors (Renewable)
 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 (Planning)
 Officer of UNGE
 Officer of EDP Produção (Planning and Control)
 Representative of Naturgás
 Representative of EDP Renováveis

In 2009, this committee held 4 meetings which were chaired by the member of the Executive Board of Directors responsible for energy planning.

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.

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)

This committee met twice in 2009, with the member of the Executive Board of Directors responsible for generation attending the meetings.

DISTRIBUTION COMMITTEE

The main responsibility of the Distribution Committee is to guarantee the Iberia-wide coordination of distribution and coordinate and standardise the activities of EDP Distribuição, HC Energia (Distribution) and EDP Brasil, with special reference to:

- Drawing up joint proposals for strategic objectives for the EDP Group's distribution activity, assessing their degree of implementation and effectiveness and reporting on progress;
- Monitoring developments in the main activity indicators and drawing up proposals for improvements;
- Reviewing the periodical reporting model, as well as other mechanisms for reporting, controlling and disclosing information;
- Promoting the development of national and international benchmarks;
- Fostering exchange of experiences on the regulatory environments and practices in the different regions; establishing guidelines for the regulation of matters under



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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. estabelecer orientações para a regulamentação das matérias da sua responsabilidade e acompanhar e estudar os impactos decorrentes das alterações ao nível de políticas, legislativo, regulamentar e organizativo dos sectores energéticos;

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

This committee met three times in 2009. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

COMMERCIAL COMMITTEE

The Commercial Committee's main responsibility is to coordinate the commercial area Iberia-wide and to ensure coordination and standardisation of the activities of EDP Comercial and HC Energia (Marketing and Supply), in particular:

- Exchange of information on the evolution of the business in each region, including the respective regulatory environments;
- Dissemination of best practices in the supply of energy services, with a view to identifying and harnessing synergies; and,
- Joint decision making in relation to business with an impact at the Iberian level, in particular with regard to setting objectives, implementing the marketing plan and defining conditions for energy purchase.

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
 General Manager of Naturgas
 Member of the Board of EDP - Energias do Brasil
 Brand and Communication Department
 Corporate Marketing Department
 Officer of HC Energia - Customer Relations
 Officer of HC Energia - Marketing
 Officer of Naturgas (Customer 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.

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

This committee met 3 times in 2009, with the member of the Executive Board of Directors responsible for the financial area attending the meetings.

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.

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 Energía (Hidroeléctrica del Cantábrico S.A.), as well as the indirect shareholding in NG Energía (Naturgas Energía 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 (Chairman)
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 Energía	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energía	Javier Sáenz de Jubera
1st Line Responsible, EDP Renováveis	João Paulo Costeira
1st Line Responsible, NG Energía	Francisco Granjo

Management Committee

General Corporate - Activities Spain	Miguel Ribeiro Ferreira (Chairman)
Business Analysis Department	Hugo Gouveia
Legal Department	Emilio 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	José Salas

Generation Coordination Committee

João Manso Neto

Supply Coordination Committee

Jorge Cruz Marais

Gas Coordination Committee

João Manso Neto



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3.6. RISK CONTROL AND MANAGEMENT SYSTEM

3.6.1. INTERNAL CONTROL OVER FINANCIAL REPORTING (ICOFR)

In line with the EDP Group's decision to strengthen and develop its internal control systems in 2009, using the ICOFR model (Internal Control Over Financial Reporting), it implemented all the activities required to extend this system to its business units in new countries and to the organisation overall, as well as transferring responsibility for maintaining and consolidating the information to the business units.

In this regard, EDP surveyed and documented all the cross-sectoral processes and controls identified at EDP Renováveis in all its structures, and updated the processes and controls surveyed in previous cycles.

In the businesses where ICOFR had been implemented in previous years (Portugal, Spain and Brazil), EDP ordered the review and maintenance of existing processes and controls, and any of these affected by significant organisational, structural and/or legislative changes were redesigned.

The new processes and controls resulting from use of ICOFR, and from the opportunities for improvement identified in the first review cycle (in 2008), were also documented and implemented with the assistance of an international consulting firm.

The following initiatives were also put into place:

- Approval and publication of the Internal Control Over Financial Reporting Manual for application in all countries;
- Implementation of the internal control computer support system in Portugal;
- Training of managers in the following areas:
 - * Use of the computer system;
 - * Theoretical and practical concepts; and
 - * Training consolidation through an e-learning course.

According to the plan for the 2010 cycle, the activities to be implemented include, among others:

- Extending the computer application to EDP Renováveis and Energias do Brasil;
- Launching the self-certification process;
- Performing the second review cycle for the internal control system, by conducting the corresponding design and performance tests.

The Group is strongly committed to continuing its wide-ranging and intensive efforts to develop the robustness of their 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 year 2009 was marked by the financial and economic global crisis. Therefore, the European utilities, although in a lesser extent than the industry in general, felt that impact. In fact, the general reduction in consumption led to situations of incomplete recovery of fixed costs, attenuated by low overall cost of fuel, as well as other operating costs and financial burdens. However, the diversity of business lines of the Group continued to provide a low level of risk, primarily due to: (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, including wind power, and even (iii) the application of appropriate hedging policies fit to promote the mitigation of the financial risks of fuel and price and volume of electricity purchased or placed in 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:

- **Identification and prioritization of risks.** The Risk Portal, an instrument developed internally for the consistent collection of information on each relevant risk is used at the EDP Group level. It provides qualitative and, as far as possible, quantitative assessment of the overall impact of a risk, the probability of occurrence and the control level, as well as drawing up priority matrixes for action and control. This tool allows answering the following questions: What are the key risks by business unit? Who is responsible for the management of 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:

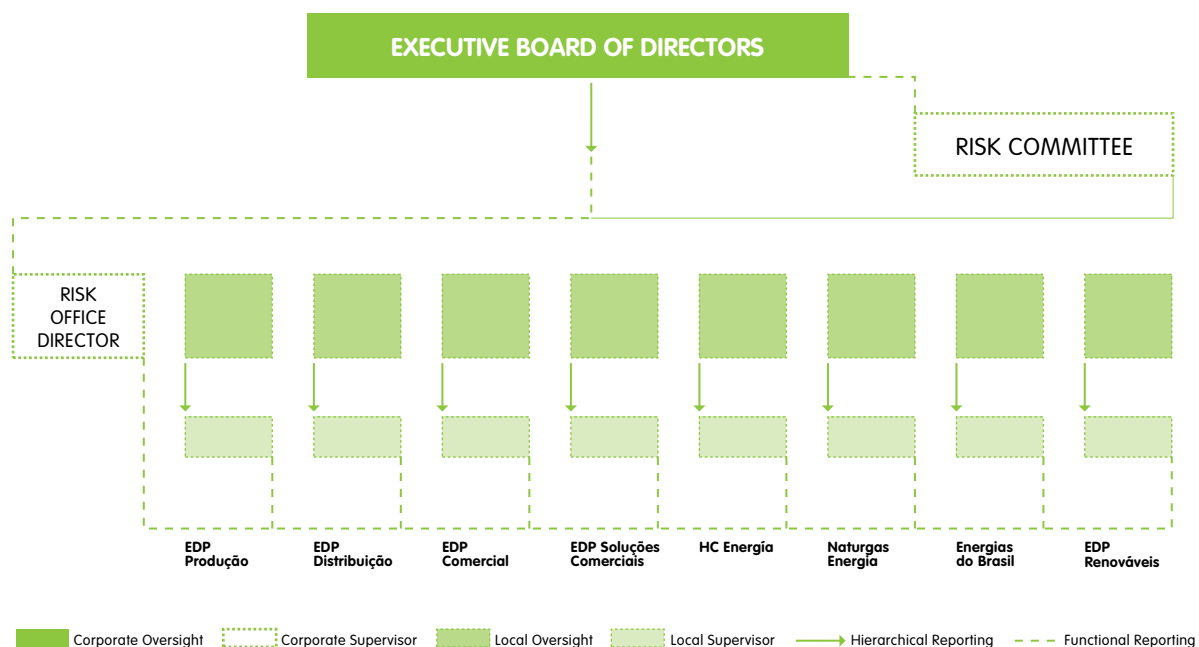
- Is positioned in relation of its debt rating;
- Aims to grow (with a focus on a policy of organic investment and acquisitions in core assets/disposals of non-core assets);
- Implement a dividends payment policy (and a policy of possible acquisition of treasury stock).

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 2009, it should be noted the following:

- Crisis and impacts on EDP: preview, in the beginning of the year, the effect of economic and financial crisis in the

consolidated results, due to the expectations of decrease in the growth in consumption and resulting excess in power generation capacity, and taking in consideration factors of economic and financial risk – inflation, interest rates, exchange rates and fuel prices.

- Network Electricity Distribution: review of regulatory risk and Portugal - Spain benchmarking in this area considering the diversity of densities of consumption and the impacts resulting from the stagnation of consumption growth and inflation;
- Energias do Brasil: Analysis of risk with a view to integrated risk assessment, with emphasis on those related to hydro - development of investment in electricity generation and regulatory issues for distribution, as well as for the assessment of alternative hedging strategies between the positions of Trading and Production;
- Risk analysis of EDP Renováveis, trying to establish an integrated assessment and developing of eventual natural hedgings, given the positions in dollars of Horizon (and composition of selling in the electricity markets or by PPA's arrangements) and dependence on market prices for electricity in Europe for the wind generation with price dependent on that sale price (indirectly related with the price of brent and currency exchange €/USD);
- Analysis of structural and cyclical factors of risk, which aims to support the definition of limits for guiding business units, as well as criteria for evaluating alternative hedging (including non-hedging) by comparison: eventual sacrifice of revenue - reductions in economic cost of risk;
- Trends in the Iberian electricity market pricing (MIBEL), separating the natural volatility (daily, weekly and seasonal volatility of consumption and volatility of renewable energy production) from the structural volatility (eventual excess of installed production capacity, price volatility of fuel and





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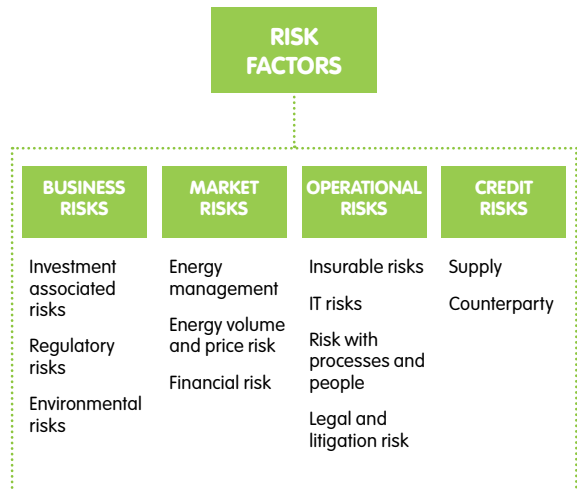
CO₂), in order to evaluate the quality of estimated average prices and annual spreads;

- Hydro and Risk Premium, with weighting for the chance to secure alternative revenue for production of small water obtained from the EDP in the market, not subject to the Costs of Maintenance of Contractual Equilibrium in the face of this situation self-insurance;
- Debt structure, analyzing the contribution of debt to the volatility of earnings before tax of EDP and its optimal structure, given the present maturity of the debt, fixed interest rate - floating rate, currency, and comparison with similar companies, but also the evaluation of criteria of return - risk for those conditions;
- Establishment of methodologies for better managing the credit risk - clients, through collaboration with HC Energia in preparation of the evaluation methodology and history of behavioral targeting customers for incorporation into the Project Smile (business management) and also through temporary secondment of a DGR senior staff member to Naturgas with the task of implementing a foresight process on the behavior of credit in diverse economic sectors and for new customers, but also in setting risk premiums and the possible need to provide collateral or guarantee;
- Analysis of aggregate risk top down and bottom-up simplified methodology compared to competitors, which continued to show a reduced level of risk for the EDP business, which has allowed EDP to use a greater financial leverage, to identical levels of rating;
- Analysis of aggregate risk bottom up to the Business Plan 2009 - 2012, which shows the maintenance of a low risk profile of the Group;
- Contribution to the Focus Group Enterprise Risk Management of Eurelectric either through active participation in development issues, or the constant changes to the subject regulatory risk in the sector. On this subject, advocated the need to stabilize the European regulatory landscape and take measures to support the sector, environmental challenges and the need for stability to achieve the high investments associated with the decarbonization of electricity and the intelligent management of distribution networks, taking into account in particular the addition of distributed generation and the potential for improvement in the rationalization of consumption.

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. FACTORES DE RISCO

The main risk factors identified by the EDP Group are structured as follows:



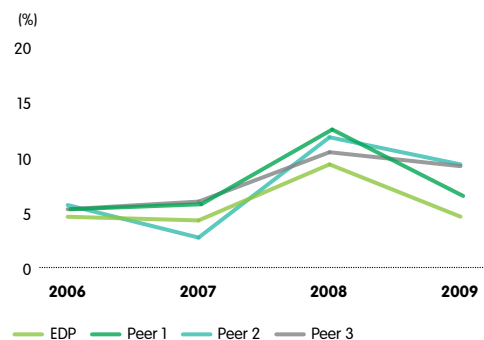
The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

As mentioned above, the effects of international financial crisis led, in general, the devaluation of business because of the systemic risk of the market. However, it is important to register that the EDP's share value has increased more favorably compared to the DJ Euro Stoxx Utilities index, during the year.

EDP Group has confirmed its low risk profile, given its lower exposure to structural market risk. However, this advantage will tend to reduce in the future, due to the replacement in the short/medium term, of power plants at end of life and protected by the mechanisms of CMEC's, by plants in the liberalized electricity market and also due to the largest natural exposure to foreign exchange risk arising from the growth of business in areas outside the euro.

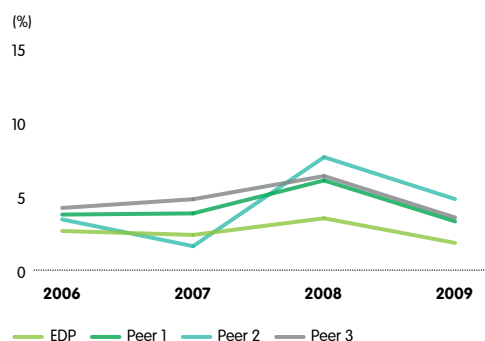
A top-down assessment of EDP's RaR - Return at Risk in a weekly basis (95% probability of not being exceeded) and also of its assets (here by the ratio Equity/Assets times the RaR of Equity) compared with that of Iberian competitors, confirms that the Group has a business portfolio with a smaller risk profile, even during the general increase in the critical year 2008.

R@R Weekly 95% - Equity



Source: EDP

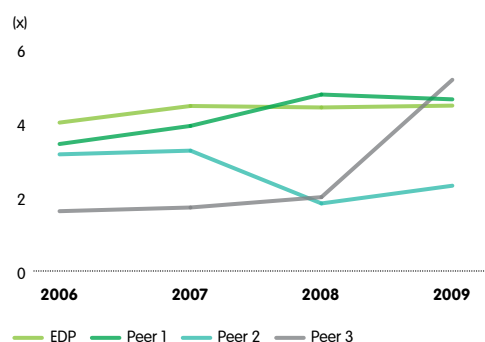
R@R Weekly 95% - Assets



Source: EDP

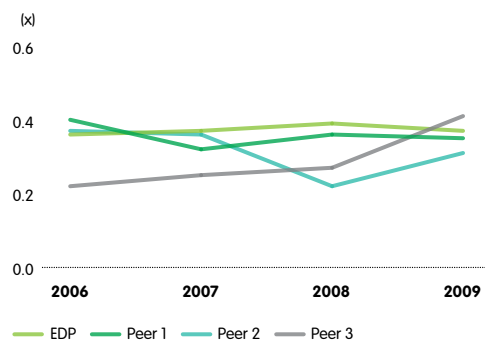
Moreover, and as the following graphs show, the Group's financial leverage - debt/assets - got a slight reduction and the structural net debt to EBITDA ratio remained at the same level and is expected to reach a value of less than 4 in 2012. The stay in the range of rating A assigned by S&P, level continues to be a goal. It represents a good compromise between the spread in this class on the cost of debt and the benefit from the tax deductibility of financial expenses, within the parameters of expected debt leverage.

Net Debt / EBITDA



Source: EDP

Net Debt / Assets



Source: EDP

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 and Lares CCGT power plants and small hydro in Portugal) because the majority are subject to the adjustment mechanism of CMEC's - 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 simulates the behaviour of the system and uses the Iberian MUR - Unified Risk Model (model risk analysis of UNGE 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, 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. Furthermore, the most important insurable risks are associated with generation, which is covered by insurance, managed by EDP Valor's Insurable Risk Management Office.



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Environmental risk: Power generation resources are more exposed to this risk due to the use of natural resources and also due to the emissions and waste that thermal power generation produces. The EDP observes a very strict Environmental Policy that seeks to fully comply with the parameters for the licensing of its facilities and introduce additional measures that will minimize possible responsibilities in this area. Also worth noting that an environmental liability insurance has been contracted trying to respond to new demands in this field.

Credit risk: In an organized market this is not a significant risk. In OTC market and fuel purchase operations, the UNGE 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). Note that the international crisis led to a revision of criteria, since some of the counterparties are linked to international groups with acknowledged difficulties. However, there have been no defaults.

Market supply:

Price risk for electricity: This risk is assumed by the UNGE once defined the volumes of sales to final customers from EDP Commercial and HC Energía, 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 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 shortage adjustments with the UNGE at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant fluctuation in the share of free market consumption depending on the attractiveness of the public tariffs, calls for dynamic management of this risk through integrated and regular intervention by the Prices and Volumes Committee set up for that purpose.

Commercial quality operational risk: In the free market, the criteria for commercial service quality are the entire responsibility of the Group, which has placed great emphasis on the good management of this risk.

Credit risk: This supply-related risk is managed primarily by the contractual criteria that are applied and, secondly, by EDP Soluções Comerciais, the unit entrusted with performing the metering – billing – payment collection cycle (in Spain, HC Energía and Naturgas).

Supply of Last Resort:

As defined in European legislation, consumers who opt for regulated tariffs are customers of the so-called Supplier of Last Resort. In Spain this infrastructure has, since the 1st of July, to cover a range of domestic consumers, taking a step in the extinction of the regulated tariffs for final consumption.

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 and about the consistency of a hybrid system with systematic arbitration between the regulated tariff of public service and free market. It is hoped 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 Energía. 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 (lines, cables, transformer stations, etc.) can exacerbate the impact resulting from failures and incidents. This risk is mitigated through the application of methods of operating, maintenance and safety procedures in line with the highest international standards. However, the end of the year was marked by some power interruptions in Portugal, with relevant impact in the media, as a result of the intense storm that devastated the affected regions, aspects that will be kept in mind in order to search the best solutions to any unexpected event of large dimension. Moreover, the insurable risks are covered by insurance.

Environmental risk: Although it is less relevant than in generation, the problem of overhead power lines in terms of their visual impact and bird flight paths is one worth mentioned. Particular attention is given to these questions in the planning and design phase and to additional measures that help to make the infrastructures compatible with birds that use them as resting places or sites for building their nests.

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.

As far as gas is concerned, the strategic partnership with Sonatrach, which is now becoming perceptible with the start into operation of the plants in partnership, introduces a significant contribution to profitable growth with controlled risk, in this sphere of activity, since it provides a significant increase in levels of flexibility and hedging.

The strong growth of the EDP Renováveis, but also the geographic diversity of its investments, clearly confirm the change in power production profile of the Group and compensates, in times of international crisis, a lower growth in other areas due to weakness in consumption growth. It also indicates a strong participation on the U.S.A, which market has a huge potential for growth and reduced country risk, confirming the Group as one of the major players in renewable energy and therefore low risk exposure relating to emissions of greenhouse gases.

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 received particular attention, given the international crisis experienced. The strong credit profile of EDP, in this difficult environment, was reconfirmed and it was made the bond issues necessary for the usual debt roll over and to finance growth of the Group for a total of two billion euros and one billion dollars. On the other hand, was successfully negotiated a credit line of one thousand and six hundred million euros (revolving credit facility) and also the transfer of rights to tariff adjustments in Portugal for the years 2007, 2008 and 2009, through two transactions, which provided about sixteen hundred million. Consequently, the liquidity risk is mitigated due to the policy of debt management and recruitment of new funding and even the availability of credit lines contracted (firm deals) and not used.

Given the financial management policies followed by the Group, one continues to be observed a low level of market risk and a diversified counterparty risk involving financial institutions with adequate ratings.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the Pension Fund assets and specific provisions included in the EDP balance sheet. 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 is evidence that criteria have been defined for establishing the necessary redundancies for the DPC – Data Processing Centre), thus continuing and consolidating the Disaster Recovery policy.

The most significant risks that are transferable to the insurance market have to do with industrial facilities. Both for these and for the risk of claims by third parties for material or personal damages and their consequences that may arise from the activities of the Group companies, the Insurable Risk Management Office at EDP Valor has applied the 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.

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.



corporate governance

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.

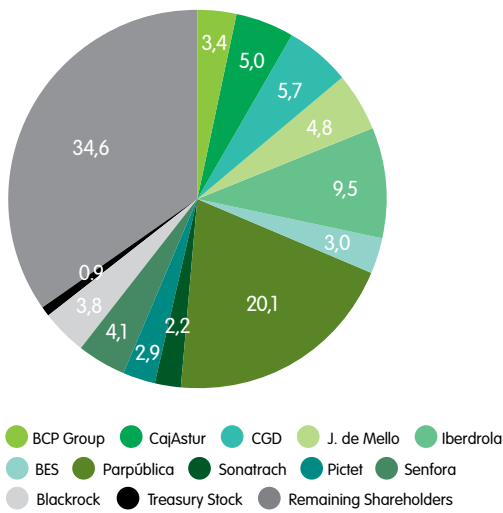
Category B shares are those to be reprivatized. Their only privilege is that their holders, or those representing them, are not subject to the voting restriction laid down in Article 14.3 of the Articles of Association, in relation to these shares.

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.

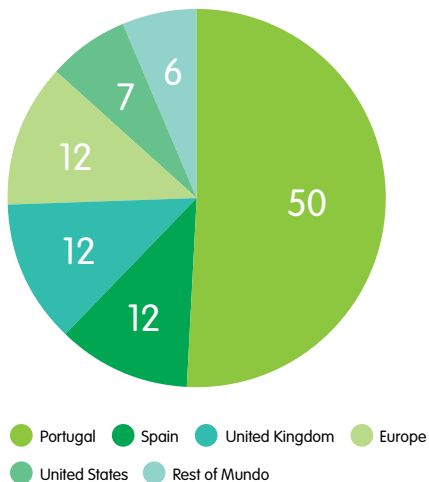
4.2. SHAREHOLDER STRUCTURE

The breakdown of the EDP shareholder structure by region and investor type in 31 December 2009 was as follows:

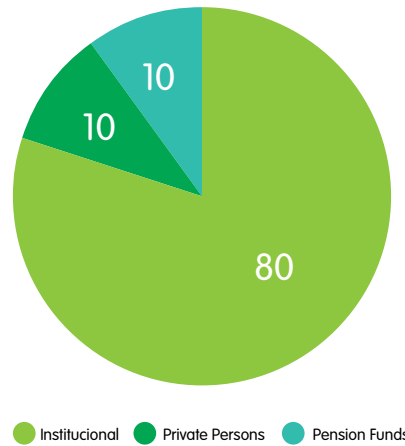
EDP Shareholder Structure (%)



Geographic Breakdown of Shareholder Structure (%)



Breakdown of Shareholder Structure by Investor Type (%)



4.3. QUALIFYING HOLDINGS

Pursuant to Article 8.1b of CMVM Regulation no. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in 2009 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	29,009,161	0.79%	0.80%
Non-privatised shares - Category B	704,141,551	19.26%	19.44%
Capitalpor – Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.29%
PARPÚBLICA - Participações Públicas, SGPS, S.A.	295,343,816	8.08%	8.15%
Total	733,150,712	20.05%	20.24%
The company Capitalpor – Participações Portuguesas, SGPS, S.A. is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A.			
IBERDROLA - Participações, SGPS, SA			
IBERDROLA - Participações, SGPS, SA	347,371,083	9.50%	5.00%
Total	347,371,083	9.50%	5.00%
GROUP CAIXA GERAL DE DEPÓSITOS			
Privatised shares - Category A	190.919.887	5.22%	5.00%
Caixa Geral de Depósitos	186.443.384	5.10%	-
Pension Fund of CGD	1.323.006	0.04%	-
Companhia de Seguros Fidelidade Mundial, S.A.	2.804.885	0.08%	-
Império Bonança - Companhia de Seguros, S.A.	179.439	0.00%	-
Via Directa - Companhia de Seguros, S.A.	13.490	0.00%	-
Multicare - Seguros de Saúde, S.A.	10.683	0.00%	-
Parcaixa, SGPS, S.A.	145.000	0.00%	-
Non-privatised shares - Category B	16.173.184	0.44%	0.45%
Parcaixa, SGPS, S.A.	16.173.184	0.44%	0.45%
Total	207.093.071	5.66%	5.45%
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. which, in turn, holds 100% of the share capital and voting rights of Via Directa - Companhia de Seguros, S.A.; ii) 70% of the share capital and voting rights of Império Bonança, SGPS, SA, which, in turn, holds 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A.; iii) 100% of the share capital and voting rights of Multicare - Seguros de Saúde, S.A.			
CAJA DE AHORROS DE ASTURIAS (CajAstur)			
Cantabrica de Inversiones de Cartera, S.L.	128,409,447	3.51%	-
Caja de Ahorros de Asturias (CajAstur)	54,848,066	1.50%	-
Total	183,257,513	5.01%	5.00%
The company Cantabrica de Inversiones de Cartera, S.L. is fully owned by Caja de Ahorros de Asturias (CajAstur)			
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.87%
Management and supervisory bodies	17,443	-	0.00%
Total	176,300,969	4.82%	4.87%
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%	4.10%
Total	148,431,999	4.06%	4.10%
The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.			
BlackRock, Inc.			
BlackRock Institutional Trust Company, N.A.	57,204,205	1.56%	1.58%
BlackRock Asset Management Limited/Blackrock Advisors UK Ltd.	36,180,065	0.99%	1.00%
BlackRock Investment Management (LUX)	16,300,000	0.45%	0.45%
BlackRock Fund Advisors	10,272,330	0.28%	0.28%
BlackRock Asset Management Japan Limited	9,005,713	0.25%	0.25%
BlackRock Investment Management (UK) Limited	2,681,060	0.07%	0.07%
BlackRock Fund Managers Ltd.	2,389,360	0.07%	0.07%
BlackRock Investment Management, LLC	2,158,147	0.06%	0.06%
BlackRock Japan Co. Ltd.	1,494,978	0.04%	0.04%
BlackRock (Netherlands) B.V.	1,439,485	0.04%	0.04%
BlackRock Asset Management Canada Limited	759,019	0.02%	0.02%
Total	139,884,362	3.83%	3.86%
All the companies mentioned above are controlled by BlackRock, Inc.			
Group Millennium BCP + PENSION FUND			
Corporate Bodies	28,380	-	0.00%
Foundation Millennium BCP	350,000	0.01%	0.01%
Banco Comercial Português, S.A.	337,551	0.01%	0.01%
Pension Fund of Group Millennium BCP	122,289,594	3.34%	3.38%
Pension Fund of Millennium CD	47,000	0.00%	0.00%
Total	123,052,525	3.36%	3.40%
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	111,000,000	3.04%	3.06%
Members of the Corporate Bodies	13,214	-	0.00%
Total	111,013,214	3.04%	3.06%
PICTET ASSET MANAGEMENT			
Pictet Asset Management	104,396,422	2.86%	2.88%
Total	104,396,422	2.86%	2.88%
SONATRACH¹			
Sonatrach	81,713,076	2.23%	2.26%
Total	81,713,076	2.23%	2.26%
EDP (Treasury Stock)	34,212,975	0.94%	
RESTANTES ACCIONISTAS	1,266,659,794	34.64%	
TOTAL	3,656,537,715	100.00%	

Note: In accordance with the made use once in n° 3 of the 14° of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 5% of the totality of the corresponding votes to the capital stock exceed. The percentage of voting rights was calculated based on 34 212 975 voting rights.
(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

Meetings of the General Meeting of Shareholders must be convened at least 30 (thirty) days in advance of the respective date with specific reference to the items on the agenda. Only shareholders with voting rights may attend the meetings, as well as other persons whose presence is considered justified by the Chairman of the Board of the General Meeting.

In accordance with Article 11.10 of the EDP Articles of Association, EDP shareholders can only attend the General Meeting of Shareholders if they have held shares for at least five working days before the date of the respective meeting and maintain that quality until the date of the meeting.

Proof of ownership of shares is provided by forwarding to the Chairman of the Board of the General Meeting, at least five working days prior to the date of the respective General Meeting, a declaration issued and authenticated by the financial intermediary entrusted with the account registration of the shares.

The declaration of the aforementioned financial intermediary must state that the shares in question were registered in the respective account at least five working days in advance of the date of the respective General Meeting and that the blockage of the shares in the account until the date of the General Meeting has been effected.

In the event of suspension of a General Meeting, EDP adopts Recommendation 1.2.2 of the Corporate Governance Code. Accordingly, for clarification purposes, express reference to application of the aforementioned recommendation shall be made on the notice for the General Meeting.

Shareholders may be represented by persons with full legal capacity. This must be communicated to the Chairman of the Board of the General Meeting by 5.00 p.m. on the second last day prior to the date of the General Meeting at the latest.

4.8. VOTES AND EXERCISING OF VOTING RIGHTS

Pursuant to Article 14.2 of the EDP Articles of Association, and in accordance with Recommendation 1.3.3 of the Corporate Governance Code, one share equals one vote.

Votes belonging to Category A shares cast by one shareholder on its own behalf or in representation of another shareholder that exceed 5% of the total votes corresponding to the share capital shall not be counted. This restriction applies in all matters voted on, including those for which the 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.



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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 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 2009 were 19,266,254.61 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.

The Vice-Chairman of the Board of the General Meeting is paid by means of attendance fees. The attendance fee of EUR 1,000.00 for his presence at the General Meeting held on 15 April 2009 was paid in 2009.

5.3. REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The remuneration policy for the members of the Executive Board is defined by the Remuneration Committee appointed by the General and Supervisory Board. The committee has defined the payment to be made to the members of the Executive Board of Directors to reflect the performance of each board member in each year of term of office (annual variable remuneration), as well as performance for the duration of the term of office through the fixation of a variable component that is consistent with maximisation of the long-term performance of the Company (multi-annual variable remuneration).

The Remuneration Committee of the General and Supervisory Board submitted a declaration on the remuneration policy to the General Meeting of 12 April 2007, that was applicable during the term of office corresponding to the previous three-year period (2006-2008) and lasted until the date of re-election of the Executive Board of the General Meeting held on 15 April 2009. According to the declaration, presented again in the General Meeting of April 15, 2009, the remuneration policy in question 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 100% of the annual gross fixed remuneration; the respective amount is determined on the basis of the following indicators for each year of office: relative performance of Total Shareholder Return of the EDP Group vs. Eurostoxx Utilities and PSI-20, the real capacity for creation of shareholder value, Gross Margin growth, Net Profit growth and EBITDA growth;

- Multi-annual Variable Remuneration – likewise, for each of the Executive Board of Directors members this component can be between 0% and 100% of the annual gross remuneration, depending on the annual accumulated assessment of the performance of the directors in achieving the economic sustainability of the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the set strategic objectives have been achieved; these will be assessed on the basis of the performance and comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors: relative performance of the EDP Group's EBITDA vs. Eurostoxx Utilities and PSI-20 in the term of office; the EDP Group's capacity for creation of value in the term of office; relative performance of the Group's stock market capitalisation vs. Eurostoxx Utilities and PSI-20 in the term of office; performance of the sustainability index applied to the EDP Group (DJSI method); EDP Group's image in the national and international markets; capacity for change and adaptation to new market demands; and compliance with strategic goals set for the EDP Group.

The time frame taken into consideration for determining the value of the multi-annual variable remuneration component (3 years), the use of medium-term strategy oriented qualitative criteria in the company development, the existence of caps for the variable remuneration and the relative weight of that component in the overall payment are decisive elements in fostering performance in the company management that is not concentrated on short-term objectives alone, but includes the medium and long-term interests of the company and the shareholders in its performance.

In compliance with Law 28/2009 of 19 June, the Remuneration Committee shall submit to the next General Meeting a statement on the remuneration policy for the term of office corresponding to the three-year period 2009/2011.

As regards the remuneration of members of the Executive Board of Directors for the office term corresponding to the three-year period 2009/2011, the Remuneration Committee of the General and Supervisory Board decided on September 21, 2009, to maintain the same level of fixed remuneration that was in force the previous year.

The table below shows the gross remuneration amounts paid to each of the members of the Executive Board of Directors during the year 2009.

Euros	Fixed	Remuneration paid by other companies majority held by EDP	Variable			
			Annual	Multi-annual 2006	Multi-annual 2007	Multi-annual 2008
António Luís Guerra Nunes Mexia (Chairman)	703,448.20		600,000.00	600,000.00	600,000.00	600,000.00
Ana Maria Machado Fernandes	315,901.43	246,857.13	451,200.00	480,000.00	480,000.00	480,000.00
António Fernando Melo Martins da Costa	553,846.02	159,691.47	389,760.00	428,307.67	428,307.67	428,307.67
António Manuel Barreto Pita de Abreu	546,206.78	258,651.08	360,960.00	384,000.00	384,000.00	384,000.00
João Manuel Manso Neto	562,758.56		451,200.00	480,000.00	480,000.00	480,000.00
Jorge Manuel Pragana da Cruz Morais	562,758.56		436,800.00	480,000.00	480,000.00	480,000.00
Nuno Maria Pestana de Almeida Alves	527,999.92		480,000.00	480,000.00	480,000.00	480,000.00

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

The pension savings scheme for the members of the Executive Board of Directors serves as a complement to the retirement pension and corresponds to 10% of the annual remuneration.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

5.4. REMUNERATION OF THE MEMBERS OF 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.

The following table shows the remuneration received by members of the General and Supervisory Board in 2009:

Euros	Fixed
António de Almeida (Chairman)	638,965.46
Alberto João Coraceiro de Castro	60,000.00
António Sarmento Gomes Mota	46,222.25
Caja de Ahorros de Asturias (CajAstur)	50,000.04
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 (I)	0.00
José Manuel dos Santos Fernandes	39,111.08
José Maria Espírito Santo Silva Ricciardi	39,111.08
Khalifa Adbulla Khamis Al Romaiti	53,555.54
Manuel Fernando de Macedo Alves Monteiro	65,000.04
Mohamed Meziane	50,000.04
Ricardo José Minotti da Cruz Filipe	39,111.08
Rui Eduardo Ferreira Rodrigues Pena	60,000.00
Vasco Maria Guimarães José de Mello	54,999.96
Vitor Fernando da Conceição Gonçalves	84,999.96

Note: Remuneration to the chairman of the gsb includes payments relating to pension savings schemes

(I) Declined payment



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During the year 2009, former members of the General and Supervisory Board received payment of remuneration as follows:

Euros	Fixed
António Francisco Barroso de Sousa Gomes	18,777.79
Vital Martins Moreira	9,905.91
Vitor Domingos Seabra Franco	11,532.27

5.5. REMUNERATION OF MANAGERIAL STAFF

The remuneration of the other company managers, as defined in Article 248-B of the Securities Code, with the exception of the members of the corporate bodies, follows the scheme applicable to the workforce in general. This remuneration is made up of a fixed monthly amount plus a possible annual bonus based on corporate and individual performance, in accordance 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.

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 2009 a total of 105,088 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.º of Options	Option Price	Date of Commencement	Date of expiry	Nº of Options Exercised	
						In 2009	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	0	641,666
02-May-06	6	1,461,497	2.21	02-May-07	01-May-14	105,088	778,038

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 2009 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	2,445,600 ¹	1,601,575	981,510	694,403	363,249	6,086,337
Assurance and Reliability Services	866,168	178,660	220,969	202,178	13,900	1,481,875
Sub - Total	3,311,768	1,780,235	1,202,479	896,581	377,149	7,568,212
Tax Consultancy Service	635,980	337,091	-	665,765	6,000	1,644,836
Other Services unrelated to Statutory Auditing	73,467	946,595	29,777	-	-	1,049,839
Sub - Total	709,447	1,283,686	29,777	665,765	6,000	2,694,675
Total	4,021,215	3,063,921	1,232,256	1,562,346	383,149	10,262,887

¹ Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

Note: On 17 September 2009, by joint decision of the President of the General and Supervisory Board and the Committee on financial matters, was granted a special permit to the Executive Board of Directors to hire to KPMG assurance and reliability services, tax consultancy service and other services unrelated to statutory auditing, beyond the limit 30% of the fees payable for the performance of the Audit and Statutory Audit of Accounts, taking into account the specific reasons for the employment of such services and its relationship with audit services, as well as the exceptional and non-recurrence.

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.

Given the scope of the services provided by auditing companies, EDP has adopted measures specifically aimed at safeguarding the independence of the statutory auditor.

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.

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 reprivatization 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/Jun/97
2nd Privatisation phase	26/May/98
3rd Privatisation phase	28/Jun/98
4th Privatisation phase	23/Oct/00
5th Privatisation phase/Capital increase	07/Dec/04
6th Privatisation phase	27/Dec/05
7th Reprivatisation Phase	13/Dec/07

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 2009 was 60 per cent.

EDP - Energias de Portugal S.A.	
Shares	
NYSE Euronext Lisbon	Shares
Reuters RIC	EDPLS
Bloomberg	EDP PL
ISIN	PTEDPOAM0009

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
11 ^o Issue EMTN ¹ XS0256997932	12-06-2006	14-06-2010	Quarterly Euribor 3m + 15,0bp	London	500,000,000	500,000,000
2 ^o Issue EMTN ¹ XS0126990778	28-03-2001	03-28-2011	Annual fixed rate EUR 5,875%	London, Frankfurt	1,000,000,000	747,352,000
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 US26835PAA84	11-02-2007	11-02-2012	Annual fixed rate USD 5,375%	London	1,000,000,000 ⁴	1,000,000,000 ⁴
15 ^o Issue XS0413462721	18-02-2009	18-02-2014	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	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	06-25-2009	26-09-2016	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 US26835PAB67	11-02-2007	02-02-2018	Annual fixed rate USD 6,00%	London	1,000,000,000 ⁴	1,000,000,000 ⁴
3 ^o Issue 144A/REGS XS0454935395	09-29-2009	10-01-2019	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	11-04-2008	01-04-2024	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



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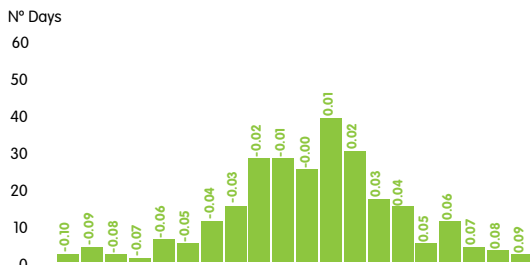
In 2009, EDP was the company with the greatest stock market capitalisation and presented a relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 12.5% of said index. EDP is one of the seven Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.702%. 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 the only Portuguese company in this sustainability index of the Dow Jones (Dow Jones Sustainability Index), which succeeded in 2009 for the second consecutive year.

In 2008, EDP shares increase 15% of their value, dropping from EUR 2.695 to EUR 3.108. This increase in value together with the gross dividend of EUR 0.14 per share (paid on 14 May 2009) resulted in a total positive gross return of 20.5% in the reference period. This performance was above the returns provided by the leading benchmark indices, in particular the Dow Jones Europe STOXX Utilities index, which had a positive performance of a mere 1% in the same period, and below the PSI-20 index, which rose 33% in value in 2009.

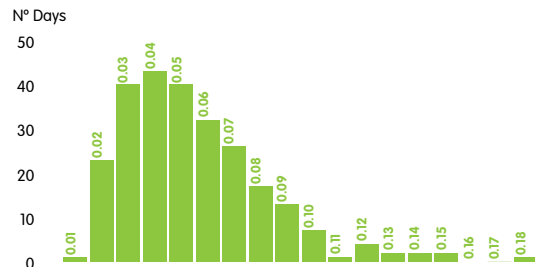
The market value of the EDP Group, based on its stock market capitalisation (no. of shares issued x price per share), amounted in 2009 to EUR 11.365 billion, the equivalent of 16.5% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 68.877 billion. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2009. In this official stock market, approximately 1.722 billion EDP shares were traded, which corresponds to a daily average of 6.7 million shares at an average price of EUR 2.855 and to approximately 59% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 2.9% (EUR 4.970 billion) of the overall volume of shares traded in the Lisbon regulated market (a total of EUR 172.304 billion).

The following graphs present the daily and intradaily variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2009, EDP shares proved to be less volatile.

**Histogram – Daily Variation
52 Weeks (Jan09-Dec09)**



**Histogram – Intradaily Variation
52 Weeks (Jan09-Dec09)**



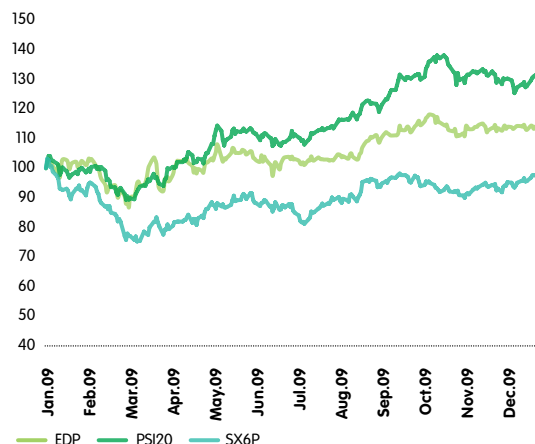
**6.2. FACTORS INFLUENCING CHANGE IN EDP
SHARE PRICE**

The stock markets showed a strong recovery in 2009, despite having hit their lowest levels for a decade in March. Of the world's main indices, in the US the Dow Jones rose 18.8%, while in Europe the DJ Stoxx went up 28%, the FTSE 100 in the UK grew 22% and Germany's DAX increased by 23.9%. The benchmark index for the Portuguese stock market, the PSI-20, rose 33.5% over the period. The Brazilian stock market recorded one of the world's best performances in 2009, with the Bovespa Index growing 82.6%.

As for the economic sub-sectors that make up the European DJ Stoxx 600, the largest rises in 2009 came from the most cyclical sectors, which had recorded sharp falls in 2008: basic materials (+101% in 2009), banking (+47% in 2009) and chemicals (+44% in 2009). The utilities sector, of which EDP forms a part, put in the worst performance of all the sub-sectors on the DJ Stoxx 600 in 2009, with the European utilities index, the SX6P, growing by only 1% over the period, while sectors such as telecoms (+11.3%) and insurance (12.9%) also performed at below the overall average.

It was against this backdrop that EDP's listed shares posted a 15.3% increase in value in 2009. Taking into account the payment of dividends of EUR 0.14 per share on 14 May 2009, this resulted in a total profitability of 20.5% for the shareholder over the period under review.

EDP vs PSI20 vs DJ Euro Stoxx Utilities



Source: Bloomberg

The behavior of the markets during 2009 can be divided into two phases. The first three months of the year continued to be marked by persistent instability and lack of confidence in the global financial system, and by its knock-on effects on the real economy during the 2nd half of 2008 due to restricted liquidity in the credit markets, a drop in demand for goods and services and a slowdown in world economic growth. During this period, economic performance was also affected by a strong contraction in consumer financing and investment, together with a rise in unemployment. However, following the introduction of strong measures by the central banks of the world's major economies, reducing key interest rates and injecting liquidity into the global financial system, market interest rates fell rapidly and liquidity gradually returned to the credit markets. This occurred first in the short-term markets, before spreading gradually to the medium and long-term markets. In addition, the governments of the world's major economies introduced stimulus packages for their national economies at the start of 2009. These included investment and consumption incentives, as well as social support mechanisms for the unemployed and assistance for companies facing difficulties. As a result of these measures, economic indicators for the 2nd and 3rd quarters showed signs of improvement and the continuation of ample liquidity was reflected in a more favorable climate in the financial markets, with significant increases in the value of most assets (shares and credit). The year ended with activity picking up significantly against a backdrop of inflation and low interest rates, a good combination for the stock market.

In its initial stage, the financial crisis induced a sharp reduction in liquidity and increased spreads in the global credit markets, creating a scenario whereby credit risk analyses conducted by the independent rating agencies took on even further importance. In February, Fitch maintained EDP's long-term rating at 'A-', describing its Outlook as stable. In June, Moody's lowered EDP's rating to 'A3' with a stable Outlook and in August, Standard & Poor's confirmed EDP's rating at 'A-' and revised its Outlook from stable to negative.

In terms of financing policy, 2009 was marked by EDP's decision to extend the period for covering its financing needs on the credit markets, from 12 months to 24 months, so as to reduce the risk associated with instability in the global credit markets. On 9 February 2009, EDP issued 5-year bonds to the value of EUR 1 billion. On 5 March 2009, EDP signed a 3-year revolving credit facility in a value of EUR 1.6 billion, with a view to bolstering the Group's liquidity. On the same day, EDP securitised the right to receive the tariff adjustments for the extra costs resulting from electricity generation in Portugal in 2007 and 2008, to the sum of EUR 1.2 billion. On 18 June, EDP issued 7-year bonds to the value of EUR 1 billion. In September, EDP once again issued debt securities, to the sum of USD 1

billion, to cover investments in the United States and secure enough liquidity to cover the next two years. In December, EDP securitised the right to receive all the positive adjustments from the costs of energy policy measures resulting in estimated extra costs for special regime energy generation in 2009, which generated proceeds of around EUR 435 million.

In terms of consolidation of the Iberian utilities sector, in February Acciona and Enel reached an agreement to exchange Acciona's holding in Endesa for Endesa's renewable assets. In another deal, Gas Natural completed its acquisition of Union Fenosa in September. The regulatory decision accompanying this acquisition forced Gas Natural to sell a number of its assets. In July, EDP announced the expansion of its gas business in Spain with the agreement to take over low-pressure natural gas distribution and supply companies in the regions of Cantabria and Murcia, and high-pressure natural gas distribution assets in the Basque Country, Asturias and Cantabria, a deal that would be concluded on 31 December for an enterprise value of EUR 330 million.

In the European utilities sector primary market, equity issues were used to finance acquisitions made before the financial crisis, or in response to the deterioration in debt ratios linked to a drop in prices and demand for gas and electricity on the European markets. The largest capital increases included: Scottish & Southern Energy (January – EUR 530 million); Gas Natural (March – EUR 3.5 billion), Vestas (April – EUR 800 million), Enel (May – EUR 8 billion) and Iberdrola (June – EUR 1.33 billion).

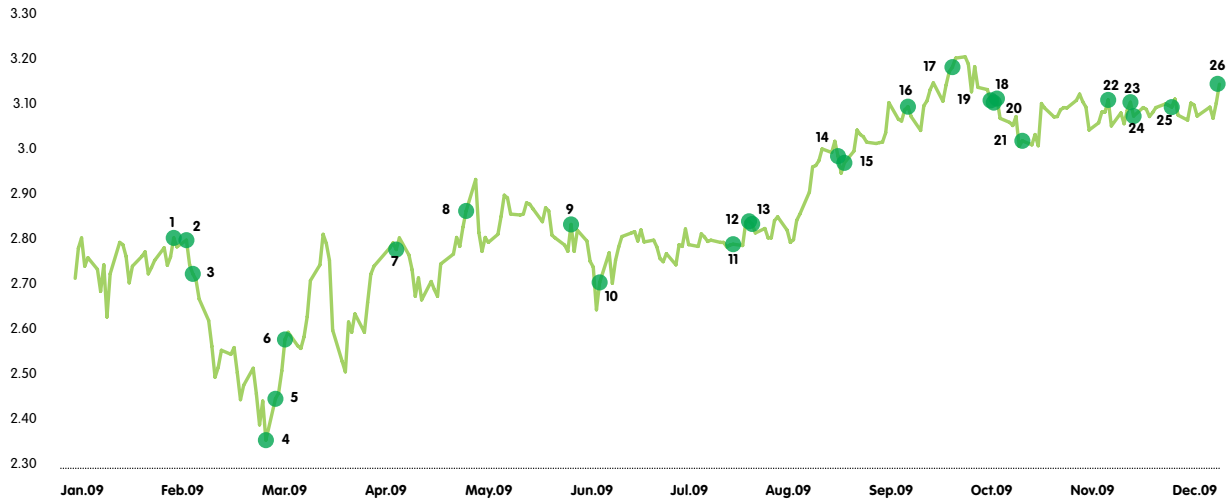
In the legislative and regulatory domain, a policy reversal in the United States following the election of Barack Obama in January resulted in strong support for increasing investments in renewable energies (American Recovery and Reinvestment Act of 2009). This situation enabled the EDP Group to form new tax equity partnerships worth USD 102 million in September and USD 228 million in December. In Portugal in December, ERSE published the final draft of its "Tariffs and prices for electricity and other services in 2010", establishing an average increase of 2.9% on sales tariffs to end customers in mainland Portugal for 2010. In Brazil in August, ANEEL approved an annual tariff readjustment of 15.12% for EDP Escelsa and in October approved the definitive parameters for the regulatory period running October 2007 - October 2011. The annual tariff readjustment for EDP Bandeirante was set at 5.46%.

In terms of asset sales, Energias do Brasil launched a secondary public offering of treasury stock in October. This was concluded in November and resulted in proceeds of EUR 170.3 million. Also in October, EDP sold its entire holding in Sonaecom, in line with the EDP Group's strategy to sell its non-strategic assets and concentrate on its core business.



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Main Events Affecting the EDP Share Price in 2009



#	Date	Description	Share Price
1	4/Feb	EDP signed a EUR 145 million loan with European Investment Bank	2.80
2	6/Feb	Fitch confirms EDP's long term credit rating to 'A'-assigning stable outlook	2.80
3	10/Feb	EDP issues EUR 1 Billion 5 year bond	2.72
4	5/Mar	EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2007 and 2008	2.35
4	5/Mar	EDP signed credit facility of EUR 1,600 million	2.35
4	5/Mar	Disclosure to the market of the financial results for 2008	2.35
5	6/Mar	Resignation of Members of the General and Supervisory Board	2.44
6	11/Mar	Tolling agreement with Iberdrola on Aguieira and Raiva hydro plants in Portugal	2.57
7	15/Apr	EDP's Annual General Shareholders Meeting	2.77
8	7/May	Disclosure of the financial results for the 1st quarter 2009	2.86
8	7/May	Publication of the Royal Decree Law that defines the conditions for the elimination of the Spanish tariff deficit	2.86
8	7/May	Payment of gross dividend of € 0.14 per share for the business year 2008 (net dividend of € 0.112)	2.86
9	9/Jun	Moody's downgrades EDP to "A3" with stable outlook	2.83
10	18/Jun	EDP issues EUR 1 Billion 7 year bond	2.70
10	18/Jun	Energias do Brasil completes the sale of telecom company ESC90	2.70
11	30/Jul	Disclosure of financial results for 1st half year 2009	2.79
12	4/Aug	Standard & Poor's affirms EDP's "A-" rating and revised outlook from stable to negative	2.84
13	5/Aug	ANEEL approves a 15.12% tariff increase at EDP Escelsa's annual tariff readjustment process	2.83
14	1/Sep	EDP Renováveis establishes a new type of institutional partnership structure for 101 MW in the US	2.98
15	3/Sep	EDP remains the only Portuguese company to integrate the Dow Jones Sustainability world and Stoxx Index in 2009	2.97
16	23/Sep	EDP to issue U.S.\$ 1,000 million of Notes	3.09
17	7/Oct	EDP Bandeirante: ANEEL approves final parameters for the Oct-2007/Oct-2011 regulatory period	3.18
18	19/Oct	Secondary public distribution of common treasury shares by Energias do Brasil	3.11
19	20/Oct	EDP sells stake in Sonaeocom	3.10
20	21/Oct	ANEEL approves a 5.46% tariff increase at EDP Bandeirante's annual tariff readjustment process	3.11
21	29/Oct	Disclosure of the financial results for the 3rd quarter 2009	3.02
22	25/Nov	Conclusion of the secondary public distribution of common treasury shares by Energias do Brasil	3.11
23	2/Dec	EDP Renováveis closes two institutional partnership structures in the US amounting to U.S.\$ 228 million	3.10
24	3/Dec	EDP assigns the right to receive the extraordinary tariff adjustments in respect of 2009	3.07
25	15/Dec	ERSE sets electricity tariffs in Portugal for 2010	3.09
26	31/Dec	Conclusion of acquisition of gas assets in Spain	3.14

Capital Market Indicators	2009	2008	2007	2006	2005
EDP Shares on Euronext Lisbon (euros)					
Opening price	2.695	4.470	3.84	2.60	2.22
Closing price	3.108	2.695	4.47	3.84	2.60
Peak price	3.218	4.760	5.00	3.86	2.68
Minimum price	2.43	2.062	3.79	2.58	2.04
Variation in share price and reference indices					
EDP Shares (1)	15.3%	(39.7%)	16%	48%	17%
PSI20	33.5%	(51.3%)	16%	30%	13%
Dow Jones Eurostoxx Utilities	1.0%	(38.1%)	18%	36%	26%
Euronext 100	25.5%	(45.2%)	3%	19%	23%
Liquidity of EDP shares on the markets					
Volume on Euronext Lisbon (EUR million)	4,969.7	9,710.1	21,256.5	12,812.5	5,639.4
Mean daily volume (EUR million)	19.4	37.9	83.4	50.2	21.9
Number of shares traded (million) (2)	1,722.3	2,761.1	5,079.7	4,080.9	2,505.2
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	3,096.2	3,096.2	3,096.2
% of capital already privatised	80%	80%	85%	85%	85%
Number of own shares held (treasury stock) as at 31 Dec (million)	34.2	35.7	15.5	7.1	17.3
Annual rotation of capital (privatised shares)	58.7%	94.0%	164.1%	131.8%	85.0%
EDP Market Value (EUR million)					
Market appreciation at the end of the financial year	11,364.5	9,854.4	16,344.7	14,041.1	9,507.0
Total shareholder profitability					
Annual variation in share price (1)	0.41	(1.78)	0.63	1.24	0.37
Gross dividend distributed per share in the year	0.140	0.125	0.110	0.100	0.092
Total shareholder profitability	20.5%	-36.9%	19%	52%	21%
Dividends					
Dividend per share	0.155	0.14	0.125	0.11	0.10
Dividend yield	5.0%	5.2%	2.8%	2.9%	3.8%

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	
				Resident	Non-Resident
1997 ¹	4/17/98	5/18/98	€ 0.648	€ 0.534	€ 0.534
1998 ¹	5/11/99	5/28/99	€ 0.698	€ 0.620	€ 0.620
1999 ¹	5/12/00	5/31/00	€ 0.698	€ 0.611	€ 0.611
2000 ²	5/10/01	5/31/01	€ 0.140	€ 0.119	€ 0.119
2001 ²	5/10/02	6/6/02	€ 0.113	€ 0.099	€ 0.093
2002 ²	5/22/03	6/18/03	€ 0.090	€ 0.079	€ 0.074
2003 ²	3/31/04	4/30/04	€ 0.090	€ 0.083	€ 0.079
2004 ²	3/31/05	4/29/05	€ 0.092	€ 0.085	€ 0.081
2005 ²	3/30/06	4/28/06	€ 0.100	€ 0.090	€ 0.090
2006 ²	4/12/07	5/4/07	€ 0.110	€ 0.099	€ 0.099
2007 ²	4/10/08	5/8/08	€ 0.125	€ 0.100	€ 0.100
2008 ²	4/15/09	5/14/09	€ 0.140	€ 0.112	€ 0.112

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\$87 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.



corporate governance

With regard to 2008, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 15 April 2009 a proposal for the appropriation of EUR 551.0 million in net profits (POC), of which EUR 511.9 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 0.14 per share being paid out on 14 May 2009.

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 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 6 November 2008, with national and international investors and analysts, the

objective of increasing the annual gross dividend per share by 1.5 euro cents in 2009 over the value paid out for the previous year was reconfirmed.

7. RELATIONS BETWEEN THE COMPANY AND THE MARKET

7.1. GENERAL INFORMATION DUTIES

Access to information on the company activities for investors and potential investors is one of the pillars of EDP policies and operations. Indeed, correct understanding of the strategy and financial, accounting and assets situation and the significant events in the life of the company, is only possible through promotion of transparency and easy access to quality information.

In this context, EDP created, 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 Lisboa
Phone: +351 21 001 2834
Fax: + 351 21 001 2899
Email: 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	Investors Relations Phone Line ⁵	By mail ²	www.cmvm.pt	Media
Elements required by law or regulation³							
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 and 2009, 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. 7/2001, as CMVM Regulations nos. 10/2005 and 3/2006.

⁴ Annual report, individual and consolidated accounts, statutory auditing and opinion of the Statutory Auditor.

⁵ Investor Relations phone line: +351 21 001 28 34

7.3. COMPANY INFORMATION ON THE EDP WEBSITE

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website (www.edp.pt) also provides all information on legal or corporate governance matters, updates on company activities and a complete set of financial and operational information with a view to facilitating access to and consultation of information by shareholders, financial analysts and other interested parties.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, documentation for preparing General Meetings, historical development in EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department, as well as other information on the Group of potential interest. The EDP website enables all interested parties to consult, or request, the financial statements and accounts for any accounting year since 1999.



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I. EDP GROUP'S BUSINESS EVOLUTION

In 2009, the EDP Group's net profit reached EUR 1,024 million, compared with EUR 1,092 million in 2008.

Net profit retreated 6%, to EUR 1,024 million, impacted by lower capital gains. 2009 capital gains, which amount to EUR 60 million, include: (1) a EUR 29 million gain booked following the sale of EDP's remaining 8% stake in Sonaecom; (2) a EUR 19 million gain arising from the sale of Energias do Brasil's stake in ESC 90; (3) a EUR 13 million dilution gain resulting from the entry of Sonatrach (with a 25% stake) into the capital of Soto 4 CCGT, during the 1st quarter of 2009. In 2008, capital gains, which amounted to EUR 482 million, were mainly impacted by a EUR 405 million gain stemming from the dilution of EDP's equity stake in EDP Renováveis as a result of the Initial Public Offering.

INCOME STATEMENT – EDP GROUP

EUR Million	2009	2008	% Δ
Gross Profit	5,105	4,897	4%
Supplies and services	768	736	4%
Personnel costs	540	574	-6%
Costs with social benefits	158	161	-2%
Concession fees	249	236	5%
Other operating costs (net)	27	35	-23%
Operating costs	1,742	1,742	0%
EBITDA	3,363	3,155	7%
Provisions	75	32	133%
Net Depreciation and amortisation	1,318	1,193	11%
EBIT	1,970	1,930	2%
Capital gains/(losses)	60	482	-88%
Financial Results	(487)	(943)	48%
Results from associated companies	25	35	-27%
Pre-tax profit	1,568	1,504	4%
Income taxes	400	284	41%
Discontinued Activities	-	(8)	-
Net Profit for the period	1,168	1,212	-4%
Net Profit attribut. to EDP shareholders	1,024	1,092	-6%
Minority interests	144	120	20%

In 2009, consolidated EBITDA rose 7% to EUR 3,363 million, mainly driven by: (1) liberalized activities in the Iberian Peninsula (+EUR 243 million), reflecting our successful hedging and commercial strategy and the benefits from the higher flexibility of our power plants; and (2) wind operations (+EUR 105 million) backed by capacity additions. In 2009, installed capacity rose by 11% to 20.6 GW, mainly driven by wind power (+1,091 MW) and CCGTs in Iberia (+863 MW).

EBITDA – EDP GROUP

EUR Million	2009	2008	% Δ
Generation Iberia	1,375	1,172	17%
LT Contracted Generation	0	0	-
Liberalised Generation	543	323	68%
Supply Iberia	32	34	-7%
Distribution Iberia	694	770	-10%
Gas Iberia	218	209	4%
Wind	543	438	24%
Brazil	550	562	-2%
Other and Adjustments	-48	-30	-62%
Consolidated	3,363	3,155	7%

EBITDA from the generation business in the Iberian

Peninsula increased 17% in the period (+EUR 203 million) to EUR 1,375 million in 2009.

In 2009, EBITDA from long term contracted generation decreased 2%, to EUR 832 million, in line with gross profit evolution. Gross profit retreated 2%, to EUR 1,029 million, reflecting a lower contribution from power plants under CMEC (Costs for the Maintenance of the Equilibrium System), not fully compensated by the favorable evolution of gross profit from special regime power plants. Gross profit from power plants under CMEC decreased 4%, to EUR 946 million, mainly reflecting: (1) costs from deviations between fuel procurement costs and the international indexes accepted under the CMEC, amounting to EUR 34 million (which compares to EUR 20 million in 2008); (2) lower contribution from inflation (- EUR 25 million) due to a lower average annual inflation rate (-1%) in 2009 compared with 2.6% in 2008; and (3) lower availability from some of our hydro plants, namely Frades and Cabril, which were penalised by major works (concluded in late 2009). Nevertheless, it is worth to highlight the positive impacts on gross profit from power plants under CMEC: (1) additional contracted gross profit resulting from the new Sines coal plant's Desox facilities (EUR 23 million), which involved a total investment of EUR 196 million (last 50% commissioned in June 2008) and (2) higher than contracted availability and efficiency ratios in thermal plants (EUR 7 million). Special regime's gross profit rose 18% in 2009 to EUR 84 million fuelled by mini-hydros, that benefited from the full consolidation of Pebble Hydro, from June 2008 onwards, and from the increase of 117% in hydro production, that benefited from exceptional weather conditions in 4Q09. Gross profit from thermal plants in 2009 dropped 7% penalised by volumes 7% lower in Spain and by average unit gross profit 26% YoY lower in Portugal (as the decrease in tariffs overstated the decrease in costs).

EBITDA from liberalized generation activity rose 68% in 2009, to EUR 543 million, backed by a 45% growth in the gross margin. Gross margin grew on the back of (1) attractive margins resulting from the 2008 hedging strategy, (2) lower sourcing costs, and (3) higher revenues from complementary services in 2009.

The hedging strategy followed in 2008 contributed to the decrease of 22% of the generation cost.

The cost of electricity sold decreased in 2009 benefiting from: (1) higher weight of purchases in the wholesale market following its strong increase (+232% versus 2008), (2) lower cost electricity purchased in the spot market (45% below 2008) and

(3) lower generation costs supported by lower gas prices and the forward contracting strategy applied in 2008.

In 2009, the gross profit of our merchant electricity generation fleet was also supported by an increase in the volume sold in markets of complementary services, which have been gaining relevance in a scenario of increasing weight of wind in the system.

In 2009, output from our liberalised generation plants dropped 11%, reflecting the lower opportunity cost of buying electricity in the pool. CCGT output declined 14% in 2009, in line with Iberian average. In spite of the extremely rainy and windy weather conditions in 4Q09 and of the additional capacity brought on stream (863 MW in Lares 1 and 2), load factors in Portugal remained higher than in Spain (52% versus Spain's average of 40% in 2009). Coal output dropped 11% in 2009, penalised in 4Q09 on weaker thermal demand and a tough comparison basis (since coal was clearly cheaper than gas in 4Q08). Even so, load factor at our coal plants remained above the Spanish average in 2009 (46% versus 34% in 2009), supported by its superior efficiency and the use of blast furnace gases at Aboño plant. Hydro output rose 16% YoY in 2009, as favorable weather conditions in 1Q09 and 4Q09 more than compensated very dry quarters in 2Q09 and 3Q09. In turn, nuclear output retreated 7% as a result of Trillo's 7-week outage for maintenance works in 1Q09 (ending on April 3th).

EBITDA from the supply business in the Iberian Peninsula

decreased 7% in the period to EUR 31.6 million in 2009, due to an 18% increase in operating costs related to the increased activity. In 2009, in the supply business in Portugal, volumes supplied by EDP surged 484%, to 5.5TWh, showing a steady increase on a quarterly base. As a result of growth opportunities introduced by 2009/2010 tariffs defined by ERSE, free market expanded significantly (reaching 43% of total consumption in December 2009 versus 2.7% in December 2008), competition intensified and EDP's share in volume supplied in the free market declined to 65%. By segment, residential and SMEs unveiled a good performance, both in terms of volumes per client and number of clients (+32% YoY), but the industrial segment was the main growth driver, with a strong recovery in both clients and volumes. Average selling price in Portuguese electricity retail retreated 3.1% as the higher weight of industrial consumption and lower margins stemming from current market conditions start taking its toll. The performance from supply business in Spain was marked by the end of the option to choose last resource supplier for all industrial and residential clients (excluding low-voltage consumers whose contracted power is less than or equal to 10KW) as from July 2009. In 2009, electricity volumes supplied to our liberalised clients in Spain rose 30% reflecting a sharp expansion in the client base (+350%), prompted by the switching of residential clients, with lower per capita consumption, and by the agreement reached with CIDE (association of small electricity distribution companies) in July 2009. Average selling price was flat, at EUR 62/MWh, reflecting the significant contribution from contracts closed in late 2008 (when electricity forward prices were at higher levels), on the one hand, and lower prices implicit in contracts recently closed, on the other hand.

EBITDA from Iberian distribution business decreased 10% (- EUR 76 million) when compared with the same period of

2008, to EUR 694 million. EBITDA of the distribution activity decreased 14% to EUR 590 million, on the back of: (1) human resources restructuring costs of EUR 13 million in 2009, compared with EUR 38 million in 2008, (2) the recognition, in 2008, of the 2007 tariff deficit totaling EUR 86 million and (3) the recovery, through 2008 electricity tariffs, of EUR 108 million relative to previous years tariff deviations. Note that in 2008, following regulatory changes, tariff deviations are now recognized in the gross profit. As such, for the first time 2009, gross profit excluding services rendered and other converged to regulated revenues for the period. In 2009, regulated gross profit decreased 8% to EUR 1,336 million. Our last resource supplier, EDP Serviço Universal, supplied 38TWh of electricity, which came 6TWh below ERSE's assumption, essentially due to the switching of clients to liberalized suppliers, namely in the industrial segment. Additionally, EDP Serviço Universal average electricity purchase cost was EUR 47/MWh in 2009 versus ERSE's assumption of EUR 71/MWh. As a result of lower volumes purchased at a lower than expected cost, EDP Serviço Universal recorded a EUR 790 million tariff deviation in 2009, to be returned to the tariffs mostly during 2010. EDP Distribuição recorded a EUR 18 million tariff deviation to be returned to the tariffs, mostly consequence of a consumption mix (per voltage) more favourable than ERSE's assumptions. These tariff deviations, along with the EUR 447 million ex-ante tariff deficit defined by ERSE when setting 2009 tariffs, and receivable by the same from 2010, reflected a EUR 361 million tariff deviation (recognized in the 2009 gross profit).

EBITDA from distribution activity in Spain increased 27% to EUR 104 million reflecting a EUR 28 million increase in gross profit to EUR 186 million. This growth reflects a 3% increase in the regulated revenues recognized in the 2009 tariffs and a EUR 7 million contribution from the last resource supply activity, initiated in July 2009. From this date on, regulated tariffs were terminated and a last resource tariff was introduced for low voltage clients with contracted power equal or below 10kW. 2009 tariffs were insufficient to cover for electricity system costs, which translated into an estimated EUR 4.6 billion deficit for the Spanish system in 2009, out of which EUR 172 million belong to HC Energia (HC Energia's tariff deviation amount is net of the pending amount payable by the end of 2009, financial discount and RD 11/2007 ("CO2 clawback")). RDL 6/2009 allows the securitization of the Spanish tariff deficit and sets a calendar for its gradual elimination (starting January 2013, access tariffs should be enough to cover for regulated activities' costs). The securitization of 2006-08 accumulated tariff deficit is ongoing. This deficit amounts to EUR 6 billion (net of "CO2 clawback") for the Spanish electricity system as a whole. As of December 2009, HC Energia share of this deficit amounted to approximately EUR 330 million.

EBITDA from Iberian gas activity increased 4% (+EUR 9 million) when compared with 2008 to EUR 218 million in 2009. This growth was supported by the gas supply activity in Iberia, which showed an increase of 29% at the gross margin level to EUR 95 million. In Iberia, gross margin per MWh increased from EUR 1.6/MWh to EUR 2.4/MWh, reflecting the sharp decrease in sourcing costs (almost in line with the CMP reference) when compared with the net average selling prices (benefiting from more favorable prices in the moment of contracting client).

In Spain, the number of clients in our portfolio in 2009 increased, due to the acquisition of gas assets from



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Gas Natural in 31st December 2009, which consumption (approximately 1.1 TWh/year) will be accounted from 1st January 2010 onwards. In Portugal, EDP initiated operations in the industrial segment in April, with 983 GWh supplied till the end of 2009.

EBITDA from wind power generation activity increased by 24% (+EUR 105 million) to EUR 543 million reflecting: (1) a 25% YoY increase of its installed capacity to 5,491 MW (2) a 40% increase on wind power output and (3) a decline in spot energy prices in Spain and USA.

Installed capacity of EDP Renováveis increased by 1,091 MW in 2009 representing a 25% YoY increase. As a consequence, EDP Renováveis currently manages a portfolio of 5,491 MW of capacity (or 6,227 MW of gross capacity). From 2009 EDP Renováveis total additions of 1,091 MW, as referred above, 700 MW were installed in USA, 169 MW in Spain, 42 MW in Portugal, 10 MW in Belgium and 35 MW in France and 120 MW in Poland. In Brazil 14 new MW were added through acquisition in March 2009. Additionally in Portugal, the consortium Eólicas de Portugal (consolidated by equity method) installed 85 MW.

In Europe, wind output increased 28% YoY on the back of a 15% YoY increase of installed capacity and average load factor flat YoY at 26%. In USA, electricity output went up 51% YoY following a 36% YoY increase of installed capacity while load factors fell by 2% YoY to 32%.

Average selling price in USA fell 2% YoY in 2009. Average price of our long-term selling contracts (PPAs) rose 8% YoY in 2009, reflecting higher prices from the last contacts added during 2008 and 2009 to our PPAs portfolio. Note that in 2009, our wind power output sold through PPAs amounted to 4,798 GWh (81% of our output in USA). Average selling price for wind power sold in merchant markets fell 51% YoY in 2009, reflecting the deterioration of electricity prices in US, namely the lower power demand from the industrial segment and lower gas prices.

Average wind tariffs in Spain fell 17% YoY in 2009 reflecting the 44% YoY decline in the achieved pool price and forward sales at higher prices which had a positive impact of cEUR 6.0/MWh on average selling price in Spain or EUR 19 million at gross profit level. Note that 21% of EDP Renováveis wind power output in Spain in 2009 (697 GWh) were protected by the cap & floor system, 61% of output (1,991 GWh) were sold forward while just 18% of output (587 GWh) were exposed to pool price performance.

Energias do Brasil's EBITDA in 2009 decreased 2% YoY (- EUR 12 million) following to EUR 550,2 million impacted by the 5% depreciation in 2009 of average Real/Euro exchange rate, (- EUR 27 million impact on EBITDA 2009). In local currency EBITDA increased 3% YoY to BRL 1,531 million.

Note that 2009 YoY comparison is impacted by some non recurrent issues from which we highlight: (1) conclusion of asset swap with Rede Group in September 2008. The distribution company Enersul was excluded from consolidation perimeter while Lajeado hydro plant (73% owned against 27.65% before) started to be fully consolidated. From September 1st 2008 onwards, Investco consolidation method changed from proportional to full consolidation and Enersul was fully

excluded from consolidation) (2) BRL 77 million gains in 2008 generation and supply activities.

EBITDA of the distribution activity of Energias do Brasil decreased 9% in the period (in local currency) reflecting the exclusion of Enersul from the consolidation perimeter since September 2008. Excluding Enersul's contribution in 2008, EBITDA in 2009 increased 11% due to the positive impact of the annual tariff readjustments (Escelsa since August 2009 and Bandeirante since October 2009) and to the increase of 2% in the volume sold to final clients.

EBITDA in our electricity generation activities in Brazil rose 27% in 2009 due to the asset swap explained above, what implied an increase of 25% of the volumes sold in 2009 (+1.574 GWh). The installed of Energias do Brasil increased 2% (+36 MW) the start up of the 29 MW of Santa Fé mini hydro in June 2009 and in less extend, the start up of the 2,9 MW repowering of Suíça and two new groups of 3,8 MW at Rio Bonito mini hydro plant. All of Energias do Brasil's installed capacity is under PPA with inflation adjusted prices and with an average maturity of 15 years, which implied, an average selling price increase of 4%.

EPD Group's Operating costs were flat, at EUR 1,742 million, as the important efficiency gains achieved by our OPEX program in 2009 (EUR 109 million) allowed to compensate for the costs stemming from increasing activity. Costs with supplies and services rose by 4%, to EUR 768 million, reflecting the impact from increasing activity. Personnel costs dropped 6%, reflecting recent human resources restructuring effort, namely in Portugal. Cost with social benefits declined 2% supported by lower human resources restructuring costs in 2009 (EUR 40 million in 2009 versus EUR 49 million in 2008). Other operating costs decreased 24% driven by higher revenues from partnerships with institutional investors in US and lower costs with CO2 clawback in Spain.

Net financial costs retreated 48%, to EUR 487 million in 2009, mainly reflecting: (1) lower net financial interests paid (-33% YoY) following a 160bp decrease in average cost of debt, from 5.6% to 4.0%. It should be noted that in 2008 there was a decrease in market value of EDP's financial investments in the amount of EUR 289 million compared to EUR 29 million incurred in 2009.

Consolidated capex totaled EUR 3,235 million in 2009, 79% referring to expansion projects. In line with EDP's strategy to reinforce its exposure to low CO2-emission technologies and to risk-controlled activities, capex in new hydro/wind capacity represented 83% of expansion capex and 75% of total capex was devoted to regulated and long term contracted activities.

CAPEX – EDP GROUP

EUR Million	2009	2008	% Δ
LT Contracted Gen. Iberia	128	140	-9%
Liberalised Activities Iberia	704	517	36%
Regulated Networks Iberia	367	361	2%
Wind Power	1,690	2,091	-19%
Brazil	259	429	-40%
Other	88	81	9%
EDP Group	3,235	3,618	-11%
Expansion Capex	2,556	2,838	-10%
Maintenance Capex	679	780	-13%

Expansion capex decreased EUR 282 million reflecting the mixed impact from lower capex in wind operations (-EUR 400 million partially stemming from EUR 156 million cash grants received in US) and higher capex in new conventional generation capacity in Iberia (+EUR 227 million driven by the payment of hydro concession rights higher than 2008). In 2009, EDP installed 1,996 MW of new capacity, the bulk of which in wind (1,077 MW, of which 700 MW in US and 376 MW in Europe) and CCGTs in Iberia (863 MW in Portugal).

Maintenance capex retreated EUR 101 million supported by (i) lower environmental investments (-EUR 59 million) in Portugal (PPA coal plant Sines) and Spain (coal plants Aboño and Soto 3) and (ii) exclusion of Enersul from the consolidation perimeter, as from September 2008.

In wind power, capex adjusted for cash grants received totaled EUR 1,690 million in 2009: 60% in Europe, 40% in US, reflecting the completion of 1,077 MW and the construction of 686 MW: 308 MW in Spain, 280 MW in Europe (Romania, France and Belgium); 99 MW in USA.

In the Iberian liberalized activities, capex increased by EUR 187 million in 2009, to EUR 704 million, fuelled by investments in new hydro capacity in Portugal (EUR 406 million): (1) EUR 232 million payment of Fridão (238 MW) and Alvito (225 MW) hydro power plants concession rights (due to start-up in Dec-15); (2) construction works in 4 hydro power plants (repowerings at Picote II, Bemposta II and Alqueva II, totaling 693 MW; new dam of Baixo Sabor with 171 MW) proceeded, absorbing EUR 157 million in 2009; (3) launch of construction works at Ribeiradio (77 MW) and Venda Nova III (736 MW). In CCGTs, capex totaled EUR 246 million in 2009: (1) EUR 80 million in Lares 1 and 2 (863 MW), which started operations in October/November 2009; (2) EUR 165m in Soto 5 (424 MW), raising the cumulated capex incurred to EUR 234 million (83% of total).

Capex at our electricity and gas regulated networks in Iberia was flat in 2009 at EUR 367 million. Capex in the electricity distribution activity in Portugal represented 67% of total capex in this area.

In Brazil, capex totaled EUR 259m in 2009: i) EUR 131 million was spent in new generation capacity, with the construction of Pecém PPA coal plant (720 MW, 50% owned by Energias do Brasil) due to start-up in December 2011, and the conclusion of 36 MW of new mini-hydro capacity with PPA (Santa Fé, Rio Bonito and Suíça) and ii) EUR 110 million invested in the electricity distribution grid (maintenance).

In 2009, the Group's (nominal) consolidated debt totaled EUR 16,127 million. When compared to December 2008, the Group's debt was nearly EUR 1,466 million higher, mostly due to the payment of dividends and early funding of future needs, through the issuance of bonds.

On the other hand, EDP Group's **consolidated net debt** at the end of 2009 stood at EUR 14,007 million, having increased 1% from year-end 2008.

The EUR 2,2734 million difference between gross and net debt, was mainly due to cash and cash equivalents held by EDP SA and EDP Finance BV (EUR 1,249 million), by the Group's

Brazilian subsidiaries (EUR 441 million) and by EDP Renováveis (EUR 481 million).

EUR Million	Dez 2009	Dez 2008	Change
Debt - Short term	2,549	3,669	-31%
Bonds	581	1,085	-46%
Bank loans	318	1,204	-74%
Other loans	10	8	25%
Commercial paper	1,640	1,372	19%
Debt - Long term	13,578	10,992	24%
Bonds	8,150	5,989	36%
Bank loans	5,332	4,923	8%
Other loans	96	80	20%
Nominal debt	16,127	14,661	10%
Interest accrued	246	142	
Fair value hedge adjustments	-92	-117	
Consolidated Debt	16,281	14,686	11%

In terms of maturity, EDP Group's consolidated debt breaks down into 16% in short-term debt and borrowings and 84% in medium- and long-term debt and borrowings.

In relation to short-term financing and treasury management, EDP SA continues to favor the use of Euro Commercial Paper, an instrument that provides access to a large investor base at very competitive pricing, ensuring the necessary flexibility for efficient cash management. In Spain, the Group also has a "pagarés" programme (domestic commercial paper) through its HC subsidiary, in the amount of EUR 500 million, which provides similar flexibility and efficiency in terms of cash management.

During 2009, EDP maintained its policy of centralizing funding at EDP SA, EDP Finance BV and EDP Sucursal, which represented 85% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt from the subsidiaries of the EDP Renováveis Group and related to wind power generation partnership projects, as well as short term debt and borrowings contracted by HC Energía.

At the beginning of the year, EDP SA signed a loan agreement with the European Investment Bank, in the amount of EUR 145 million and with a tenor of 15 years, to finance the repowering of the Picote and Bemposta power plants.

In the first semester of 2009 (February and June), EDP Finance B.V. took advantage of some windows of opportunity in the international capital markets to issue two EUR 1,000 million Eurobonds, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The bond issued in February has a tenor of five years and the one issued in June has a tenor of seven years and three months. These issues allowed EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2009 and 2010. Additionally, in September, EDP issued USD 1,000 million 144A/ RegS bonds, with a tenor of 10 years, under the above mentioned Programme. The proceeds of the offering were used to fund the capital expenditure requirements of EDP Renováveis and for EDP's general corporate purposes.



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In 2009, EDP Serviço Universal, sold without recourse, to Tagus – Sociedade de Titularização de Créditos, S.A. (“Tagus”), the rights to receive the full amount of the positive adjustments to the electricity tariffs, accrued of the respective financial costs, in respect of the costs with the acquisition of electricity incurred in 2007 and estimated for 2008 (transaction concluded in March), as well as, in respect of the costs estimated for 2009 with the implementation of energetic policies relating to over costs incurred with electricity generation under the Special Regime (transaction concluded in December). The net proceeds to EDP Serviço Universal amounted to approximately EUR 1,639 million, of which, EUR 1.204 refer to the years of 2007 and 2008 and EUR 435 million refer to 2009.

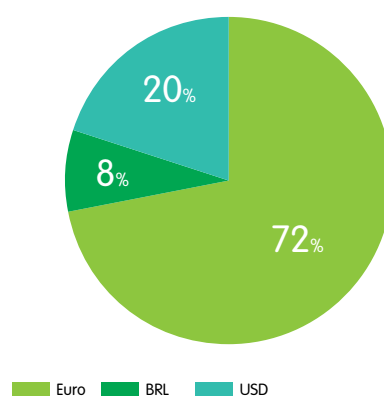
In March 2009, EDP SA and EDP Finance BV signed a three year revolving credit facility in the amount of EUR 1,600 million. This new facility replaces the existing EUR 1,300 million revolving credit facility signed in 2004 that was due to mature in July 2009, keeping the same purpose: backup credit facility. The credit line is currently undrawn. The facility was self-arranged as a Club Deal and involved 19 domestic and international banks.

Maintaining a financial management policy, by the end of June 2009 EDP SA had access to EUR 1,953 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, of which EUR 350 million were fully available. It is the Group’s policy to maintain its liquidity sources with several banks.

By the end of 2009, the average cost of debt of the EDP Group was 4.0% per year and approximately 50% of its debt and borrowings had a fixed rate.

DEBT BY CURRENCY

In terms of currencies, the USD financing contracted to fund the purchase and capex of Horizon justifies the Group’s exposure to USD (20%). Euro continues to be the main funding currency of the EDP Group.



In June 2009, Moody’s downgraded the senior unsecured ratings of EDP S.A. and EDP Finance B.V. to “A3”/“Prime-2” with stable outlook from “A2”/“Prime-1” with negative outlook. On the other hand, S&P, reaffirmed, in August, its ‘A-/A-2’ long and short-term corporate credit ratings on EDP SA and EDP Finance BV, having, however, revised its outlook from stable to negative, reflecting increasing uncertainty about EDP’s ability to deliver and maintain credit metrics in line with the ratings in the intermediate term.

GLOBAL SCALE

	S&P	Last update	Moody’s	Last update	Fitch	Last update
EDP S.A. e EDP Finance B.V.	A-/Neg/A-2	4/8/09	A3/Stab/P2	9/6/09	A-/Stab/F2	6/2/09
HC Energia			Baa1/Stab/P2	9/6/09	A-/Stab/F2	6/2/09
Energias do Brasil			Ba1/Aa2.br/Stab	4/3/09		
Bandeirante	brAA-/Posit	16/6/08	Baa3/Aa1.br/Stab	4/3/09		
Escelsa	BB-/brA+/Stab	16/6/08	Baa3/Aa1.br/Stab	4/3/09		

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EDP - Energias de Portugal Consolidated Income Statement for the years ended 31 December 2009 and 2008

	Notes	2009	2008		Total
		Continuing operations	Continuing operations	Discontinued operations	
		(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Turnover	6	12,198,183	13,671,204	222,859	13,894,063
Cost of consumed electricity	6	-5,340,458	-6,558,250	-69,023	-6,627,273
Cost of consumed gas	6	-641,183	-823,200	-	-823,200
Changes in inventories and cost of raw materials and consumables used	6	-1,111,229	-1,544,024	-2,381	-1,546,405
		<u>5,105,313</u>	<u>4,745,730</u>	<u>151,455</u>	<u>4,897,185</u>
Other operating income / (expenses)					
Other operating income	7	224,790	226,242	2,431	228,673
Supplies and services	8	-768,202	-707,783	-27,985	-735,768
Personnel costs	9	-540,036	-557,676	-15,998	-573,674
Employee benefits	9	-158,353	-159,400	-1,800	-161,200
Other operating expenses	10	-500,564	-454,918	-45,362	-500,280
		<u>-1,742,365</u>	<u>-1,653,535</u>	<u>-88,714</u>	<u>-1,742,249</u>
		3,362,948	3,092,195	62,741	3,154,936
Provisions	11	-74,685	-27,994	-4,077	-32,071
Depreciation and amortisation expense	12	-1,429,711	-1,277,459	-29,009	-1,306,468
Compensation of amortisation and depreciation	12	111,015	110,712	2,885	113,597
		<u>1,969,567</u>	<u>1,897,454</u>	<u>32,540</u>	<u>1,929,994</u>
Gains / (losses) on the sale of financial assets	13	59,703	481,732	-	481,732
Other financial income	14	1,036,374	1,175,092	11,005	1,186,097
Other financial expenses	14	-1,523,083	-2,112,605	-16,194	-2,128,799
Share of profit in associates		25,151	34,687	-	34,687
Profit before income tax		<u>1,567,712</u>	<u>1,476,360</u>	<u>27,351</u>	<u>1,503,711</u>
Income tax expense	15	-399,765	-274,266	-9,325	-283,591
Profit after income tax and before gains / (losses) on sale of discontinued operations		<u>1,167,947</u>	<u>1,202,094</u>	<u>18,026</u>	<u>1,220,120</u>
Gains / (losses) on sale of discontinued operations	45	-	-	-8,448	-8,448
Net profit for the year		<u><u>1,167,947</u></u>	<u><u>1,202,094</u></u>	<u><u>9,578</u></u>	<u><u>1,211,672</u></u>
Attributable to:					
Equity holders of EDP		1,023,845	1,089,232	2,297	1,091,529
Minority interests	32	144,102	112,862	7,281	120,143
Net profit for the year		<u>1,167,947</u>	<u>1,202,094</u>	<u>9,578</u>	<u>1,211,672</u>
Earnings per share (Basic and Diluted) - Euros	29	<u>0.28</u>	<u>0.30</u>	<u>0.00</u>	<u>0.30</u>

LISBON, 4 MARCH 2010

THE ACCOUNTANT
N.º 17713

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THE EXECUTIVE BOARD OF DIRECTORS



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EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 December 2009 and 2008

	Notes	2009 (Thousand Euros)	2008 (Thousand Euros)
Assets			
Property, plant and equipment	16	24,093,738	21,249,965
Intangible assets	17	2,806,714	2,648,792
Goodwill	18	3,159,832	3,104,979
Investments in associates	20	175,272	172,754
Available for sale investments	21	443,117	350,887
Deferred tax assets	22	661,335	539,878
Trade receivables	24	114,821	112,044
Debtors and other assets	25	1,942,970	2,637,703
Total Non-Current Assets		33,397,799	30,817,002
Inventories	23	273,376	276,800
Trade receivables	24	1,893,313	1,646,613
Debtors and other assets	25	1,865,016	1,632,172
Tax receivable	26	557,641	544,740
Financial assets at fair value through profit or loss	27	84,852	83,227
Cash and cash equivalents	28	2,189,560	713,587
Assets classified as held for sale	39	-	30,828
Total Current Assets		6,863,758	4,927,967
Total Assets		40,261,557	35,744,969
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-119,784	-126,532
Share premium	29	501,992	501,992
Reserves and retained earnings	31	2,228,560	1,243,293
Consolidated net profit attributable to equity holders of EDP		1,023,845	1,091,529
Total Equity attributable to equity holders of EDP		7,291,151	6,366,820
Minority interests	32	2,687,537	2,200,605
Total Equity		9,978,688	8,567,425
Liabilities			
Financial debt	34	13,486,499	10,874,311
Employee benefits	35	1,879,704	1,833,887
Provisions	36	342,755	323,719
Hydrological correction account	33	112,631	237,822
Deferred tax liabilities	22	758,893	675,737
Trade and other payables	37	4,674,269	4,862,651
Total Non-Current Liabilities		21,254,751	18,808,127
Financial debt	34	2,794,481	3,812,014
Trade and other payables	37	5,305,631	4,153,100
Tax payable	38	928,006	388,462
Liabilities classified as held for sale	39	-	15,841
Total Current Liabilities		9,028,118	8,369,417
Total Liabilities		30,282,869	27,177,544
Total Equity and Liabilities		40,261,557	35,744,969

LISBON, 4 MARCH 2010

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income for the years ended 31 December 2009 and 2008

(Thousand Euros)

	2009		2008	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the year	1,023,845	144,102	1,091,529	120,143
Exchange differences arising on consolidation	259,877	242,145	-235,599	-210,935
Fair value reserve (cash flow hedge)	135,097	-6,666	-56,667	-2,447
Tax effect from the fair value reserve (cash flow hedge)	-38,780	2,192	17,112	996
Fair value reserve (available for sale investments)	144,929	405	-88,324	1,779
Tax effect from the fair value reserve (available for sale investments)	-14,864	-	13,504	-
Actuarial gains / (losses)	-85,239	-1,245	-136,790	-3,677
Tax effect from the actuarial gains / (losses)	1,341	403	4,156	1,250
Other comprehensive income for the year, net of income tax	402,361	237,234	-482,608	-213,034
Total comprehensive income for the year	1,426,206	381,336	608,921	-92,891



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EDP - Energias de Portugal
Consolidated Statement of Changes in Equity for the years ended
31 December 2009 and 2008

(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 2007	7,278,758	3,656,538	501,992	418,730	1,487,156	5,032	118,858	141,581	-65,741	6,264,146	1,014,612
Comprehensive income:											
Net profit for the year	1,211,672	-	-	-	1,091,529	-	-	-	-	1,091,529	120,143
Changes in the fair value reserve (cash flow hedge) net of taxes	-41,006	-	-	-	-	-39,555	-	-	-	-39,555	-1,451
Changes in the fair value reserve (available for sale investments) net of taxes	-73,041	-	-	-	-	-	-74,820	-	-	-74,820	1,779
Actuarial gains / (losses) net of taxes	-135,061	-	-	-	-132,634	-	-	-	-	-132,634	-2,427
Exchange differences arising on consolidation	-446,534	-	-	-	-	-	-	-235,599	-	-235,599	-210,935
Total comprehensive income for the year	516,030	-	-	-	958,895	-39,555	-74,820	-235,599	-	608,921	-92,891
Transfer to legal reserve	-	-	-	25,108	-25,108	-	-	-	-	-	-
Dividends paid	-454,937	-	-	-	-454,937	-	-	-	-	-454,937	-
Dividends attributable to minority interests	-42,633	-	-	-	-	-	-	-	-	-	-42,633
Purchase and sale of treasury stock	-71,094	-	-	-	-8,971	-	-	-	-62,123	-71,094	-
Share-based payments	1,801	-	-	-	469	-	-	-	1,332	1,801	-
Minority interests resulting from EDP Renováveis IPO	1,128,248	-	-	-	-	-	-	-	-	-	1,128,248
Purchase of treasury stock - Energias do Brasil	-190,383	-	-	-	-	-	-	-	-	-	-190,383
Assets swap - Energias do Brasil	402,025	-	-	-	18,369	-	-	-	-	18,369	383,656
Minority interests resulting from PPA	9,436	-	-	-	-	-	-	-	-	-	9,436
Changes in minority interests resulting from acquisitions and equity increases	-10,491	-	-	-	-	-	-	-	-	-	-10,491
Other reserves arising on consolidation	665	-	-	-	-386	-	-	-	-	-386	1,051
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	15,338	-	-	-	-	-	-	-	-	-	15,338
Other reserves arising on consolidation	-1,301	-	-	-	371	-	-	-	-	371	-1,672
Balance as at 31 December 2009	9,978,688	3,656,538	501,992	471,387	2,379,262	61,794	174,103	165,859	-119,784	7,291,151	2,687,537

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements for the years ended 31 December 2009 and 2008

(Thousand Euros)

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Operating activities				
Cash receipts from customers	11,478,194	12,136,628	1,729,310	2,269,327
Proceeds from tariff adjustments securitization	1,639,142	177,111	-	-
Cash paid to suppliers	-7,924,642	-9,298,076	-1,695,918	-2,212,431
Cash paid to personnel	-680,885	-848,195	-54,904	-36,942
Concession rents paid	-255,684	-221,974	-	-
Other receipts / (payments) relating to operating activities	-213,925	-45,278	-34,890	-115,716
Net cash from operations	4,042,200	1,900,216	-56,402	-95,762
Income tax received / (paid)	-120,531	-155,709	6,237	15,982
Net cash from operating activities	3,921,669	1,744,507	-50,165	-79,780
Discontinued operations	-	68,898	-	-
Continuing operations	3,921,669	1,675,609	-	-
Investing activities				
Cash receipts relating to:				
Financial assets	319,022	249,252	4,435	153,995
EDP Renováveis IPO	-	1,538,958	-	-
Property, plant and equipment and intangible assets	2,836	30,116	798	1,849
Investment grants	161,879	92,560	-	5
Interest and similar income	87,563	117,582	323,519	389,522
Dividends	48,766	34,971	645,078	418,135
	620,066	2,063,439	973,830	963,506
Cash payments relating to:				
Financial assets	-451,571	-425,223	-121,042	-124,903
Changes in cash resulting from perimeter variations	10,447	-4,243	-	-
Property, plant and equipment and intangible assets	-3,417,533	-4,367,284	-16,327	-33,926
	-3,858,657	-4,796,750	-137,369	-158,829
Net cash from investing activities	-3,238,591	-2,733,311	836,461	804,677
Discontinued operations	-	-49,094	-	-
Continuing operations	-3,238,591	-2,684,217	-	-
Financing activities				
Receipts / (payments) relating to loans and related interest	1,188,937	1,710,414	650,249	389,037
Interest and similar costs	-528,581	-712,902	-420,671	-510,466
Cash grants	155,946	-	-	-
Share capital and share premium increases	9,057	-	-	-
Receipts / (payments) relating to derivative financial instruments	54,710	101,936	193,898	-19,725
Dividends paid	-507,153	-454,937	-507,153	-454,937
Treasury stock sold / (purchased)	2,107	-72,623	4,169	-65,536
Receipts from wind activity institutional partnerships - USA	333,528	319,985	-	-
Net cash from financing activities	708,551	891,873	-79,508	-661,627
Discontinued operations	-	12,263	-	-
Continuing operations	708,551	879,610	-79,508	-661,627
Changes in cash and cash equivalents	1,391,629	-96,931	706,788	63,270
Effect of exchange rate fluctuations on cash held	84,344	-54,193	1,689	-
Cash and cash equivalents at the beginning of the year	713,587	864,711	182,879	119,609
Cash and cash equivalents at the end of the year (*)	2,189,560	713,587	891,356	182,879
Discontinued operations	-	32,067	-	-
Cash and cash equivalents from continuing operations at the end of the year	2,189,560	681,520	891,356	182,879

(*) See details of "Cash and cash equivalents" in note 28 to the Financial Statements.



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EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2009 and 2008

	Notes	2009	2008
		(Thousand Euros)	(Thousand Euros)
Turnover	6	1,755,564	2,322,526
Cost of consumed electricity	6	-1,192,863	-1,830,374
Changes in inventories and cost of raw materials and consumables used	6	-360,684	-400,351
		<u>202,017</u>	<u>91,801</u>
Other operating income / (expenses)			
Other operating income	7	8,453	20,764
Supplies and services	8	-99,170	-107,347
Personnel costs	9	-16,262	-10,003
Employee benefits	9	-197	-177
Other operating expenses	10	-17,610	-11,447
		<u>-124,786</u>	<u>-108,210</u>
		77,231	-16,409
Provisions	11	-187	-1,519
Depreciation and amortisation expense	12	-6,935	-5,805
		<u>70,109</u>	<u>-23,733</u>
Gains / (losses) on the sale of financial assets	13	-10	15,164
Other financial income	14	2,162,520	2,282,728
Other financial expenses	14	-1,574,110	-1,796,055
Profit before income tax		658,509	478,104
Income tax expense	15	-28,488	72,874
Net profit for the year		<u>630,021</u>	<u>550,978</u>

LISBON, 4 MARCH 2010

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Company Balance Sheet as at 31 December 2009 and 2008

	Notes	2009	2008
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	123,562	107,038
Intangible assets	17	33	41
Investments in subsidiaries	19	9,535,843	9,506,408
Investments in associates	20	45,398	49,773
Available for sale investments	21	238,401	134,159
Deferred tax assets	22	-	60,716
Debtors and other assets	25	<u>4,537,916</u>	<u>5,911,157</u>
Total Non-Current Assets		<u>14,481,153</u>	<u>15,769,292</u>
Inventories	23	11,351	27,744
Trade receivables	24	97,432	18,390
Debtors and other assets	25	1,727,737	2,830,973
Tax receivable	26	44,545	95,437
Financial assets at fair value through profit or loss	27	-	232
Cash and cash equivalents	28	<u>891,356</u>	<u>182,879</u>
Total Current Assets		<u>2,772,421</u>	<u>3,155,655</u>
Total Assets		<u>17,253,574</u>	<u>18,924,947</u>
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-113,689	-120,437
Share premium	29	501,992	501,992
Reserves and retained earnings	31	1,868,007	1,681,607
Net profit for the year		<u>630,021</u>	<u>550,978</u>
Total Equity		<u>6,542,869</u>	<u>6,270,678</u>
Liabilities			
Financial debt	34	1,962,393	2,859,631
Provisions	36	18,637	79,014
Hydrological correction account	33	112,631	237,822
Deferred tax liabilities	22	80,489	-
Trade and other payables	37	<u>2,824,741</u>	<u>2,401,840</u>
Total Non-Current Liabilities		<u>4,998,891</u>	<u>5,578,307</u>
Financial debt	34	4,194,840	5,360,236
Trade and other payables	37	1,032,380	1,704,896
Tax payable	38	<u>484,594</u>	<u>10,830</u>
Total Current Liabilities		<u>5,711,814</u>	<u>7,075,962</u>
Total Liabilities		<u>10,710,705</u>	<u>12,654,269</u>
Total Equity and Liabilities		<u>17,253,574</u>	<u>18,924,947</u>

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EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity for the years ended
31 December 2009 and 2008

(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 2007	6,263,055	3,656,538	501,992	418,730	1,711,896	-9,721	49,361	-65,741
Comprehensive income:								
Net profit for the year	550,978	-	-	-	550,978	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	951	-	-	-	-	951	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-26,171	-	-	-	-	-	-26,171	-
Total comprehensive income for the year	525,758	-	-	-	550,978	951	-26,171	-
Transfer to legal reserve	-	-	-	25,108	-25,108	-	-	-
Dividends paid	-454,937	-	-	-	-454,937	-	-	-
Purchase and sale of treasury stock	-64,999	-	-	-	-8,971	-	-	-56,028
Share-based payments	1,801	-	-	-	469	-	-	1,332
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

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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 Iberian (Portugal and Spain) and American (Brazil and the United States of America) energy sectors.

Activity in the energy sector in Portugal

Electricity

The National Electricity 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 Directive n.º 2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July.

The National Electricity 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 — Rede Eléctrica Nacional, 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 Enernova — Novas Energias, S.A., among others.

In January 2005, following the publication of Decree-Law 240/2004 of 27 December, the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group. 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.

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 having the possibility of being revoked with a 2 year previous notice. These concessions are in return for payment of an income 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 free market, electricity tariffs are agreed between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are set by ERSE.

Regarding the activities of 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 balance assuming an efficient management.

Public Domain Assets

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



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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 2009, the tariffs set by ERSE were published for the years 2009-2010. 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 (Hidrocantábrico) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, Hidrocantábrico 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.

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 January 1, 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, entered into force, the Royal Decree 222/2008 of 15 February, establishing a new system of remuneration for the distribution electricity activity and modify the system of "Acometidas" (system that regulated the installation, that allows to connect 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 January 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 exclusively 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, at 1 July 2009 the system of electricity tariffs was 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 Hidrocantábrico 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 Hidrocarburo which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The distribution of natural gas in Spain is a regulated activity.

Law 34/1998, approved on 7 October 1998, 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, aggregate in a single company with both obligations (HC Energía Supplier of Last Resort currently comprises the delivery obligations of last resort for gas and electricity).

Activity in the energy sector in Brazil

Electricity

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

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

The Brazilian electricity sector has undergone major structural and institutional changes in recent years, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the 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 engage in auctions and they are obliged to purchase 100% of their needs and respecting the condition that, the market increases must be met by energy from new ventures, contracted with 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.

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.

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

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



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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 updated 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 the variations in costs not manageable in Parcel A and Parcel B corrected. 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, with the capture of the productivity gains in the period between reviews.

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 2009, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital in Nuevas Energías de Occidente, S.L. (NEO) and Horizon Wind Energy, LLC (Horizon), operating respectively in Europe and in the United States of America.

NEO operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania and Brazil. NEO's main subsidiaries are: Enernova (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors) and Relax Wind Parks (wind farms in Poland). As at 31 December 2009, Spain and Portugal are the most relevant geographical markets where NEO operates.

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

Regulatory framework for the activities in Spain

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.

On 15th December the Spanish Government released the list of wind facilities included in the administrative register. Out of the 6,389 MW of wind capacity assigned by the Spanish Government, EDP Renováveis obtained 840 gross MW corresponding to 31 wind farms which represent 13% of the total allocated capacity.

Regulatory framework for the activities in Portugal

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

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

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

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 utilities.

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.

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 2009 and 2008.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 4 March 2010. 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 2009 and 2008 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

In 2009, the Group adopted the standards and interpretations with mandatory application for the years beginning in 1 January 2009. These standards are presented in note 48. When applicable, the comparative values are presented regarding the new required disclosures.

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.



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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.

Subsidiaries

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

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

Associates

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

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

- 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 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.

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.

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.

Purchases of minority interests and dilution

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

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

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

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

Investments in foreign operations

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

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 nature of the risk being hedged and of 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. An hedge relationship exists when:

- (i) At the inception of the hedge there is formal documentation of the hedge;
- (ii) The hedge is expected to be highly effective;
- (iii) The effectiveness of the hedge can be reliably measured;
- (iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
- (v) The 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, when occur.

The cumulative gains or losses recognised in equity 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 equity remain recognised in equity until the future hedged transaction also affects the income statement. When the transaction is no longer expected to occur, the cumulative gains or losses recognised in equity 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 obtained to acquire those subsidiaries. The ineffective portion of the hedging relationship is recognised in the income statement.



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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 in each balance sheet date, to demonstrate the effectiveness at each balance sheet date, 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 the assets.

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value, 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, 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 to the category of financial assets designated at the moment of its initial recognition at the fair value, with 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 equity, corresponding to the difference between the acquisition cost and the fair value at the balance sheet date, less any impairment loss on that financial asset previously recognised in the income statement, is transferred to the income statement.

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 rate method.

g) Equity Instruments

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

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

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

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

h) Property, plant and equipment

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 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.

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 65
Thermoelectric generation	25 to 40
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

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 it 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.

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

Under the terms of Decree-Law 344-B/82, low-tension electricity distribution concession does not involve the sale of the assets by Municipalities (grantor), who maintain the ownership of the property, without prejudice to their allocation to use by the Group. These assets are allocated to the concession and are recorded under Property, plant and equipment against a medium and long-term liability recorded under Trade and other payables (Decree-Law 344-B/82 Regularisation Account), note 37.

The Property, plant and equipment allocated to the concessions are booked at cost less accumulated depreciation and impairment losses. Depreciation of these assets is calculated on the same basis and at the same rates as the Group's own Property, plant and equipment, using the straight-line method. The depreciation charge of the year (note 12) is compensated in the depreciation caption, by the decrease, on the same amount, of the liability with the Municipalities.

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

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

i) 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 is expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over the estimated useful life of the software.

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



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Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil related to the investments in Bandeirante and Escelsa and the concession rights related to the distribution of gas, namely from Portgás and Setgás, are recorded as intangible assets and depreciated on a straight-line basis over the concession 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 this compensations are paid by the Group subsidiaries.

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, at 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 for 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 if the estimated losses decrease, in a later period.

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

The Group's pension liability for each plan is calculated annually at the balance sheet date, by independent experts 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.

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, NEO and Bandeirante have defined contribution social benefit plans that complement those granted by the Social Welfare System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

In accordance with 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 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 refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding revenue and costs are recognised under other assets or other liabilities, in conformity.

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 cost 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.



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

(i) the entity has a legally enforceable right to 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) Segment 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 tariff adjustments assets or liabilities 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.

z) 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.

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 valuation models that require assumptions or judgement in making estimates of fair value.

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

Fair value of financial instruments

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

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



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consolidated income statement for the years ended 31 December 2009 and 2008

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 in 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 collecting right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit booked in 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 securitize 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 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.

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 or six years in case of tax losses carried forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, 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 in accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the power generations units are installed. The calculation of the provisions is based on estimates of the present value of the futures 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 Horizon. The exchange and interest rate risks 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 2009 and 2008, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	31 December 2009			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	24,114	-29,473	-23,087	28,218
BRL	-	-	-	-
PLN	-	-	7,984	-9,759
	<u>24,114</u>	<u>-29,473</u>	<u>-15,103</u>	<u>18,459</u>

	31 December 2008			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	-31,140	38,060	-	-
BRL	-	-	-	-
	<u>-31,140</u>	<u>38,060</u>	<u>-</u>	<u>-</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 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.



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consolidated income statement for the years ended 31 December 2009 and 2008

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 2009 and 2008 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	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>
	Dec 2008			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-24,777	24,777	-	-
Unhedged debt	-71,532	71,532	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	20,502	-22,461
Trading derivatives (accounting perspective)	-1,778	1,938	-	-
	<u>-98,087</u>	<u>98,247</u>	<u>20,502</u>	<u>-22,461</u>

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

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 to high credit rating notation credit institutions 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 arise essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the 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 financial and physical operations on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal) 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.

Risk factor:	P@R Distribution by risk factor	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Negotiation	4,000	4,000
Fuel	32,000	106,000
CO2	33,000	5,000
Electricity	44,000	32,000
Hydrological	17,000	17,000
Diversification effect	-93,000	-133,000
Total	37,000	31,000

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 2009 and 2008, the EDP Group's exposure to credit risk rating is as follows:

Credit risk rating (S&P):	2009	2008
	AAA to AA-	48.48%
A+ to A-	47.66%	70.40%
BBB+ to BBB-	0.92%	0.40%
BB+ to B-	2.25%	0.90%
No rating assigned	0.69%	6.90%
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 2009 and 2008 is as follows:

	VaR	
	2009	2008
	Euro'000	Euro'000
Exchange rate risk	809	3,051
Interest rate risk	3,619	9,450
Covariation	-1,098	-2,697
Total	3,330	9,804

5. Consolidation perimeter

During 2009, several changes occurred in EDP Group consolidation perimeter as described below:

Companies acquired:

- Nuevas Energías de Occidente, S.L. acquired 100% of the share capital of Mardelle, SARL and Vallée du Moulin, SARL and 49% of the share capital of Quinze Mines, SARL;
- Neo Catalunya, S.L. acquired 100% of the share capital of Parc Eólic Coll de la Garganta, S.L., Bon Vent de L'Ebre, S.L. and Serra Voltorera, S.L.;
- EDP Energias do Brasil acquired 100% of the share capital of CENAEL through its subsidiaries EDP Renováveis Brasil (55%) and Enemova Brasil, S.A. (45%);
- Nuevas Energías de Occidente, S.L. acquired 100% of the share capital of Elektrownia Wiatrowa Kresy I, S.P. through its subsidiary Neolica Polska S.P. Z.o.o.;
- EDP Energias do Brasil acquired 100% of the share capital of Elebrás Projetos, Ltda through its subsidiary EDP Renováveis Brasil, S.A.;
- EDP, S.A. acquired 52% of the share capital of CEO - Companhia Energia Oceânica, S.A. through its subsidiary EDP Inovação, S.A.;
- Neo Catalunya, S.L. and Desarrollos Catalanes, subsidiaries of Nuevas Energías de Occidente, S.L. acquired 60.63% of the share capital of Aprofitament D'Energies Renovables de la Terra Alta, S.A.;
- Nuevas Energías de Occidente, S.L. acquired 38.96% of the share capital of Aprofitament D'Energies Renovables de L'Ebre, S.A. through its subsidiary Aprofitament D'Energies Renovables de la Terra Alta, S.A.;
- Naturgás Energía acquired from Gas Natural 90.41% of the share capital of Gas Natural Cantabria SDG, S.A., 99.98% of Gas Natural Murcia SDG, S.A., 100% of GEM Suministro Gas 1, SL, 100% of GEM Suministro Sur 1, SL and 100% of GEM Servicios Comunes, S.L.

Companies sold and liquidated:

- Generaciones Especiales I, S.L. sold its 50% interests in Ibersol E. Solar Ibérica, S.A. (see note 13);
- Hidrocarbónico Explotación de Centrales sold its 100% interests in Ambitec Laboratorio Medioambiental, S.A. (see note 13);
- EDP Imobiliária in May 2009 dissolved and liquidated its subsidiary U-Call - Atendimento a Clientes e Telemarketing, S.A.;
- In April 2009 EDP Valor, S.A. dissolved and liquidated MRH - Mudança e Recursos Humanos, S.A.;
- During the first semester of 2009 the company Empresa Editorial Eletrotécnica EDEL, Lda. was dissolved and liquidated;
- In August 2009 EDP, S.A. dissolved and liquidated EDALPRO - Imobiliária, Lda;
- Hidrocarbónico Explotación de Centrales sold its 50% interests in Cogeneration La Espina, S.L. (see note 13)
- Generaciones Especiales I, S.L., dissolved and liquidated its subsidiaries Eólica Mare Nostrum S.A. and Horta Medioambiente, S.A.;
- Nuevas Energías de Occidente, S.L., dissolved its subsidiaries Hollywell Investments Limited, SARL and Ridgeside Investments Limited, SARL;
- Horizon Wind Energy LLC, dissolved its subsidiary Chocolate Bayou Windpower I, LP;
- Hidrocarbónico Explotación de Centrales sold its 50% interests in Proenercam (see note 13).



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EDP - Energias de Portugal, S.A.
Notas às Demonstrações Financeiras
Consolidadas e Individuais para os exercícios findos em 31 de Dezembro de 2009 e 2008

Considerando a legislação actualmente em vigor que estabelece a incondicionalidade por parte dos operadores regulados à recuperação ou devolução dos desvíos tarifários, o Grupo EDP registou nos resultados do exercício na rubrica de Vendas de electricidade, os efeitos decorrentes do reconhecimento do desvio tarifário, por contrapartida das rubricas Outros devedores/Outros credores. No âmbito da legislação em vigor as empresas reguladas podem ainda ceder a terceiros, no todo ou em parte, o direito a receber através das tarifas de energia eléctrica, os desvíos tarifários.

Défi ce tarifário

Em Portugal, o Decreto-Lei 237-B/2006, de 19 de Dezembro de 2006, veio reconhecer o direito incondicional à recuperação do défi ce tarifário relativo aos exercícios de 2006 e 2007, por parte dos operadores regulados, independentemente da forma da sua liquidação futura, mantendo-se este direito em caso de insolvência ou cessação de actividade. Adicionalmente, este Decreto-Lei consagrou a transmissibilidade a terceiros do direito ao recebimento do défi ce tarifário. No exercício de 2008 o Grupo EDP procedeu à transmissão de forma plena e não condicionada do défi ce tarifário registado em 2007. No exercício de 2009 foram transmitidos os défi ces tarifários de 2008 e parte remanescente de 2007, assim como do ajustamento tarifário não regular relativo ao sobrecusto estimado da produção em regime especial para o ano 2009.

Em Espanha, em Dezembro de 2006, foi publicado o Decreto Real 1634/2006, que estabelece a tarifa de electricidade para o período com início em 1 de Janeiro de 2007. Este Decreto Real definiu a forma de recuperação do défi ce de 2006, estabelecendo adicionalmente que, com carácter trimestral e a partir de 1 de Julho de 2007, o Governo, mediante Decreto Real, efectuará modificações às tarifas de venda de energia eléctrica a aplicar pelas empresas distribuidoras. A Ordem ITC/2794/2007, de 27 de Setembro, que revê as tarifas eléctricas a partir de 1 de Outubro de 2007 veio cumprir com o estabelecido no Decreto Real 1634/2006. Em 29 de Dezembro de 2007 foi publicada a Ordem ITC/3860/2007, de 28 de Dezembro, a qual reviu as tarifas eléctricas a partir de 1 de Janeiro de 2008.

Foi publicado em 7 de Maio de 2009 o Real Decreto Ley 6/2009 que estabelece entre outras matérias, (i) a possibilidade de se proceder à securitização do défi ce tarifário espanhol suportado pelas empresas do sector eléctrico, recorrendo a aval do Estado; (ii) o calendário de eliminação do défi ce tarifário para que em 1 de Janeiro de 2013 as tarifas de acesso sejam suficientes para cobrir os custos das actividades reguladas, sem criação de défi ce tarifário ex-ante e, de forma a que esta eliminação seja gradual, os custos actualmente integrados na tarifa eléctrica passem a ser suportados pelo Orçamento de Estado Espanhol; (iii) a revogação, a partir de 1 de Julho de 2009, do Real Decreto Ley 11/2007, que estabelecia a obrigação de devolução dos proveitos adicionais gerados pela repercussão dos custos do CO2 nos preços de mercado, cuja vigência se estendia até 2012; (iv) a criação de um subsídio social que constitui numa tarifa reduzida para os consumidores de baixo rendimento e (v) a assunção pelas empresas eléctricas dos custos de gestão e tratamento de resíduos radioactivos das centrais nucleares e dos combustíveis gastos.

Com base na legislação referida a EDP considera que se encontram reunidas as condições de reconhecimento dos défi ces tarifários como valores a receber, registados por contrapartida dos resultados do exercício.

Imparidade dos activos de longo prazo e Goodwill

Os activos fixos tangíveis e intangíveis são revistos para efeitos de imparidade sempre que existam factos ou circunstâncias que indicam que o seu valor líquido poderá não ser recuperável.

O Grupo revê com uma periodicidade anual os pressupostos que estão na base do julgamento da existência ou não de imparidade no "goodwill" resultante das aquisições de participações em empresas subsidiárias. Os pressupostos utilizados são sensíveis a alterações dos indicadores macro - económicos e os pressupostos do negócio utilizado pela gestão. O "goodwill" em empresas associadas é testado sempre que existam circunstâncias que iniciem a existência de imparidade.

Considerando as incertezas quanto ao valor de recuperação do valor líquido dos activos fixos tangíveis, intangíveis e do "goodwill" pelo facto de se basearem na melhor informação disponível à data, as alterações dos pressupostos poderão resultar em impactos na determinação do nível de imparidade e, consequentemente, nos resultados do Grupo.

Cobranças duvidosas

As perdas por imparidade relativas a créditos de cobrança duvidosa são baseadas na avaliação efectuada pela EDP da probabilidade de recuperação dos saldos das contas a receber, antiguidade de saldos, anulação de dívidas e outros factores. Existem determinadas circunstâncias e factos que podem alterar a estimativa das perdas por imparidade dos saldos das contas a receber face aos pressupostos considerados, incluindo alterações da conjuntura económica, das tendências sectoriais, da deterioração da situação credíci cia dos principais clientes e de incumprimentos significativos. Este processo de avaliação está sujeito a diversas estimativas e julgamentos. As alterações destas estimativas podem implicar a determinação de diferentes níveis de imparidade e, consequentemente, diferentes impactos nos resultados.

Reconhecimentos de proveitos/rédito

Os proveitos das vendas de electricidade são reconhecidos quando as facturas mensais são emitidas, baseadas em contagens reais de consumo ou em consumos estimados baseados nos dados históricos de cada consumidor. Os proveitos relativos a energia a facturar, por consumos ocorridos e não lidos, até à data do balanço são registados com base em estimativas, que consideram factores como médias de consumo verificadas em períodos anteriores e as análises relativas ao balanço energético da actividade desenvolvida.

A utilização de diferentes estimativas e pressupostos poderá resultar num nível diferente de proveitos e, consequentemente, em diferentes impactos nos resultados do Grupo.

Impostos sobre os lucros

O Grupo encontra-se sujeito ao pagamento de impostos sobre os lucros em diversas jurisdições. A determinação do montante global de impostos sobre os lucros requer determinadas interpretações e estimativas.

Existem diversas transacções e cálculos para os quais a determinação do valor final do imposto a pagar é incerto durante o ciclo normal dos negócios. Outras interpretações e estimativas poderiam resultar num nível diferente dos impostos sobre os lucros, correntes e diferidos, reconhecidos no período.

Other changes:

- Reduction of the interests in Central Termica Ciclo Combinado Soto 4 from 100% to 75% through dilution, following a share capital increase not fully subscribed by Electrica Ribera del Ebro, S.A. (see note 13);
- EDP Gestão da Produção, S.A. acquired the remaining 40% of the share capital of O&M Serviços - Operação e Manutenção Industrial, S.A.;
- Genesa I S.L. acquired the remaining 10% of the share capital of Hidroeléctrica Fuentermosa, S.L.;
- Desarrollos Eólicos Promoción S.A.U. acquired 3.33% of share capital of Desarrollos Eólicos de Galicia, S.A.;
- Neolica Polska acquired 3.14% of share capital of Relax Wind Park I SP z.o.o.;
- Sinae Inversiones Eólicas S.A. acquired 18% of share capital of Parque Eólico del Valtoya, S.A.;
- EDP — Energias do Brasil, S.A. sold treasury stock corresponding to 9.76% of its own share capital (see note 13);
- Naturgás Participaciones S.A.U. sold its 50% interests of Millenium Energy S.L. to Hidrocentrificadora Cogeneracions, S.L.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2009 and 2008 are listed in note 52.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Revenue by business sector:				
Electricity	10,934,141	12,369,499	1,532,557	2,263,447
Gas	944,482	1,226,852	-	-
Steam and ashes	10,371	10,182	-	-
Other	114,610	126,282	129,196	-
	<u>12,003,604</u>	<u>13,732,815</u>	<u>1,661,753</u>	<u>2,263,447</u>
Services rendered by business sector:				
Associated with electricity sales	87,899	35,393	33,847	9,097
Gas	37,011	51,850	-	-
Power availability agreement	2,445	2,730	-	-
Advisory and management services	7,274	5,797	59,774	49,935
Other	59,950	65,478	190	47
	<u>194,579</u>	<u>161,248</u>	<u>93,811</u>	<u>59,079</u>
	<u>12,198,183</u>	<u>13,894,063</u>	<u>1,755,564</u>	<u>2,322,526</u>
Total turnover:				
Electricity	11,022,040	12,404,892	1,566,404	2,272,544
Gas	981,493	1,278,702	-	-
Steam and ashes	10,371	10,182	-	-
Power availability agreement	2,445	2,730	-	-
Advisory and management services	7,274	5,797	59,774	49,935
Other	174,560	191,760	129,386	47
	<u>12,198,183</u>	<u>13,894,063</u>	<u>1,755,564</u>	<u>2,322,526</u>

In 2009, on a consolidated basis, the caption Electricity in Portugal includes a net cost of 361,080 thousand Euros (income in December 2008: 1,063,367 thousand Euros) regarding the tariff adjustments of the year, as described under accounting policies - note 2 x).

Additionally, the caption Electricity includes on a consolidated basis 535,543 thousand Euros (31 December 2008: 300,422 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 140,052 thousand Euros (138,716 thousand Euros as at 31 December 2008) related to the initial CMEC for the period and 395,491 thousand Euros (161,706 thousand Euros as at 31 December 2008) resulting from the revisable mechanism, as established by the current legislation in Portugal.

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

	Dec 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	6,923,086	2,247,272	1,655,415	196,267	11,022,040
Gas	126,387	855,106	-	-	981,493
Steam and ashes	10,371	-	-	-	10,371
Power availability agreement	2,445	-	-	-	2,445
Advisory and management services	6,617	657	-	-	7,274
Other	112,122	27,178	26,879	8,381	174,560
	<u>7,181,028</u>	<u>3,130,213</u>	<u>1,682,294</u>	<u>204,648</u>	<u>12,198,183</u>
	Dec 2008				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	8,673,117	1,779,387	1,820,575	131,813	12,404,892
Gas	118,742	1,159,960	-	-	1,278,702
Steam and ashes	10,182	-	-	-	10,182
Power availability agreement	2,730	-	-	-	2,730
Advisory and management services	5,797	-	-	-	5,797
Other	75,798	91,629	24,333	-	191,760
	<u>8,886,366</u>	<u>3,030,976</u>	<u>1,844,908</u>	<u>131,813</u>	<u>13,894,063</u>

The breakdown of Revenue by segment is presented in the Segmental reporting (see note 51).



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Cost of consumed electricity and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cost of consumed electricity	5,340,458	6,627,273	1,192,863	1,830,374
Cost of consumed gas	641,183	823,200	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	454,965	572,611	3,411	-
Gas	495,745	850,264	214,521	405,434
Cost of consumables used	134,529	538,141	-	-
CO2 licenses				
Consumptions	338,399	354,310	142,752	-5,083
Government grants	-233,429	-294,683	-	-
Other	124,224	158,717	-	-
Own work capitalised	-203,204	-632,955	-	-
	<u>1,111,229</u>	<u>1,546,405</u>	<u>360,684</u>	<u>400,351</u>
	<u>7,092,870</u>	<u>8,996,878</u>	<u>1,553,547</u>	<u>2,230,725</u>

On a company basis Cost of consumed electricity, includes costs of 699,737 thousand Euros (31 December 2008: 928,201 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.

7. Other operating income

Other operating income are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Supplementary income	25,181	23,392	325	1,174
Operating Government grants	882	1,404	-	-
Gains on fixed assets	3,297	19,538	781	1,596
Reversal of impairment losses:				
- Doubtful debtors	20,700	17,323	-	20
- Debtors and other assets	831	656	-	328
Own work capitalised	4,198	6,980	-	-
Excess amount over customers contributions	8,201	9,179	-	-
Insurance premiums - Energia RE	11,302	9,267	-	-
Income arising from institutional partnerships - Horizon	82,671	61,238	-	-
CO2 Licenses (RDL 06/2006) - HC Energia Group	-	13,024	-	-
Amortisation of the power purchase agreements fair value - Horizon	17,654	18,272	-	-
Turbine availability bonus - Horizon	12,692	2,390	-	-
Other operating income	37,181	46,010	7,347	17,646
	<u>224,790</u>	<u>228,673</u>	<u>8,453</u>	<u>20,764</u>

Income arising from institutional partnerships - Horizon relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV and V projects, in wind farms in U.S.A.

The caption CO2 Licenses (Royal Decree-Law 06/2006) - HC Group in 2008 includes the income recognised resulting from the interpretation made by the Spanish regulatory authorities under the application of Royal Decree-Law 06/2006 to the HC Energia activity.

The power purchase agreements between Horizon 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 2009, the amortisation for the year amounts to 17,654 thousand Euros (31 December 2008: 18,272 thousand Euros).

Turbine availability bonus - Horizon 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.

8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Subcontracts	3,753	6,894	-	-
Supplies and services:				
Water, electricity and fuel	11,386	13,538	928	852
Tools and office material	6,597	6,330	273	270
Rents and leases	92,759	91,583	9,804	8,715
Communication	40,156	38,619	1,584	1,436
Insurance	34,174	29,060	845	1,105
Transportation, travelling and representation	25,031	24,430	1,393	1,909
Commission and fees	4,205	4,479	105	670
Maintenance and repairs	241,202	217,684	2,739	4,500
Advertising	27,403	24,501	6,640	10,291
Surveillance and security	10,304	10,472	456	515
Specialised works:				
- Commercial activity	92,275	88,525	-	-
- IT services	41,013	40,587	1,913	1,170
- Legal fees	18,420	13,817	2,330	1,231
- Advisory fees	25,001	42,759	4,354	16,065
- Other services	63,397	48,037	25,998	23,820
Provided personal	-	-	34,175	28,279
Other supplies and services	31,126	34,453	5,633	6,519
	<u>768,202</u>	<u>735,768</u>	<u>99,170</u>	<u>107,347</u>

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Board of Directors remuneration	12,298	16,127	5,281	5,656
Employee's remuneration	441,098	452,111	405	273
Social charges on remuneration	112,501	111,286	227	216
Indemnities	8,632	6,462	-	-
Performance bonus	74,725	77,973	9,102	3,285
Share-based remuneration plan	2,062	1,801	-	-
Other costs	21,142	24,703	1,247	573
Own work capitalised	-132,422	-116,789	-	-
	<u>540,036</u>	<u>573,674</u>	<u>16,262</u>	<u>10,003</u>

The breakdown by management positions and category of professional permanent staff as at 31 December 2009 and 2008 is as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Board members and senior officers	87	79	29	24
Senior management	436	431	-	-
High management	2,050	1,945	-	-
Middle management	803	756	-	-
Intermediate management	830	836	-	-
Highly-skilled and skilled workers	5,976	6,145	1	1
Semi-skilled workers	1,837	1,898	-	-
Temporary workers	77	155	-	-
	<u>12,096</u>	<u>12,245</u>	<u>30</u>	<u>25</u>

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Pension plans costs	73,751	62,246	75	-
Medical plans costs and other benefits	43,801	48,791	122	-
Cost of rationalising human resources	39,872	49,203	-	-
Other	929	960	-	177
	<u>158,353</u>	<u>161,200</u>	<u>197</u>	<u>177</u>

Pension plans costs include 62,274 thousand Euros (41,771 thousand Euros in 2008) related to defined benefit plans (see note 35) and 11,477 thousand Euros (20,475 thousand Euros in 2008) related to defined contribution plans. Medical plans costs and other employee benefits include 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 the project for restructuring the hierarchy structure of EDP Brasil, which modified the structure from 5 to 3 hierarchy levels with a total cost of 5,379 thousand Euros. This plan covered 46 employees. This caption also includes 34,493 thousand Euros related to 133 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. and EDP Distribuição, S.A. In 2008, the cost of rationalising human resources results from the implementation of PAE Plan (Plan to Adjust the Workforce in Portugal), through which 198 employees opted for early retirement.



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10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Concession rents paid to local authorities	240,517	228,261	-	-
Rents from power generation units	8,113	7,430	-	-
Direct taxes	13,132	9,384	271	341
Indirect taxes	57,376	53,868	460	972
Impairment losses on doubtful debts	71,327	70,438	-	35
Impairment losses on debtors and other assets	7,369	3,636	11	356
Losses on fixed assets	8,934	4,929	415	140
Regulation costs	5,037	4,707	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	15,502	62,137	-	-
Donations	16,770	17,484	6,876	4,028
Other operating costs	56,487	38,006	9,577	5,575
	<u>500,564</u>	<u>500,280</u>	<u>17,610</u>	<u>11,447</u>

The caption Concession rents paid to local authorities corresponds 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) reflects the amount of the licenses that the Group expects to return to the Spanish Government as a result of the publication of Royal Decree - Law 11/07, which establishes that the cost relating to CO2 licenses granted free of charge by the Spanish Government will be deducted from the sector's tariff deficit in 2009.

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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Charge for the year	92,322	71,185	187	3,927
Write-back for the year	-17,637	-39,114	-	-2,408
	<u>74,685</u>	<u>32,071</u>	<u>187</u>	<u>1,519</u>

The net movement of provisions (74,685 thousand Euros) includes the charge for the year related to onerous contracts with clients (approximately 33,212 thousand Euros) in Portugal and Spain, the charge for the year related to legal actions in Brazil and Portugal (12,720 thousand Euros and 4,762 thousand Euros, respectively) and the charge for the year concerning legal risks in Spain of 10,027 thousand Euros.

12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Property, plant and equipment:				
Property, plant and equipment under concession DL 344-B/82	255	424	-	-
Buildings and other constructions	17,054	16,458	469	509
Plant and machinery:				
Hydroelectricity generation	140,167	134,030	8	8
Thermoelectric generation	275,957	249,257	-	-
Renewable generation	305,996	201,282	-	-
Electricity distribution	441,542	459,819	-	-
Gas distribution	40,227	35,958	-	-
Other plant and machinery	1,782	1,914	15	15
Transport equipment	10,191	9,595	687	626
Office equipment and tools	52,341	42,856	4,335	3,211
Impairment loss	416	2,658	-	-
Other	3,023	2,450	1,413	1,421
	<u>1,288,951</u>	<u>1,156,701</u>	<u>6,927</u>	<u>5,790</u>
Intangible assets:				
Industrial property and other rights	15,753	21,510	8	15
Concession rights	80,788	78,336	-	-
Accelerated amortisation/impairment	44,219	49,921	-	-
	<u>140,760</u>	<u>149,767</u>	<u>8</u>	<u>15</u>
	<u>1,429,711</u>	<u>1,306,468</u>	<u>6,935</u>	<u>5,805</u>
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-111,015	-113,597	-	-
	<u>1,318,696</u>	<u>1,192,871</u>	<u>6,935</u>	<u>5,805</u>

In December 2008, Accelerated amortisation/impairment included the concession rights of Enersul in Brazil, of 49,921 thousand Euros. This accelerated amortisation/impairment represents the loss of the Enersul assets value (impairment) resulting from the regulatory changes occurred in 2008. In 2009, this caption includes 44,219 thousand Euros related to the accelerated amortisation 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 by third parties is 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.

In accordance with IFRS 3 - Business combinations, the adjustments resulting from the purchase price allocation performed during 2009 for the goodwill booked in 2008 for EDP Brasil subgroup and for Ródão Power resulted in the restatement of the comparative financial information for the depreciation and amortisation expense regarding property, plant and equipment and intangible assets of 1,429 thousand Euros and -551 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 2009		Dec 2008	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Banco Comercial Português, S.A.	0.60%	5,355	0.01%	274
REN - Rede Eléctrica Nacional, S.A.	-	-	1.5%	16,969
Valor Sul, S.A	-	-	15.6%	1,322
Sonaecom, S.A.	7.96%	28,920	-	-
Held for sale assets:				
Edinfor - Sistemas Informáticos, S.A.	-	-	40.0%	4,819
ESC90 - Telecomunicações, Lda.	48.51%	19,141	-	-
Investments in subsidiaries and associates:				
Ambitec Laboratorio Medioambiental, S.A.	100.00%	-150	-	-
Central Térmica Ciclo Combinado Soto 4	25.00%	12,899	-	-
EDP Renováveis, S.A.	-	-	22.5%	405,375
Ibersol E. Solar Ibérica, S.A.	50.00%	268	-	-
Marquesado del Solar, S.A.	-	-	50.0%	2,378
Portugen - Energia, S.A.	-	-	26.7%	-1,424
Proenercam	50.00%	60	-	-
Turbogás Produtora Energética, S.A.	-	-	40.0%	50,822
Cogeneration La Espina, S.L	50.00%	367	-	-
Treasury stock EDP Brasil	7.03%	-6,979	-	-
Other	-	-178	-	1,197
		<u>59,703</u>		<u>481,732</u>

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

	Dec 2009		Dec 2008	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
REN - Rede Eléctrica Nacional, S.A.	-	-	1.5%	15,100
Pirites Alentejanas, S.A. *	-	-10	-	-
Held for sale assets:				
Edinfor - Sistema Informáticos, S.A.	-	-	40.0%	64
		<u>-10</u>		<u>15,164</u>

* 322 shares sold in total.

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.

On 30 June 2009, the Group concluded the sale of its shareholding 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 Sale and Purchase Private Agreement signed in August 2008 (see note 39). This operation generated an accounting 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, which paid a share premium of approximately 16,204 thousand Euros. Following the share capital increase, Sonatrach holds 25% of CTCC Group 4 share capital, while EDP reduced its shareholding (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 EDP Group, a gain of 12,899 thousand Euros booked against the income statement of the period, according to the accounting policy described in paragraph 2 b).

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



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

Equity (with reference to 31 May 2008)	Pre IPO Euro'000	Share capital increase Euro'000	Post IPO Euro'000
Share capital	3,381,419	980,122	4,361,541
Share premium (net of operation costs)	-	552,035	552,035
Reserves and retained earnings	67,109	-	67,109
Net profit	40,453	-	40,453
Total equity	3,488,981	1,532,157	5,021,138

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

	Pre IPO Euro'000 (A)	Post IPO Euro'000 (B)	Gain calculation Euro'000 (B - A)
EDP Renováveis contribution	3,488,981	5,021,138	
% of consolidation	100.00%	77.53%	
	<u>3,488,981</u>	<u>3,892,888</u>	<u>403,907</u>
Other consolidation adjustments			1,468
Consolidated gain			405,375

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

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

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

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Other financial income				
Interest income from investments	70,139	54,259	353,022	377,995
Derivative financial instruments:				
Interest	182,941	131,714	200,944	114,220
Fair value	445,646	460,869	671,023	674,063
Other interest income	46,089	63,403	-	-
Income from equity investments	24,954	6,680	608,697	792,175
Foreign exchange gains	80,449	361,205	268,825	324,275
CMEC	91,693	89,861	-	-
Interest Income - Tariff adjustment and tariff deficit	76,627	4,299	-	-
Reversal of impairment losses of equity investments	-	-	57,190	-
Other financial income	17,836	13,807	2,819	-
	<u>1,036,374</u>	<u>1,186,097</u>	<u>2,162,520</u>	<u>2,282,728</u>
Other financial expenses				
Interest expense from financial debt	666,280	756,867	377,456	506,606
Capitalised interest expense from financial debt	-150,387	-94,625	-	-
Derivative financial instruments:				
Interest	127,562	129,821	160,494	127,305
Fair value	498,564	407,082	723,025	528,459
Other interest expense	12,076	13,721	12,724	15,557
Impairment of available for sale financial assets	29,289	289,378	-	20,536
Banking services	10,881	11,351	2,657	5,553
Foreign exchange losses	73,321	423,265	244,481	477,467
CMEC	25,696	31,942	-	-
Impairment of financial investments and equity investments	-	153	42,550	109,854
Impairment of goodwill - Enersul	-	17,371	-	-
Unwinding	113,059	97,483	-	-
Interest Expenses - Tariff adjustment	17,241	846	-	-
Cost of the securitization of the tariff deficit	35,718	1,063	-	-
Other financial expenses	63,783	43,081	10,723	4,718
	<u>1,523,083</u>	<u>2,128,799</u>	<u>1,574,110</u>	<u>1,796,055</u>
Financial income / (expenses)	<u>-486,709</u>	<u>-942,702</u>	<u>588,410</u>	<u>486,673</u>

The caption Other financial income - CMEC totalling 91,693 thousand Euros includes 21,599 thousand Euros related to interest of the initial CMEC included in the annuity for 2009, 60,820 thousand Euros related to the financial effect considered in the calculation of the initial CMEC, and 9,274 thousand Euros relating to the financial component of revisable mechanism of CMEC for 2009. Other financial expenses - CMEC includes 25,696 thousand Euros 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 2009, Impairment of available for sale financial assets, on a consolidated basis, totalling 29,289 thousand Euros, refers essentially to the recognition in the income statement of impairment losses in the investment held in BCP (29,274 thousand Euros) as a result of the depreciation on the market share price of this investment occurred in the first quarter of 2009. In the last quarter of 2009, the EDP Group sold part of the shares held in BCP, as referred in note 13. As at 31 December 2009, the remaining shares of BCP valued by 28,036 thousand Euros, being this valuation booked against fair value reserves (see note 21) according to the Group accounting policies. In 2008 this caption include the recognition in the income statement of 200,139 thousand Euros, 66,958 thousand Euros, 20,536 thousand Euros and 1,745 thousand Euros related with impairment losses booked in the investments held in BCP, Sonaecom, Ampla Energia e Serviços and Energia RE respectively, as a result of the devaluation verified in the financial markets.

Impairment of financial investments and equity investments, on a company basis, in 2009, include a provision booked against financial expenses as a result of losses on its subsidiaries EDP Imobiliária e Participações, S.A. and EDP Investimentos of 41,891 thousand Euros and 659 thousand Euros, respectively. Additionally, the provision recorded in 2008 to cover negative equity of 57,190 thousand Euros was reversed against financial income (see note 36).

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

The Unwinding expenses refer essentially to, (i) the financial actualization of the dismantling provision for wind farms of 3,134 thousand Euros (2,157 thousand Euros in 2008), (ii) the financial actualization related to the put option of Genesa and Desa of 8,620 thousand Euros (12,134 thousand Euros in 2008), (iii) the financial actualization related to the put option of Naturgás of 16,100 thousand Euros (15,170 thousand Euros in 2008), (iv) the implied financial return in institutional partnership in US wind farms which amounted to 54,147 thousand Euros (43,631 thousand Euros in 2008) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 11,518 thousand Euros (10,621 thousand Euros in 2008), 2,444 thousand Euros (1,811 thousand Euros in 2008) and 3,075 thousand Euros (1,959 thousand Euros in 2008), respectively.

Income from equity investments is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Group companies	-	-	590,621	780,705
Associated companies				
DECA - Distribución Eléctrica Centroamericana, S.A.	-	-	3,965	8,424
Other companies				
Ampla Energia e Serviços, S.A.	2,119	-	2,119	-
Ampla Investimentos e Serviços, S.A.	8,908	-	8,908	-
EDA - Electricidade dos Açores, S.A.	315	490	-	-
Banco Comercial Português, S.A.	2,579	-	-	-
Tejo Energia, S.A.	7,556	2,472	-	-
REN - Rede Eléctrica Nacional, S.A.	3,084	3,046	3,084	3,046
Other	393	672	-	-
	<u>24,954</u>	<u>6,680</u>	<u>608,697</u>	<u>792,175</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 (6 years in Portugal, 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). Details of the tax losses carried forward and their respective expiry dates are presented in note 22. The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

Income tax expense is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Current tax	-531,037	-195,563	26,031	-36,393
Deferred tax	131,272	-88,028	-54,519	109,267
	<u>-399,765</u>	<u>-283,591</u>	<u>-28,488</u>	<u>72,874</u>



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The reconciliation between the nominal and the effective income tax rate for the **Group** as at 31 December 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
Charges / reversals of non deductible provisions and amortisations for tax purposes	-1.0%	-57,294	-15,183
Tax losses and tax credits	0.8%	50,355	13,344
Tax exempt dividends	0.9%	53,894	14,282
Tax benefits	-3.5%	-206,800	-54,802
Fair value of financial instruments and financial investments	2.0%	115,823	30,693
Difference between tax and accounting gains/losses	-0.4%	-26,004	-6,891
Financial investments in associates and subsidiaries	-0.5%	-29,540	-7,828
Autonomous taxation and tax benefits	0.1%	4,506	1,194
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 **Group** as at 31 December 2008, is analysed as follows:

	Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,503,711	398,483
Charges / reversals of non deductible provisions and amortisations for tax purposes	-0.9%	-52,053	-13,794
Tax losses and tax credits	1.3%	75,272	19,947
Tax exempt dividends	-0.3%	-16,045	-4,252
Tax benefits	-1.8%	-104,404	-27,667
Fair value of financial instruments and financial investments	4.1%	234,974	62,268
Difference between tax and accounting gains/losses	-9.9%	-562,140	-148,967
Financial investments in associates and subsidiaries	-0.6%	-33,079	-8,766
Autonomous taxation and tax benefits	0.2%	12,958	3,434
Other adjustments and changes in estimates	0.2%	10,962	2,905
Effective tax rate and total income tax	18.9%	1,070,156	283,591

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 31 December 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
Charges / reversals of non deductible provisions and amortisations for tax purposes	0.1%	1,475	391
Tax losses and tax credits	-2.0%	-49,770	-13,189
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
Difference between tax and accounting gains/losses	-0.1%	-2,966	-786
Tax exempt dividends	-22.2%	-552,336	-146,369
Autonomous taxation and tax benefits	-0.4%	-8,479	-2,247
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

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

	Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	478,104	126,698
Charges / reversals of non deductible provisions and amortisations for tax purposes	0.6%	10,577	2,803
Tax losses and tax credits	-10.0%	-180,685	-47,882
Unrecognised deferred tax assets related to temporary differences	1.7%	30,015	7,954
Fair value of financial instruments and financial investments	6.9%	124,993	33,123
Difference between tax and accounting gains/losses	-1.2%	-21,966	-5,821
Tax exempt dividends	-42.2%	-760,496	-201,531
Autonomous taxation and tax benefits	0.0%	-145	-38
Other adjustments and changes in estimates	2.5%	44,603	11,820
Effective tax rate and total income tax	-15.2%	-275,000	-72,874

The effective tax rate for the EDP Group and EDP, SA is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Profit before tax	1,567,712	1,503,711	658,509	478,104
Income tax	-399,765	-283,591	-28,488	72,874
Effective tax rate	25.5%	18.9%	4.3%	-15.2%

The change in the effective income tax rate for the Group in 6.6 pp in relation to 31 December 2008 results essentially from the fact that the gain obtained with the EDP Renováveis IPO in 2008 was not subject to taxation and from the fact that the impairments of available for sale financial assets recorded as at 31 December 2009 were significantly smaller than the amounts booked as at 31 December 2008.

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cost:				
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420	-	-
Land and natural resources	194,069	166,902	46,502	46,502
Buildings and other constructions	702,163	602,694	25,252	25,648
Plant and machinery:				
Hydroelectric generation	7,976,110	7,761,810	254	254
Thermoelectric generation	7,161,919	6,554,723	-	-
Renewable generation	7,346,192	5,223,555	-	-
Electricity distribution	15,328,487	14,192,494	-	-
Gas distribution	1,556,125	1,137,670	-	-
Other plant and machinery	38,296	38,696	148	148
Transport equipment	88,356	78,078	3,788	3,262
Office equipment and tools	600,807	521,145	98,114	85,001
Other	120,080	92,456	14,246	14,246
Assets under construction	3,567,638	3,762,861	36,056	26,834
	<u>44,903,662</u>	<u>40,356,504</u>	<u>224,360</u>	<u>201,895</u>
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,288,535	-1,154,043	-6,927	-5,790
Accumulated depreciation in previous years	-19,506,509	-17,937,842	-93,871	-89,067
Impairment losses for the year	-416	-2,658	-	-
Impairment losses in previous years	-14,464	-11,996	-	-
	<u>-20,809,924</u>	<u>-19,106,539</u>	<u>-100,798</u>	<u>-94,857</u>
Carrying amount	<u>24,093,738</u>	<u>21,249,965</u>	<u>123,562</u>	<u>107,038</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 2009, regarding the acquisition of Investco, Neo Catalunya, Instalaciones Electricas Rio Isabena and Septentrional de Gás of HC Group and Polish companies Cernavoda and Renovatio in 2008, determined the allocation of 30,990 thousand euros (29,822 thousand Euros net of accumulated depreciation) 21,199 thousand Euros, 5,559 thousand Euros and 67,823 thousand Euros, respectively, with reference to 31 December 2008.

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420
Accumulated depreciation	<u>-222,881</u>	<u>-222,626</u>
Net amount	<u>539</u>	<u>794</u>

Part of these assets may be transferred to EDP Group through settlement, by offset of accounts, of outstanding debts of the respective Municipalities, which have not yet been regularised (see note 24).

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:							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	166,902	1,926	-115	2,619	21,069	1,668	194,069
Buildings and other constructions	602,694	2,855	-2,058	11,565	87,802	-695	702,163
Plant and machinery	34,908,948	248,694	-40,992	2,858,308	662,797	769,374	39,407,129
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	6,196	600,807
Other	92,456	888	-19,991	1,880	-29	44,876	120,080
Assets under construction	3,762,861	3,093,840	-12,296	-2,925,117	87,944	-439,594	3,567,638
	<u>40,356,504</u>	<u>3,382,470</u>	<u>-87,423</u>	<u>-</u>	<u>870,200</u>	<u>381,911</u>	<u>44,903,662</u>



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	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Property, plant and equipment held under the DL 344-B/82 regime	222,626	255	-	-	-	-	222,881
Buildings and other constructions	218,872	17,054	-	-1,565	23,704	1,302	259,367
Plant and machinery	18,169,865	1,205,671	416	-26,690	304,372	104,788	19,758,422
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	20,163	69,176
	<u>19,106,539</u>	<u>1,288,535</u>	<u>416</u>	<u>-46,716</u>	<u>337,856</u>	<u>123,294</u>	<u>20,809,924</u>

Acquisitions include the investment in wind farms by the subgroups NEO, in Europe, and Horizon, in the United States during 2009. Additionally, the Hidrocarbónica 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 NEO Group, 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.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	132,009	17,134	-5,716	1,121	-18,959	41,313	166,902
Buildings and other constructions	785,132	32,278	-12,316	-227,228	-87,249	112,077	602,694
Plant and machinery	31,718,545	153,815	-60,601	3,895,190	-681,879	-116,122	34,908,948
Transport equipment	87,960	6,710	-10,211	5,585	-6,320	-5,646	78,078
Office equipment and tools	492,160	13,198	-2,755	23,336	-4,995	201	521,145
Other	157,633	1,268	-688	-9,591	38	-56,204	92,456
Assets under construction	3,811,302	3,431,184	-24,327	-3,694,559	-26,190	265,451	3,762,861
	<u>37,408,161</u>	<u>3,655,587</u>	<u>-116,614</u>	<u>-6,146</u>	<u>-825,554</u>	<u>241,070</u>	<u>40,356,504</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:							
Property, plant and equipment held under the DL 344-B/82 regime	222,202	424	-	-	-	-	222,626
Buildings and other constructions	222,878	16,458	843	-6,334	-25,106	10,133	218,872
Plant and machinery	17,741,752	1,082,260	1,815	-28,791	-336,487	-290,684	18,169,865
Transport equipment	63,931	9,595	-	-9,434	-5,254	-4,095	54,743
Office equipment and tools	357,433	42,856	-	-2,599	-4,882	-5,699	387,109
Other	43,670	2,450	-	-1,906	19	9,091	53,324
	<u>18,651,866</u>	<u>1,154,043</u>	<u>2,658</u>	<u>-49,064</u>	<u>-371,710</u>	<u>-281,254</u>	<u>19,106,539</u>

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

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

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

As at 31 December 2009, Property, plant and equipment financed through lease contracts for the Group, amounts to 12,133 thousand Euros (10,267 thousand Euros at 31 December 2008), with accumulated depreciation of 4,678 thousand Euros (4,381 thousand Euros at 31 December 2008) and, the respective future lease payments amount to 5,861 thousand Euros (5,431 thousand Euros at 31 December 2008).

	Dec 2009			Dec 2008		
	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	2,325	97	2,422	2,265	218	2,483
Between one and five years	3,059	93	3,152	2,778	170	2,948
More than five years	279	8	287	-	-	-
	<u>5,663</u>	<u>198</u>	<u>5,861</u>	<u>5,043</u>	<u>388</u>	<u>5,431</u>

During 2009, the costs incurred with these assets amounted to 607 thousand Euros (31 December 2008: 571 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 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>

Accumulated depreciation and impairment losses:

	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
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>-</u>	<u>-1,880</u>	<u>894</u>	<u>100,798</u>

The movements in **Property, Plant and Equipment, for the Company**, and for the year 2008 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	46,727	22	-247	-	-	46,502
Buildings and other constructions	25,665	1,489	-1,506	-	-	25,648
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,224	1,147	-1,109	-	-	3,262
Office equipment and tools	75,969	5,621	-	3,411	-	85,001
Other	14,246	-	-	-	-	14,246
Assets under construction	6,084	24,161	-	-3,411	-	26,834
	<u>172,317</u>	<u>32,440</u>	<u>-2,862</u>	<u>-</u>	<u>-</u>	<u>201,895</u>

Accumulated depreciation:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Buildings and other constructions	17,155	509	-1,500	-	1,483	17,647
Plant and machinery	76	23	-	-	-	99
Transport equipment	1,626	626	-809	-	26	1,469
Office equipment and tools	65,143	3,211	-	-	-	68,354
Other	5,867	1,421	-	-	-	7,288
	<u>89,867</u>	<u>5,790</u>	<u>-2,309</u>	<u>-</u>	<u>1,509</u>	<u>94,857</u>

As at 31 December 2009 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,177 thousand Euros (2,561 thousand Euros at 31 December 2008), with accumulated depreciation of 1,055 thousand Euros (1,003 thousand Euros at 31 December 2008) and the respective future lease payments amount to 1,751 thousand Euros (1,445 thousand Euros at 31 December 2008). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2009			Dec 2008		
	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	674	26	700	525	59	584
Between one and five years	949	25	974	808	53	861
More than five years	75	2	77	-	-	-
	<u>1,698</u>	<u>53</u>	<u>1,751</u>	<u>1,333</u>	<u>112</u>	<u>1,445</u>

During 2009, the costs incurred related to these assets amount to 130 thousand Euros (81 thousand Euros at 31 December 2008) and are booked under Maintenance and repairs in the income statement.



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17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cost:				
Industrial property, other rights and other intangibles	189,570	145,427	100	100
Concession rights	2,601,430	2,473,135	-	-
CO2 licenses	287,989	385,096	-	-
Intangible assets in progress	312,671	75,880	-	-
	<u>3,391,660</u>	<u>3,079,538</u>	<u>100</u>	<u>100</u>
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the year	-125,007	-128,257	-	-
Amortisation of industrial property and other intangibles during the year	-15,753	-21,510	-8	-15
Accumulated amortisation in previous years	-444,186	-280,979	-59	-44
	<u>-584,946</u>	<u>-430,746</u>	<u>-67</u>	<u>-59</u>
Carrying amount	<u>2,806,714</u>	<u>2,648,792</u>	<u>33</u>	<u>41</u>

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

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

The 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	-26,012	189,570
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 in progress	75,880	280,372	-	-49,014	2,737	2,696	312,671
	<u>3,079,538</u>	<u>567,377</u>	<u>-372,970</u>	<u>25,917</u>	<u>139,510</u>	<u>-47,712</u>	<u>3,391,660</u>
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
	<u>430,746</u>	<u>96,541</u>	<u>44,219</u>	<u>-7,049</u>	<u>25,862</u>	<u>-5,373</u>	<u>584,946</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 Ródão 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 232,100 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 Tãmega rivers, for a period of 65 years starting from the operation, of the hydroelectric power plants of Alvito and Fridão.

Acquisitions of CO2 Licenses as at 31 December 2009 of 234,817 thousand Euros (385,096 thousand Euros at 31 December 2008) refers to CO2 emission licenses granted free of charge to EDP Group plants operating in Portugal and 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. Disposals/Write-offs derive from the CO2 licenses consumed during 2008 and delivered to the regulatory authorities of 366,115 thousand Euros. 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 Hidrocarbónico Group, in order to cover the need for CO2 licenses arising from consumptions ("own use").

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,612 thousand Euros relate to the power enhancement performed during 2009. The movement in Perimeter variations/Regularisations of 9,635 thousand Euros relates to the update of the discount rate used in the calculation of the use rights to 7.56% (31 December 2008: 6.97%).

The movements in **Intangible assets** during 2008, 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	141,644	798	-289	35,034	-25,706	-6,054	145,427	
Concession rights								
Concession rights - Brazil	996,992	-	-	-46,498	-96,120	228,124	1,082,498	
Concession rights - Gas	152,232	-	-	-	-	-	152,232	
Use rights Alqueva/Pedrogão	393,136	17,095	-	-	-	-32,771	377,460	
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000	
Concession rights - mini-hydrics	-	-	-	-	-	91,118	91,118	
Other Concession rights	-	-	-	-	-	10,827	10,827	
CO2 licenses	86,855	385,748	-87,507	-	-	-	385,096	
Intangible assets in progress	40,249	89,881	-1,523	-28,055	-5,656	-19,016	75,880	
	<u>2,570,108</u>	<u>493,522</u>	<u>-89,319</u>	<u>-39,519</u>	<u>-127,482</u>	<u>272,228</u>	<u>3,079,538</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	68,104	21,510	-	-103	-	-14,079	-10,479	64,953
Concession rights	328,863	78,336	49,921	-	-22,858	-8,292	-60,177	365,793
	<u>396,967</u>	<u>99,846</u>	<u>49,921</u>	<u>-103</u>	<u>-22,858</u>	<u>-22,371</u>	<u>-70,656</u>	<u>430,746</u>

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

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

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

Transfers include 23,640 thousand Euros, net of depreciation, as a result of the assets of the company ESC 90, being considered as Assets held for sale as at 31 December 2008.

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

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

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

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

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

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
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:						
Industrial property and other rights	59	8	-	-	-	67
	<u>59</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>



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

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

18. Goodwill

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Electric business:		
Hidroantábrico Group	969,050	954,196
Neo Energia Group	765,275	735,229
Horizon Group	550,868	569,777
Brazil Group	56,762	57,288
EDP Renováveis Brazil Group	1,501	-
Other (Portugal Group)	35,312	34,137
	<u>2,378,768</u>	<u>2,350,627</u>
Gas Distribution business:		
Naturgás Group	781,064	754,352
	<u>3,159,832</u>	<u>3,104,979</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:							
Hidroantábrico Group	954,196	14,854	-	-	-	-	969,050
Neo Energia Group	735,229	37,809	-8,013	-	250	-	765,275
Horizon 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>55,063</u>	<u>-8,013</u>	<u>-4,328</u>	<u>-14,581</u>	<u>-</u>	<u>2,378,768</u>
Gas Distribution business							
Naturgás Group	754,352	57,911	-31,199	-	-	-	781,064
	<u>3,104,979</u>	<u>112,974</u>	<u>-39,212</u>	<u>-4,328</u>	<u>-14,581</u>	<u>-</u>	<u>3,159,832</u>

The movements in Goodwill during the year ended 31 December 2008, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Electric business							
HC Energia Group	1,002,660	-	-48,240	-	-	-224	954,196
Neo Energia Group	660,912	97,476	-23,352	-	-	193	735,229
Horizon Group	539,353	-	-	-	30,424	-	569,777
Brazil Group	64,511	16,620	-	-17,371	-3,581	-2,891	57,288
Others (Portugal Group)	523	33,614	-	-	-	-	34,137
	<u>2,267,959</u>	<u>147,710</u>	<u>-71,592</u>	<u>-17,371</u>	<u>26,843</u>	<u>-2,922</u>	<u>2,350,627</u>
Gas Distribution business:							
Naturgás Group	736,824	17,501	-	-	-	27	754,352
	<u>3,004,783</u>	<u>165,211</u>	<u>-71,592</u>	<u>-17,371</u>	<u>26,843</u>	<u>-2,895</u>	<u>3,104,979</u>

HC Energia Group

During 2009, the goodwill from Hidroantabrico Group increased by 14,854 thousand Euros (31 December 2008: decrease of 48,240 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3% of HC Energia share capital, under the utilisation of the Parent Company Model, as described under accounting policies - note 2 b). Additionally the goodwill amount as at 31 December 2008 was reduced by 6,081 thousand Euros as a result of allocation of the acquisition cost of Solanar Distribución and IERI Distribución to assets, liabilities and contingent liabilities, during 2008, in accordance with IFRS 3 and as shown at the end of this note.

Neo Energia Group

The goodwill held in Neo Energia Group, with reference to 31 December 2009 and 2008, is presented as follows:

	Neo Energia Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Genesa subgroup	477,522	441,356
Ceasa subgroup	117,513	146,469
Neo Polska subgroup	26,410	25,424
Neo Galia subgroup	83,160	57,428
Romania subgroup	10,931	14,803
Neo Catalunya subgroup	4,689	4,187
Enernova subgroup	41,876	42,299
Other	3,174	3,263
	765,275	735,229

Genesa subgroup

The increase in Genesa subgroup goodwill results essentially from the revaluation effect of the liability regarding the anticipated acquisition of minority interests to Caja Madrid due to the existence of a written put option detained by this entity over Genesa and Neo Desa, which amounts to 36,139 thousand Euros (31 December 2008: decrease of 18,109 thousand Euros).

Ceasa subgroup

The decrease in Ceasa subgroup goodwill during 2009 results from the decrease of the acquisition price of Parc eolic Coll de Moro, S.L. (1,555 thousand Euros), Parc eolic Torre Madrina, S.L. (1,555 thousand Euros) and Parc eolic de Vilalba des Arcs, S.L. (392 thousand Euros) and from the societary restructuring process that originated the transfer of French subsidiaries from Ceasa subgroup to Neo Galia subgroup (25,454 thousand Euros).

Neo Polska subgroup

The increase in Neo Polska subgroup goodwill during 2009 results from the acquisition of Elektrownia Wiatrowa Kresy I, S.P. (736 thousand Euros) and from the effect of the exchange rate EUR/PLN (250 thousand Euros).

Neo Galia subgroup

The increase in Neo Galia subgroup goodwill during 2009 results from the acquisition of entities totalling 113 thousand Euros and from the societary restructuring process that originated the transfer of French subsidiaries from Ceasa subgroup to Neo Galia subgroup of 25,619 thousand Euros.

Romania subgroup

The variation in Romania subgroup goodwill during 2009 results from the increase in the acquisition costs of Renovatio Power, SRL by 216 thousand Euros and from the decrease of the payable success fees, amounting to 4,088 thousand Euros, as pre-established contractual assumptions were not fulfilled. Additionally, following the conclusion of the Purchase Price Allocation regarding Renovatio Power and Cernavoda Power, goodwill as at 31 December 2008 was restated, decreasing 49,658 thousand Euros (see detailed information at the end of the note).

Neo Catalunya subgroup

The variation in Neo Catalunya subgroup goodwill during 2009 results from the acquisition of 100% of the share capital of Bon Vent de L'Ebre, S.L. (502 thousand Euros). Additionally, following the conclusion of the Purchase Price Allocation of Bon Vent de Corbera, S.L. (9,615 thousand Euros) and Bon Vent de Vilalba, S.L. (7,397 thousand Euros), goodwill as at 31 December 2008 was restated, which resulted in a decrease of 17,012 thousand Euros (see detailed information at the end of the note).

Enernova subgroup

The decrease in goodwill of Enernova subgroup (423 thousand Euros) results from the reduction of the contingent price of its subsidiary Bolores.

Horizon Group

Goodwill arising from the acquisition of the Horizon Group was determined in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 550,868 thousand Euros as at 31 December 2009 (31 December 2008: 569,777 thousand Euros), including transaction costs of 12,723 thousand Euros. The decrease in this caption is related with the effect of exchange differences EUR/USD, which amounts to 18,909 thousand Euros (31 December 2008: increase 30,424 thousand Euros).

Brazil Group

The decrease in Brazil Group goodwill results from the impairment of 4,328 thousand Euros resulting from the liquidation of EDP Energias do Brasil treasury stock and from the recognition of exchange differences of 3,802 thousand Euros ensuing the appreciation of the Brazilian Real against the Euro. Additionally, following the conclusion of the Purchase Price Allocation for Investco, Lajeado and Tocantins, the variation in goodwill was restated as at 31 December 2008 (690 thousand Euros).

EDP Renováveis Brazil Group

The variation in the EDP Renováveis Brazil Group goodwill, during 2009, results from the acquisition of 100% of the share capital of CENAEEL (1,225 thousand Euros) and from the effect of exchange differences EUR/BRL (276 thousand Euros).

Other (Portugal Group)

The variation occurred during 2009 of 1,175 thousand Euros results from the acquisition of the remaining 40% of the share capital of O&M Serviços - Operação e Manutenção Industrial, S.A. (48 thousand Euros) and from the acquisition of 52% of the share capital of Companhia Energia Oceânica, S.A. (1,127 thousand Euros).

Additionally, following the conclusion of the Purchase Price Allocation regarding Ródão Power, goodwill as at 31 December 2008 was restated resulting in a decrease of 10,827 thousand Euros (see detail at the end of the note).

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Naturgás Group

The variation in Naturgás subgroup goodwill includes a decrease of 30,924 thousand Euros (31 December 2008: increase of 14,668 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests held by Ente Vasco Energia, under the terms of the Parent Company Model, as described under accounting policies - note 2 b), through a written put option over 30.4% of Naturgás subgroup.

Goodwill, as at 31 December 2008, was reduced in 3,239 thousand Euros as a result of the final Purchase Price Allocation of Septentrional Gas, to the assets and liabilities acquired, according to IFRS 3.

Additionally, Gas Natural Cantabria, S.A., Gas Natural Murcia Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. were acquired, generating an increase of 57,911 thousand Euros in goodwill.

In 2009, the book value of assets, liabilities and contingent liabilities recognised at the acquisition date of the entities above mentioned of Gas Natural is as follows:

	<u>Book Value</u>
Property, plant and equipment	177,664
Other assets	<u>41,657</u>
Total Assets	<u>219,321</u>
Minority interests	3,831
Deferred tax liabilities	5,554
Current liabilities	<u>163,645</u>
Total liabilities and minority interests	<u>173,030</u>
Net assets acquired	<u>46,291</u>
Acquisition cost	<u>104,202</u>
Goodwill	<u>57,911</u>

Reclassifications related with Purchase Price Allocation (PPA):

During 2009, EDP Group restated the final allocation of the acquisition cost of the assets, liabilities and contingent liabilities acquired (PPA) from Investco, Lajeado Energia and Tocantins, Neo Catalunya and Ródão Power acquired in 2008. According to IFRS 3, the fair value of the assets, liabilities and contingent liabilities may be adjusted with effect as at the acquisition date during 1 year from the acquisition date. Consequently, the Group restated the balance sheet captions as at 31 December 2008:

	<u>31 Dec 2008</u>	<u>PPA reclassifica-</u>	<u>31 Dec 2008</u>
	<u>Before PPA</u>	<u>tions</u>	<u>After PPA</u>
Property, plant and equipment	21,125,562	124,403	21,249,965
Intangible assets	2,649,816	-1,024	2,648,792
Goodwill	<u>3,192,484</u>	<u>-87,505</u>	<u>3,104,979</u>
	<u>26,967,862</u>	<u>35,874</u>	<u>27,003,736</u>
Reserves and retained earnings	1,241,316	1,977	1,243,293
Net income attributable to equity holders of the parent	1,091,866	-337	1,091,529
Minority interests	<u>2,181,729</u>	<u>18,876</u>	<u>2,200,605</u>
	<u>4,514,911</u>	<u>20,516</u>	<u>4,535,427</u>
Deferred tax liabilities	655,947	19,790	675,737
Other creditors	<u>-</u>	<u>-4,432</u>	<u>-4,432</u>
	<u>655,947</u>	<u>15,358</u>	<u>671,305</u>

Goodwill impairment tests

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

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

Used assumptions 31-Dec-09						
Cash Generating Unit	Activity	Recoverable amount (basis of calculation)	Cash flows basis of calculation	Cash flows period	Growth rate for cash flows	Discount rate used (after tax)
EDP Brasil Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs Residual value at the end of the concession	Until the end of the concession	Generation: Tariff evolution Distribution: 4.2% - 4.5%	WACC Generation: 9.61% WACC Distribution: 9.61% WACC Supply: 9.61%
HC Energia Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Useful life of equipments	Estimation of tariffs evolution and price sale at market	WACC Generation: 6.40% WACC Distribution: 5.60% WACC Supply: 6.40% WACC Naturgás: 5.60%
Neo Energia Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects in the different markets	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (PT): 5.83% WACC (SP): 6.06% WACC (Fr): 5.83% WACC (Belg): 6.06% WACC (Pol): 7.41% WACC (Rom): 7.33%
Horizon Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects/power purchase agreements	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (USA): 5.90% - 6.80%

Used assumptions 31-Dec-08						
Cash Generating Unit	Activity	Recoverable amount (basis of calculation)	Cash flows basis of calculation	Cash flows period	Growth rate for cash flows	Discount rate used (after tax)
Brazil Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Generation: Until the end of concession Distribution: Perpetuity	Generation: Tariff evolution Distribution: 6.59% Perpetuity	WACC Generation: 11.71%-17.81% WACC Distribution: 12.51%-18.66%
HC Energia Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Useful life of equipments	Estimation of tariffs evolution and price sale at market	WACC Generation: 7.5% WACC Distribution: 6.80% WACC Supply: 7.5% WACC Naturgás: 7.02%
Neo Energia Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects in the different markets	Useful life of equipments (20 years)	Estimation of tariffs evolution	WACC (PT): 7.66% WACC (SP): 6.96% WACC (Fr): 6.66% WACC (Pol): 8.53%
Horizon Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects/power purchase agreements	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (USA): 8.00%

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Historical acquisition cost	10,812,363	10,740,378
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,646,567	9,574,582
Impairment losses on equity investments in subsidiaries	-110,724	-68,174
	<u>9,535,843</u>	<u>9,506,408</u>

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.



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Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2009	Dec 2008
	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	47,795
Energia RE	2,005	2,005
EDP Produção Bioeléctrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Edalpro - Imobiliária, Lda.	-	748
Labellec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sávida, S.A.	4,452	2,552
EDP Investimentos, S.G.P.S., S.A.	46,592	47,251
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.	2,098	1,206
Other	1,907	1,967
	9,535,843	9,506,408

The increase in Investments in subsidiaries (29,435 thousand Euros) results mainly from the granting of supplementary capital contributions to the subsidiaries EDP Imobiliária e Participações, S.A., EDP Inovação, S.A. and Sávida (70,000 thousand Euros, 892 thousand Euros and 1,900 thousand Euros, respectively), from the liquidation of EDALPRO - Imobiliária, Lda (748 thousand Euros) and from the charge for the year of the impairment on investments in EDP Imobiliária e Participações, S.A. (41,891 thousand Euros) and in EDP Investimentos, S.G.P.S., S.A. (659 thousand Euros).

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Associated companies:				
Investments in associates	175,409	172,891	45,535	49,910
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	175,272	172,754	45,398	49,773

As of 31 December 2009, for the Group, Investments in associates include goodwill of 36,767 thousand Euros (31 December 2008: 21,132 thousand Euros).

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

	Group			
	Dec 2009		Dec 2008	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	57 132	-	59,152	-
DECA - Distribucion Eléctrica Centroamerica, S.A.	34 797	-	51,695	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	23 909	-	9,256	-
D. E. de Canárias, S.A.	11 235	-	10,735	-
Parque Eólico Altos del Voltoya, S.A.	8 995	-	3,481	-
Portsines - Terminal de Multipurpose de Sines, S.A.	7 489	-	6,308	-
ENEOP - Eólicas de Portugal, S.A.	6 907	-	6,486	-
Parque Eólico Sierra del Madero, S.A.	5 485	-	5,454	-
Veinco Energia Limpia SL	4 792	-	4,837	-
Parque Eólico de Belmonte, S.A.	3 073	-	3,243	-
Hidroastur, S.A.	1 937	-	2,113	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	1 365	-	-	-
Carriço Cogeração, S.A.	1 102	-	1,763	-
Other	7 191	- 137	8,368	-137
	175,409	-137	172,891	-137

EDP Group acquired 14.71% of the share capital of Aprofitament D'Energies Renovables de L'Ebre, S.A. through the acquisition of Aprofitament D'Energies Renovable de la Terra Alta, S.A. and an additional 11.09% of the share capital of Parque Eólico del Voltoya through its subsidiary Sinae Inversiones Eólicas, S.A.

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance as at 1 January	172,891	252,099
Acquisitions / Perimeter entries	7,248	6,536
Disposals	-	-77,009
Share of profit of associates	25,151	34,687
Dividends received	-20,254	-31,937
Exchange differences	-7,264	6,704
Transfers / Regularisations	-2,363	-18,189
Balance as at 31 December	175,409	172,891

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

	Company			
	Dec 2009		Dec 2008	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies				
DECA - Distribuição Eléctrica Centroamerica, S.A.	45,398	-	49,773	-
Other	137	-137	137	-137
	45,535	-137	49,910	-137

During 2009, the reimbursement of the supplementary capital contributions granted to DECA took place in the total amount of 4,375 thousand Euros.

During 2009, 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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Ampla Energia e Serviços, S.A.	163,644	68,939	163,644	68,939
Ampla Investimentos e Serviços, S.A.	15,038	9,073	15,038	9,073
Banco Comercial Português, S.A.	104,118	122,707	-	-
Denerge	15,563	-	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	6,006	-	-
REN - Rede Eléctrica Nacional, S.A.	55,883	52,332	55,883	52,332
Sociedade Eólica de Andalucía, S.A.	11,766	10,854	-	-
Sonaecom, S.A.	-	28,946	-	-
Tagusparque, S.A.	2,062	1,097	-	-
Tejo Energia, S.A.	25,636	18,200	-	-
Other	41,194	32,733	3,836	3,815
	443,117	350,887	238,401	134,159

As at 31 December 2009, investments held in REN - Rede Eléctrica Nacional, S.A. and Ampla Energia e Serviços, S.A. increased by 3,551 thousand Euros and 94,705 thousand Euros, respectively, as a consequence of the positive evolution in the listed market price of these shares. This increase in fair value was booked against fair value reserves (see note 31).

During 2009, EDP sold in the Stock Exchange 29,150,000 shares of Sonaecom, S.A. for 57,866 thousand Euros, which were booked at acquisition cost net of impairment for 28,946 thousand Euros. This operation generated a gain on a consolidated basis of 28,920 thousand Euros (see note 13).

Additionally EDP sold 28,167,603 shares of BCP which were booked at acquisition cost net of impairment for 17,351 thousand Euros. This operation generated a gain on a consolidated basis of 5,355 thousand Euros (see note 13).

In 2009, the movements in **Available for sale investments** are analysed as follows:

	Dec 2009						
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Transfers/ Minority Interests Euro'000	Balance at 31 December 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	-	-	-	-	370	15,193	15,563
EDA - Electricidade dos Açores, S.A.	6,006	-	-	-	2,207	-	8,213
REN - Rede Eléctrica Nacional, 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
	350,887	17,869	-53,665	-29,289	144,929	12,386	443,117

Transfers / minority interests 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.



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

	Dec 2008						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	Minority Interests Euro'000	
Ampla Energia e Serviços, S.A.	93,907	-	-	-20,536	-4,432	-	68,939
Ampla Investimentos e Serviços, S.A.	5,575	-	-	-	3,498	-	9,073
Banco Comercial Português, S.A.	340,699	42,587	-589	-200,139	-59,851	-	122,707
EDA - Electricidade dos Açores, S.A.	5,100	-	-	-	906	-	6,006
REN - Rede Eléctrica Nacional, S.A.	95,586	-	-11,066	-	-32,188	-	52,332
Sociedade Eólica de Andalucía, S.A.	3,107	-	-	-	5,968	1,779	10,854
Sonacem, S.A.	95,904	-	-	-66,958	-	-	28,946
Tagusparque, S.A.	1,097	-	-	-	-	-	1,097
Tejo Energia, S.A.	19,998	-	-	-	-1,798	-	18,200
ValorSul, S.A.	3,878	-	-3,878	-	-	-	-
Other	40,409	2,301	-7,805	-1,745	-427	-	32,733
	705,260	44,888	-23,338	-289,378	-88,324	1,779	350,887

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 as at 31 December 2009 and 2008 are analysed as follows:

	Dec 2009 Euro'000	Dec 2008 Euro'000
Ampla Energia e Serviços, S.A.	94,705	-
Ampla Investimentos e Serviços, S.A.	9,463	3,498
Banco Comercial Português, S.A.	28,036	-
Denerge	370	-
EDA - Electricidade dos Açores, S.A.	1,322	-885
REN - Rede Eléctrica Nacional, S.A.	30,063	26,512
Sociedade Eólica de Andalucía, S.A.	6,671	5,968
Tagusparque	965	-
Tejo Energia, S.A.	19,281	11,845
Other	1,017	26
	191,893	46,964

22. Deferred tax assets and liabilities

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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Tax credits	110,310	252,222	-	-	110,310	252,222
Provisions	506,148	575,936	-	-	506,148	575,936
Financial instruments	77,900	133,439	69,043	121,618	8,857	11,821
Tangible and intangible fixed assets	251,212	286,504	10,807	20,949	240,405	265,555
Reinvested gains	-	-	8,083	8,281	-8,083	-8,281
Financial and available for sale investments	25,059	39,284	70,030	63,783	-44,971	-24,499
Tariff adjustments and tariff deficit	303,349	79,519	168,501	362,227	134,848	-282,708
Reversal of regulatory assets and liabilities	18,196	39,100	-	20,460	18,196	18,640
Allocation of fair value to assets and liabilities acquired	30,944	13,785	690,212	616,381	-659,268	-602,596
Accounting revaluations	48,260	10,530	211,508	213,708	-163,248	-203,178
Deferred income relating to CMEC	-	-	222,871	130,045	-222,871	-130,045
Other temporary differences	39,773	19,924	57,654	28,650	-17,881	-8,726
Assets/liabilities compensation of deferred taxes	-749,816	-910,365	-749,816	-910,365	-	-
	661,335	539,878	758,893	675,737	-97,558	-135,859

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

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Tax credits	-	114,710	-	-	-	114,710
Provisions	6,327	15,493	-	-	6,327	15,493
Financial instruments	33,123	62,147	47,736	72,006	-14,613	-9,859
Financial and available for sale investments	441	3,229	68,870	63,663	-68,429	-60,434
Accounting revaluations	9,043	8,653	12,023	12,046	-2,980	-3,393
Other temporary differences	4,193	4,199	4,987	-	-794	4,199
	53,127	208,431	133,616	147,715	-80,489	60,716

The deferred tax movement, for the Group and for the Company, in 2009 and 2008 is analysed as follows:

	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2009 Euro '000	Dec 2008 Euro '000	Dec 2009 Euro '000	Dec 2008 Euro '000
Balance at 1 January	-135,859	54,786	60,716	-53,253
Charges to the profit and loss account	131,272	-88,028	-54,519	109,267
Charges against reserves	-48,740	37,018	-26,632	4,549
Exchange differences and other variations	-44,231	-139,635	-60,054	153
Balance at 31 December	-97,558	-135,859	-80,489	60,716

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 2009, regarding the acquisition of Investco, Lajeado and Tocantis, Neo Catalunya and Romania sub-group, that occurred in 2008, implied an allocation of 19,790 thousand Euros to deferred tax liabilities, as at 31 December 2008 (see note 18).

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Current tax				
Changes in fair value of derivative financial instruments	-968	-	-968	-
Gains/losses on the sale of treasury stock	-366	831	-366	831
	<u>-1,334</u>	<u>831</u>	<u>-1,334</u>	<u>831</u>
Deferred tax				
Financial instruments and fair value	-35,620	18,108	-17,014	4,549
Actuarial gains and losses	1,744	5,406	-	-
Changes in fair value of financial assets held for sale	-14,864	13,504	-9,618	-
	<u>-48,740</u>	<u>37,018</u>	<u>-26,632</u>	<u>4,549</u>
	<u>-50,074</u>	<u>37,849</u>	<u>-27,966</u>	<u>5,380</u>

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Expiry date:		
2009	-	691
2010	93	874
2011	348	259
2012	525	899
2013	2,132	2,633
2014	8,543	539,080
2015	32,415	7,462
2016 to 2029	831,430	476,403
Without expiry date	149,304	-
Without expiry date but limited to 30% of taxable income of each year	491,942	474,113
	<u>1,516,732</u>	<u>1,502,414</u>

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Merchandise	24,937	40,470	-	-
Advances on account of purchases	4,650	4,061	-	-
Finished and intermediate products	10,384	12,075	-	-
Sub-products, waste, residues and scrap	13,159	10,506	-	-
Raw and subsidiary materials and consumables:				
Coal	94,780	64,443	-	-
Fuel	41,041	41,153	-	-
Nuclear fuel	13,594	12,845	-	-
Other consumables				
CO2 licenses	11,351	27,744	11,351	27,744
Other	59,480	63,503	-	-
	<u>273,376</u>	<u>276,800</u>	<u>11,351</u>	<u>27,744</u>

CO2 licenses correspond to the amount of available for sale licenses as at 31 December 2009, valued at market price on the same date against the income statement (see note 46).



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24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	772,701	733,412	97,432	18,106
Spain	669,427	616,452	-	-
Brazil	332,441	207,563	-	-
U.S.A.	27,434	21,130	-	-
Other	12,429	4,239	-	-
Public Sector:				
Portugal				
State and official entities	16,674	19,886	-	-
Local government	33,769	31,316	-	284
Brazil				
State and official entities	8,306	1,472	-	-
Local government	20,132	11,143	-	-
	<u>1,893,313</u>	<u>1,646,613</u>	<u>97,432</u>	<u>18,390</u>
Doubtful debts	230,851	222,008	9,941	9,941
Impairment losses	-230,851	-222,008	-9,941	-9,941
	<u>1,893,313</u>	<u>1,646,613</u>	<u>97,432</u>	<u>18,390</u>
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	38,386	33,610	-	-
Public Sector:				
Portugal - Local government				
	<u>142,521</u>	<u>147,140</u>	-	-
	<u>180,907</u>	<u>180,750</u>	-	-
Impairment losses	-66,086	-68,706	-	-
	<u>114,821</u>	<u>112,044</u>	-	-
	<u>2,008,134</u>	<u>1,758,657</u>	<u>97,432</u>	<u>18,390</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	17,271	-	6,941	-470	-48	2,107	25,801
Other	-	-	-	-	-	6	6
Public sector :							
Portugal							
	94,969	-	314	-5,215	-	-	90,068
Brazil							
	624	182	-	-	-197	-	609
	<u>290,714</u>	<u>13,649</u>	<u>71,327</u>	<u>-20,700</u>	<u>-15,794</u>	<u>-42,259</u>	<u>296,937</u>

The movement in **Impairment losses** , in 2008, 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	157,473	-	-	-10,619	-	-19,267	127,587
Brazil	88,106	-16,740	33,276	-6,489	-33,537	-14,353	50,263
Spain	11,937	-	8,252	-215	-2,516	-187	17,271
Public sector :							
Portugal							
	63,948	-	28,286	-	-140	2,875	94,969
Brazil							
	-	-	624	-	-	-	624
	<u>321,464</u>	<u>-16,740</u>	<u>70,438</u>	<u>-17,323</u>	<u>-36,193</u>	<u>-30,932</u>	<u>290,714</u>

The movement in **Impairment losses**, in 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>

The movement in **Impairment losses**, in 2008, 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	35	-20	-15	9,941
	<u>9,941</u>	<u>35</u>	<u>-20</u>	<u>-15</u>	<u>9,941</u>

25. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	811,279	22,957
Dividends	-	-	-	369,153
Loans to related companies	142,976	8,054	7,492	6,373
Other debtors:				
- Advances to pensioners on account of the Social Security	13,717	1,889	-	3
- Amounts owed to staff	3,520	3,475	-	3
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	117,915	281,155	-	-
- Amounts receivable from Portuguese tariff adjustments	559,724	10,444	-	-
- Receivables from the State and concessors	13,040	33,749	-	20,585
- Advances to RTP - broadcasting charge	32,125	29,140	-	-
- Receivables relating to other goods and services	66,831	71,932	84,651	154,383
- Derivative financial instruments	230,195	216,670	216,534	329,278
- Subsidiaries companies	-	-	524,888	1,624,117
- Amounts receivable relating to gas sales operations	1,402	18,056	-	-
- Amounts receivable relating to insurance and reinsurance operations	5,067	11,043	-	-
- Amounts receivable relating to the renewable operations	11,272	24,948	-	-
- Expenditure on concessions	14,284	4,789	-	-
- Insurance	10,130	6,808	6,269	5,198
- Other deferred costs	6,879	15,852	-	883
- Rents receivable of Energin lease	24,976	26,790	-	-
- Amounts receivable relating to CMEC	363,350	367,790	-	-
- Amounts to be invoiced to REN	-	29,098	-	-
- Tied deposits (Horizon)	90,505	43,016	-	-
Accrued income relating to energy sales and purchase activity in the market	27,425	218,582	38,191	218,582
Sundry debtors and other operations	148,234	220,733	39,341	80,355
	<u>1,939,207</u>	<u>1,699,653</u>	<u>1,728,645</u>	<u>2,831,870</u>
Impairment losses on short-term debtors - Current	-74,191	-67,481	-908	-897
	<u>1,865,016</u>	<u>1,632,172</u>	<u>1,727,737</u>	<u>2,830,973</u>
	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	4,480,386	5,784,331
Loans to related companies	25,672	37,384	18,874	15,087
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	76,127	1,435,033	-	-
- Amounts receivable from Spanish tariff expenses	536,205	134,201	-	-
- Expenditure on concessors	16,199	8,222	-	-
- Guarantees and linked deposits	126,601	104,308	1,385	7,405
- Amounts receivable relating to CMEC	1,026,181	785,204	-	-
- Derivative financial instruments	46,116	44,197	37,271	104,334
- O&M contract valuation - Mapple Ridge I (Horizon)	7,405	7,941	-	-
Sundry debtors and other operations	85,303	83,995	-	-
	<u>1,945,809</u>	<u>2,640,485</u>	<u>4,537,916</u>	<u>5,911,157</u>
Impairment losses on medium and long term debtors - Non current	-2,839	-2,782	-	-
	<u>1,942,970</u>	<u>2,637,703</u>	<u>4,537,916</u>	<u>5,911,157</u>
	<u>3,807,986</u>	<u>4,269,875</u>	<u>6,265,653</u>	<u>8,742,130</u>



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Tied deposits (Horizon) - Current includes 86,807 thousand Euros (39,736 thousand Euros in 2008) related to the financing agreement for wind farms, which establishes that the amount of these deposits should be sufficient to cover all costs which are expected to incur in the construction.

The amounts receivable from Spanish tariff expenses current and non-current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2009, according to the applicable legal framework (see note 3).

The amounts receivable relating to CMEC totalize 1,389,531 thousand Euros, which include 1,026,181 thousand Euros as medium and long term debts and 363,350 thousand Euros as short term debts. The amount receivable relating to the initial CMEC of 763,302 thousand Euros as medium and long term debts and 41,055 thousand Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the receivable annuity for 2007, 2008 and 2009. The remaining 262,879 thousand Euros in the medium and long term and 322,295 thousand Euros in the short term correspond to the operational revenues related to the revisibility calculation in 2007, 2008 and 2009.

The Derivative financial instruments portfolio, whose amounts have been booked as Debtors and other current and non current assets by 230,195 thousand Euros and 46,116 thousand Euros respectively, include the trading and hedge portfolios as at 31 December 2009 (see note 40).

The amounts receivable from Portuguese current and non-current tariff adjustments by 559,724 thousand Euros and 76,127 thousand Euros respectively (31 December 2008: 10,444 thousand Euros and 1,435,033 thousand Euros in current and non-current respectively), relate to the tariff adjustment (see note 3) from the Portuguese electric system (SEP) in 2009 and 2008 of regulated companies in Portugal.

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 2008	-	-
Tariff adjustment of 2007	10 444	173,896
Tariff adjustment for the period	-	1,261,137
Balance as at 31 December 2008	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 period	-	748,172
Interest expense	571	76,056
Transfer from non current to current	559,724	-559,724
Balance as at 31 December 2009	559,724	76,127

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 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>

As at 31 December 2009 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 2008, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Perimeter variations 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	66,235	-285	3,636	-656	-1,332	-117	67,481
	<u>66,235</u>	<u>-285</u>	<u>3,636</u>	<u>-656</u>	<u>-1,332</u>	<u>-117</u>	<u>67,481</u>

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
	<u>897</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>908</u>

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

	Balance at 1 January Euro'000	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	869	356	-328	-	-	897
	<u>869</u>	<u>356</u>	<u>-328</u>	<u>-</u>	<u>-</u>	<u>897</u>

The movements in **Impairment losses on 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
	<u>2,782</u>	<u>72</u>	<u>-15</u>	<u>-</u>	<u>2,839</u>

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2008, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,737	-	45	-	2,782
	<u>2,737</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>2,782</u>

26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
State and other public entities:				
- Income tax	144,016	111,459	14,077	33,901
- Value added tax (VAT)	334,110	347,997	30,468	54,220
- Turnover tax (Brazil)	72,786	17,899	-	-
- Social tax (Brazil)	288	21,643	-	-
- Other taxes	6,441	45,742	-	7,316
	<u>557,641</u>	<u>544,740</u>	<u>44,545</u>	<u>95,437</u>

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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Fixed income securities:				
Listed funds	33,012	32,369	-	-
Bonds and other listed fixed income securities	47,749	47,221	-	-
	<u>80,761</u>	<u>79,590</u>	<u>-</u>	<u>-</u>
Variable income securities:				
Listed funds	4,091	3,405	-	-
Shares	-	232	-	232
	<u>4,091</u>	<u>3,637</u>	<u>-</u>	<u>232</u>
	<u>84,852</u>	<u>83,227</u>	<u>-</u>	<u>232</u>

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cash:				
- Cash in hand	124	93	-	-
Bank deposits:				
- Current deposits	333,102	457,741	13,856	113,379
- Term deposits	613,506	49,133	-	-
- Other deposits	505	-	-	-
	<u>947,113</u>	<u>506,874</u>	<u>13,856</u>	<u>113,379</u>
Other short term investments:				
- Banks - Euros	915,156	122,720	877,500	69,500
- Banks - Other currencies	327,167	83,900	-	-
	<u>1,242,323</u>	<u>206,620</u>	<u>877,500</u>	<u>69,500</u>
Cash and cash equivalents	<u>2,189,560</u>	<u>713,587</u>	<u>891,356</u>	<u>182,879</u>

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 25.71% 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 2008	3,656,538	501,992
Movements during the year	-	-
Balance as at 31 December 2009	<u>3,656,538</u>	<u>501,992</u>

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Net profit attributable to the equity holders of EDP (in Euros)	1,023,844,684	1,091,528,829	630,020,903	550,977,634
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,023,844,684	1,089,231,457		
Weighted average number of ordinary shares outstanding	3,621,419,392	3,629,295,527	3,622,932,392	3,630,440,152
Weighted average number of diluted ordinary shares outstanding	3,622,458,061	3,630,582,881	3,623,971,061	3,631,727,506
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.30		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.30		
Basic earnings per share from continuing operations (in Euros)	0.28	0.30		
Diluted earnings per share from continuing operations (in Euros)	0.28	0.30		

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 year, net of changes in treasury stock during the year.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
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	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>
Effect of treasury stock	-35,118,323	-27,242,188	-33,605,323	-26,097,563
Average number of shares during the year	3,621,419,392	3,629,295,527	3,622,932,392	3,630,440,152
Effect of stock options	1,038,669	1,287,354	1,038,669	1,287,354
Diluted average number of shares during the year	<u>3,622,458,061</u>	<u>3,630,582,881</u>	<u>3,623,971,061</u>	<u>3,631,727,506</u>

30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Book value of EDP, S.A. treasury stock (thousand Euros)	119,784	126,532	113,689	120,437
Number of shares	34,212,975	35,703,591	32,699,975	34,190,591
Market value per share (in Euros)	3.108	2.695	3.108	2.695
Market value of EDP, S.A.'s treasury stock (thousand Euros)	106,334	96,221	101,632	92,144

Operations performed from 1 January 2009 to 31 December 2009:	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,409,481	-
Volume sold (number of shares)	-2,900,097	-
Final position (number of shares)	32,699,975	1,513,000
Highest market price (in Euros)	3.21	-
Lowest market price (in Euros)	2.21	-
Average market price (in Euros)	2.86	-

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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Legal reserve	471,387	443,838	471,387	443,838
Fair value reserve (cash flow hedge)	80,444	-54,653	56,561	-11,295
Tax effect of fair value reserve (cash flow hedge)	-18,650	20,130	-15,457	2,525
Fair value reserve (available-for-sale investments)	191,893	46,964	129,809	25,649
Tax effect of fair value reserve (available-for-sale investments)	-17,790	-2,926	-12,077	-2,459
Exchange differences arising on consolidation	165,859	-94,018	-	-
Treasury stock reserve (EDP, S.A.)	113,689	120,437	113,689	120,437
Other reserves and retained earnings	1,241,728	763,521	1,124,095	1,102,912
	2,228,560	1,243,293	1,868,007	1,681,607

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging instruments.

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, 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 2007	329,161	-193,873
Changes in fair value	10,373	-371,106
Transfer of impairment to profit or loss	-	289,378
Transfer to the income statement relating to assets sold	-16,969	-
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

Decreases in fair value changes during the year ended 31 December 2009 include 29,274 thousand Euros related to impairment losses recognised regarding the investment in BCP, transferred to the income statement during the first quarter of 2009.

Increases in fair value changes during the year ended 31 December 2009 are analysed as follows:

	Dec 2009 Euro'000
Sonaecom, S.A.	28,920
Ampla Energia e Serviços, S.A.	94,705
Banco Comercial Português, S.A.	33,391
REN - Rede Eléctrica Nacional, S.A.	3,551
Tejo Energia, S.A.	7,436
Ampla Investimentos e Serviços, S.A.	5,965
Other	5,788
	179,756

Transfer to the income statement relating to assets sold includes the gains of 28,920 thousand Euros and 5,355 thousand Euros, related to the sale at the Stock Exchange of Sonaecom and BCP shares, respectively (see note 13).



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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 2009		Exchange rates at Dec 2008	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.441	1.390	1.392	1.477
Brazilian Real	BRL	2.511	2.783	3.244	2.652
Macao Pataca	MOP	11.506	11.088	11.109	11.841
Quetzal	GTQ	12.003	11.332	10.779	11.153
Zloty	PLN	4.105	4.362	4.154	3.486
Lei	RON	4.236	4.245	4.023	3.762

Dividends

The dividend proposed, prior to approval of the accounts and not yet recognised as a distribution, amounts to 566,763 thousand Euros for the year ended 31 December 2009 and corresponds to 0.155 Euros per share.

Proposal for the appropriation of statutory net profits of EDP, S.A. with reference to 2008 and 2007 - 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 15 April 2009 and 10 April 2008, the proposals for the appropriation of statutory net profits of EDP, S.A. with reference to 2008 and 2007, attributing for 2009 and 2008 annual donations to Fundação EDP of 6,000,000 Euros and 3,428,144 Euros, respectively. The referred donations for IFRS accounting purposes were recognised as Donations in Other operating expenses (see note 10) in 2009 and 2008, respectively.

32. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Minority interests in income statement	144,102	120,143
Minority interests in reserves	2,543,435	2,080,462
	<u>2,687,537</u>	<u>2,200,605</u>

Minority interests, by company, are made up as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
EDP Renováveis Group	1,281,672	1,253,875
Energias do Brasil Group	1,346,792	895,114
Hidrocentrífico Group	35,534	29,191
Other minority interests	23,539	22,425
	<u>2,687,537</u>	<u>2,200,605</u>

During 2009, EDP Group generated profit of 144,102 thousand Euros attributable to minority interests (31 December 2008: 120,143 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 24,688 thousand Euros, to variations resulting from share capital increases attributable to minority interests totalling 7,597 thousand Euros and to a decrease of 3,491 thousand Euros related to dividends paid.

The movement booked in minority interests of Energias do Brasil Group includes 116,338 thousand Euros of profits attributable to minority interests, 242,052 thousand Euros from the positive exchange difference and a decrease related to the dividends paid of 67,814 thousand Euros. In November 2009, the secondary public offer of 15,500,000 treasury stock of EDP - Energias do Brasil, S.A. was concluded, and, as a result, the Group recognised minority interests of 166,621 thousand Euros. Additionally, during 2009 the effect of changes in fair value reserve and actuarial losses resulted in a decrease of minority interests of 3,825 thousand Euros.

The movement in minority interests of the Hidrocentrífico Group mainly includes 612 thousand Euros of profits attributable to minority interests, an increase of 3,833 thousand Euros related to the subscription of 25% of the share capital of Central Térmica de Ciclo Combinado Grupo 4 by Sonatrach, an increase of 3,814 thousand Euros related to a share capital increase of Naturgás Energia Distribución Cantabria, S.A. and a decrease of 2,185 thousand Euros related to dividends paid.

The caption Other minority interests includes 22,287 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2008: 20,001 thousand Euros).

As referred under accounting policies - note 2 a), in accordance with IFRS 3, in the 12 months period subsequent to a business combination, the acquirer can make adjustments to the fair value of assets, liabilities and contingent liabilities, reflecting these adjustments with reference to the acquisition date. The final allocation of the assets, liabilities and contingent liabilities concluded during the third quarter of 2009, related to Investco, Rede Lajeado and Tocantins, has determined the allocation of 9,440 thousand Euros of Minority interests and 69 thousand Euros of net profits attributable to Minority interests, with reference to 31 December 2008.

The PPA's (Price Purchase Allocation) concluded in the fourth quarter of 2009, related to Renovatio Power and Cernavoda Power, determined the allocation of 8,763 thousand Euros of Minority interests, with reference to 31 December 2008.

The final allocation of the assets, liabilities and contingent liabilities concluded during the fourth quarter of 2009, related to Solanar Distribución Eléctrica and Instalaciones Eléctricas Rio Isabena, determined the allocation of 320 thousand Euros and 353 thousand Euros, respectively, of Minority interests, with reference to 31 December 2008.

33. Hydrological account

The movements in the **Hydrological account** are analysed as follows:

	Group and Company	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Balance at the beginning of the year	237,822	227,686
Amounts received / (paid) during the year	-135,069	-
Financial charges	9,878	10,136
Balance at the end of the year	<u>112,631</u>	<u>237,822</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.

34. Financial debt

This caption is analysed as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	Euro'000	Euro'000	Euro'000	Euro'000
Short term debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	51,277	92,568	51,277	92,568
- EDP Finance B.V.	-	730,000	-	-
- EDP Energias do Brasil Group	119,661	256,639	-	-
- HC Energia Group	1,488	8,517	-	-
- Renewables Group	103,039	75,950	-	-
- Generation - Portugal	8,991	7,390	-	-
- Portgás	33,999	32,977	-	-
	<u>318,455</u>	<u>1,204,041</u>	<u>51,277</u>	<u>92,568</u>
Non convertible bond loans:				
- EDP, S.A.	-	1,000,000	-	1,000,000
- EDP Finance B.V.	499,861	22,455	-	-
- EDP Energias do Brasil Group	81,077	62,784	-	-
	<u>580,938</u>	<u>1,085,239</u>	<u>-</u>	<u>1,000,000</u>
Commercial paper:				
- EDP, S.A.	1,218,500	939,300	4,107,500	4,227,700
- EDP Energias do Brasil Group	91,586	-	-	-
- HC Energia Group	329,322	433,082	-	-
	<u>1,639,408</u>	<u>1,372,382</u>	<u>4,107,500</u>	<u>4,227,700</u>
Other loans:				
- EDP Energias do Brasil Group	5,402	3,669	-	-
- Renewables Group	4,096	3,277	-	-
- Generation - Portugal	701	1,208	-	-
	<u>10,199</u>	<u>8,154</u>	<u>-</u>	<u>-</u>
Accrued interest	245,481	142,198	36,063	39,968
	<u>2,794,481</u>	<u>3,812,014</u>	<u>4,194,840</u>	<u>5,360,236</u>



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	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Medium and long term debts and borrowings - Non current				
Bank loans:				
- EDP, S.A.	759,024	1,672,201	759,024	1,672,201
- EDP Finance B.V.	3,206,321	2,175,000	-	-
- EDP Energias do Brasil Group	707,426	364,425	-	-
- HC Energia Group	4,991	7,076	-	-
- Renewable Group	402,599	451,062	-	-
- Generation - Portugal	185,046	174,911	-	-
- Portgás	66,862	78,449	-	-
	<u>5,332,269</u>	<u>4,923,124</u>	<u>759,024</u>	<u>1,672,201</u>
Non convertible bond loans:				
- EDP, S.A.	1,174,742	1,189,594	1,174,742	1,189,594
- EDP Finance B.V.	6,795,215	4,596,332	-	-
- EDP Energias do Brasil Group	180,639	202,651	-	-
	<u>8,150,596</u>	<u>5,988,577</u>	<u>1,174,742</u>	<u>1,189,594</u>
Other loans:				
- Preference shares of Investco	22,494	13,993	-	-
- EDP Energias do Brasil Group	37,349	31,382	-	-
- Renewable Group	29,530	27,834	-	-
- Generation - Portugal	6,151	6,728	-	-
	<u>95,524</u>	<u>79,937</u>	<u>-</u>	<u>-</u>
	<u>13,578,389</u>	<u>10,991,638</u>	<u>1,933,766</u>	<u>2,861,795</u>
Other liabilities:				
- Fair value of the issued debt hedged risk	-91,890	-117,327	28,627	-2,164
	<u>13,486,499</u>	<u>10,874,311</u>	<u>1,962,393</u>	<u>2,859,631</u>
	<u>16,280,980</u>	<u>14,686,325</u>	<u>6,157,233</u>	<u>8,219,867</u>

EDP Group, at EDP, S.A. level, has short-term credit facilities of 390,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 375,410 thousand Euros have a firm underwriting commitment, being available 352,639 thousand Euros as at 31 December 2009, as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being 350,000 thousand Euros still available as at 31 December 2009. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 1,600,000 thousand Euros, with a firm underwriting commitment, totally available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand USD with a firm underwriting commitment, which as at 31 December 2009 is totally drawn.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2009 and 2008 these loans amounted to 716,429 thousand Euros and 742,190 thousand Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding** , as at 31 December 2009, 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.	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	Euribor 3 months + 0.15%	n.a.	Jun-10	500,000	-
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	694,155	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	694,155	-
EDP Finance B.V.	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii)	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	75,098	-
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	694,155	-
					<u>8,188,586</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	25,716	-
Bandeirante	Apr-06	104.4% of CDI	n.a.	Mar-11	66,367	-
Escelsa	Jun-06	104.4% of CDI	n.a.	Jun-11	70,083	-
Escelsa	Jul-07	105.0% of CDI	n.a.	Jul-14	99,550	-
					<u>261,716</u>	<u>-</u>
					<u>8,900,302</u>	<u>1,197,352</u>

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Bank loans and overdrafts:				
Up to 1 year	324,586	1,305,729	52,513	94,890
From 1 to 5 years	4,012,942	2,834,286	131,155	104,934
More than 5 years	1,319,327	2,088,838	627,869	1,567,267
	<u>5,656,855</u>	<u>6,228,853</u>	<u>811,537</u>	<u>1,767,091</u>
Bond loans:				
Up to 1 year	820,699	1,124,905	34,726	1,037,543
From 1 to 5 years	3,232,718	2,792,859	891,685	887,430
More than 5 years	4,825,988	3,078,391	311,684	300,000
	<u>8,879,405</u>	<u>6,996,155</u>	<u>1,238,095</u>	<u>2,224,973</u>
Commercial paper:				
Up to 1 year	1,638,513	1,372,382	4,107,601	4,227,803
Other loans:				
Up to 1 year	10,683	8,998	-	-
From 1 to 5 years	42,921	26,936	-	-
More than 5 years	52,603	53,001	-	-
	<u>106,207</u>	<u>88,935</u>	<u>-</u>	<u>-</u>
	<u>16,280,980</u>	<u>14,686,325</u>	<u>6,157,233</u>	<u>8,219,867</u>

The fair value of EDP Group's debt is analysed as follows:

	Dec 2009		Dec 2008	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	2,794,481	2,547,504	3,812,014	3,824,018
Medium/Long term debt and borrowings - Non current	13,486,499	14,110,568	10,874,311	10,676,963
	<u>16,280,980</u>	<u>16,658,072</u>	<u>14,686,325</u>	<u>14,500,981</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.

As at 31 December 2009, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	1,203,700	1,448,579	2,412,879	2,223,423	6,197,918	13,486,499
Short term debt and borrowings	2,794,481	-	-	-	-	-	2,794,481
	<u>2,794,481</u>	<u>1,203,700</u>	<u>1,448,579</u>	<u>2,412,879</u>	<u>2,223,423</u>	<u>6,197,918</u>	<u>16,280,980</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:

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
Bank loans:							
Euro	204,386	246,807	101,812	2,124,184	85,169	1,017,933	3,780,291
Brazilian Real	120,200	108,566	114,889	101,223	89,059	301,394	835,331
US Dollar	-	-	-	-	1,041,233	-	1,041,233
	<u>324,586</u>	<u>355,373</u>	<u>216,701</u>	<u>2,225,407</u>	<u>1,215,461</u>	<u>1,319,327</u>	<u>5,656,855</u>
Bond loans:							
Euro	739,620	756,760	494,976	144,975	961,275	3,365,089	6,462,695
Brazilian Real	81,079	81,089	33,183	33,183	33,122	-	261,656
US Dollar	-	-	694,155	-	-	1,460,899	2,155,054
	<u>820,699</u>	<u>837,849</u>	<u>1,222,314</u>	<u>178,158</u>	<u>994,397</u>	<u>4,825,988</u>	<u>8,879,405</u>
Commercial paper:							
Euro	1,546,927	-	-	-	-	-	1,546,927
Brazilian Real	91,586	-	-	-	-	-	91,586
	<u>1,638,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638,513</u>
Other loans:							
Euro	4,167	4,213	3,292	2,994	7,975	13,501	36,142
Brazilian Real	5,402	5,398	5,329	5,292	4,721	39,102	65,244
US Dollar	1,114	867	943	1,028	869	-	4,821
	<u>10,683</u>	<u>10,478</u>	<u>9,564</u>	<u>9,314</u>	<u>13,565</u>	<u>52,603</u>	<u>106,207</u>
	<u>2,794,481</u>	<u>1,203,700</u>	<u>1,448,579</u>	<u>2,412,879</u>	<u>2,223,423</u>	<u>6,197,918</u>	<u>16,280,980</u>



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35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Provisions for social liabilities and benefits	1,109,347	1,082,905	-	-
Provisions for medical liabilities and other benefits	770,357	750,982	-	-
	<u>1,879,704</u>	<u>1,833,887</u>	-	-

Provisions for social liabilities and benefits as at 31 December 2009 include 1,095,981 thousand Euros relating to retirement pension defined benefit plans (31 December 2008: 1,067,553 thousand Euros) and 13,366 thousand Euros (31 December 2008: 15,352 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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the period	1,082,905	935,593	-	-
Charge for the year	62,274	47,196	-	-
Pre-retirements (curtailments)	32,757	46,117	-	-
Actuarial (gains)/losses	84,005	185,791	-	-
Charge-off	-150,267	-146,310	-	-
Perimeter variation - Enersul	-	15,573	-	-
Transfers, reclassifications and exchange differences	-2,327	-1,055	-	-
Balance at the end of the period	<u>1,109,347</u>	<u>1,082,905</u>	-	-

The movement in Provisions for Medical and other benefits is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the period	750,982	779,784	-	-
Charge for the period	49,955	48,791	-	-
Pre-retirements (curtailments)	1,736	3,086	-	-
Actuarial (gains)/losses	2,479	-43,842	-	-
Charge-off	-42,905	-33,318	-	-
Transfers, reclassifications and exchange differences	8,110	-3,519	-	-
Balance at the end of the period	<u>770,357</u>	<u>750,982</u>	-	-

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2009 and 2008, losses of 86,484 thousand Euros and of 140,467 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 Pensõesgera being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement. The responsibilities with early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, a closed supplementary welfare entity with its own assets, segregated from those of its Sponsors (Bandeirante and other Brazilian electricity companies) and with no common 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 2009 and 2008 the number of participants covered by the pension plans was as follows:

	Portugal	Spain	Brazil	Portugal	Spain	Brazil
	2009	2009	2009	2008	2008	2008
Number of participants						
Retirees and pensioners	18,309	1,515	1,610	18,446	1,600	1,559
Active workers	6,608	1,263	1,951	6,838	1,294	2,165
	<u>24,917</u>	<u>2,778</u>	<u>3,561</u>	<u>25,284</u>	<u>2,894</u>	<u>3,724</u>

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

Assumptions	Dec 2009				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Expected return of plan assets	6.34%	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 Disabled	RP-2000 Disabled	RP-2000 Disabled
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
Assumptions	Dec 2008				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Expected return of plan assets	6.34%	not applicable	11.00%	11.25%	10.75%
Discount rate	5.75%	5.40%	11.25%	11.25%	11.25%
Salary increase rate	3.70%	1.90%	5.55%	5.55%	5.55%
Pension increase rate	2.90%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	2.10%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.20%	2.50%	4.50%	4.50%	4.50%
Mortality table	TV 88/90	PERM/F-2000P	RP-2000 Geracional	AT 2000/RP- 2000 Geracional	AT 2000/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 liability for retirement pensions and related coverage for the Group, as at 31 December 2009 and 2008 is analysed as follows:

	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	<u>972,779</u>	<u>91,679</u>	<u>31,523</u>	<u>1,095,981</u>
	Dec 2008			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,930,534	93,990	168,461	2,192,985
Fair value of plan assets at the end of the year	-991,453	-	-154,820	-1,146,273
Asset ceiling	-	-	20,841	20,841
Provision at the end of the year	<u>939,081</u>	<u>93,990</u>	<u>34,482</u>	<u>1,067,553</u>

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:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for Pension Plans					
Liability at the end of the year	2,302,307	2,192,985	2,217,351	2,247,023	2,231,598
Fair value of plan assets at the end of the year	-1,233,762	-1,146,273	-1,389,997	-1,316,748	-1,207,121
Asset ceiling	27,436	20,841	-	-	-
Provision at the end of the year	<u>1,095,981</u>	<u>1,067,553</u>	<u>827,354</u>	<u>930,275</u>	<u>1,024,477</u>



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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:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	-9,112	-33,781	7,315	-9,987	41,241
Experience adjustments for the Plan assets	13,676	-136,929	-12,027	12,538	25,853

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:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	2,701	4,693	4,907	-8,654	-27,060
Experience adjustments for the Plan assets	5,160	-18,938	16,401	7,694	6,926

The past service liability of the pension plans for the Group, as at 31 December 2009 and 2008 is as follows:

	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
Curtailments / 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	<u>1,984,765</u>	<u>91,679</u>	<u>225,863</u>	<u>2,302,307</u>

	Dec 2008			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,987,010	90,952	230,341	2,308,303
Current service cost	12,544	933	488	13,965
Interest cost	100,401	4,178	21,200	125,779
Benefits paid	-179,954	-6,997	-11,261	-198,212
Curtailments / Settlements	46,117	-	-	46,117
Actuarial losses and gains	-42,779	3,425	-5,660	-45,014
Currency fluctuation	-	-	-41,519	-41,519
Perimeter variation - Enersul	-	-	-25,905	-25,905
Other	7,195	1,499	777	9,471
Liability at the end of the year	<u>1,930,534</u>	<u>93,990</u>	<u>168,461</u>	<u>2,192,985</u>

The components of consolidated net cost of the plans recognised in the year were as follows:

	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
Curtailments / Settlements	32,757	-	-	32,757
Plan participants contributions	-	-	-937	-937
Net cost for the year	<u>88,491</u>	<u>5,376</u>	<u>1,164</u>	<u>95,031</u>

	Dec 2008			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	12,544	933	488	13,965
Interest cost	100,401	4,178	21,200	125,779
Expected return on plan assets	-70,712	-	-21,836	-92,548
Curtailments / Settlements	46,117	-	-	46,117
Plan participants contributions	-	-	-1,012	-1,012
Other	-	-	698	698
Net cost for the year	<u>88,350</u>	<u>5,111</u>	<u>-462</u>	<u>92,999</u>

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	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

The actuarial gains/losses in Brazil include the amount of 674 thousand Euros (1,876 thousand BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2008: 1,482 thousand Euros).

	Dec 2008			
	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	1,178,536	-	256,686	1,435,222
Group contribution	3,571	-	7,574	11,145
Plan participants contributions	-	-	986	986
Benefits paid	-53,725	-	-11,261	-64,986
Actual return on plan assets	70,712	-	21,836	92,548
Actuarial gains/(losses)	-207,641	-	-23,164	-230,805
Currency fluctuation	-	-	-38,387	-38,387
Perimeter variation - Enersul	-	-	-59,450	-59,450
Assets value at the end of the year	991,453	-	154,820	1,146,273

As at 31 December 2009 and 2008, 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 2009	26,818	541,817	230,227	165,460	47,664	1,011,986
31 December 2008	-	553,231	199,282	178,462	60,478	991,453

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2009	2.65%	53.54%	22.75%	16.35%	4.71%	100.00%
31 December 2008	-	55.80%	20.10%	18.00%	6.10%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousand Euros at 31 December 2009 (133,847 thousand Euros at 31 December 2008). Bonds include the amount of 2,277 thousand Euros relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

	2009	2008
	Euro'000	Euro'000
Shares:		
EDP Renováveis	2,815	4,347
EDP S.A.	-	-
	2,815	4,347

Pension fund assets in Brazil as at 31 December 2009 and 2008 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 2009	-	182,637	32,362	1,071	5,706	221,776
31 December 2008	325	-	33,235	1,855	119,405	154,820

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2009	-	82.35%	14.59%	0.48%	2.58%	100.00%
31 December 2008	0.21%	-	21.47%	1.20%	77.12%	100.00%

As at 31 December 2008, Other represents, essentially, financial applications indexed to CDI (Interbank Deposits Certificate).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 27,436 thousand Euros, converted at closing rate of BRL (68,901 thousand BRL). As at 31 December 2008 the value of the asset ceiling was 20,841 thousand Euros.



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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 2010 and subsequent years, in accordance with expectations in January 2010, 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	2009		Expected return rate for 2010 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	48.50%	4.40%	52.50%	4.40%
European shares	18.00%	9.20%	14.00%	7.90%
Global shares	10.00%	9.50%	10.00%	8.00%
Hedge Funds	4.50%	6.70%	3.00%	5.80%
Property	18.50%	6.50%	18.50%	6.90%
Other	0.50%	2.50%	2.00%	8.40%
Total	100.00%	6.30%	100.00%	6.00%

The real return rate of assets in 2009 was 7.47% (2008: - 11.81%).

Brazil	2009		Expected return rate for 2010 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	82.35%	11.20%	81.00%	10.75%
European shares	-	-	-	-
Global shares	14.59%	13.29%	14.10%	13.25%
Hedge Funds	-	-	-	-
Property	0.48%	11.20%	4.9%	10.75%
Other	2.58%	10.77%	-	-
Total	100.00%	11.49%	100.00%	11.00%

As at 31 December 2009 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			
	Pensions	Medical plans	Other benefits	Total
2010	190,936	20,363	15,814	227,113
2011	185,484	20,792	16,045	222,321
2012	180,360	21,216	16,383	217,959
2013	173,758	21,697	16,724	212,179
2014	167,475	22,205	17,130	206,810
2015	159,127	22,775	17,768	199,670
2016	151,366	23,398	18,235	192,999
2017	145,926	24,155	19,065	189,146
2018	138,596	24,964	19,621	183,181
2019	134,148	25,823	20,154	180,125

In 2009, were not made contributions to the pension Funds (3,571 thousand Euros in December 2008 were fully paid in cash).

In 2009, the pensions paid by the Funds in Portugal totalled 54,228 thousand Euros (53,725 thousand Euros in December 2008).

Spain	Expected future benefits to be paid	
	Spain	Other Benefits
2010	8,658	
2011	10,381	
2012	11,668	
2013	12,093	
2014	11,566	
2015	7,165	
2016	5,312	
2017	3,035	
2018	2,000	
2019	2,000	

In 2009, the pensions paid by the Funds in Spain totalled 7,984 thousand Euros (6,997 thousand Euros in December 2008).

The amount of 91,679 thousand Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 37,801 thousand Euros relating to provisions for revision of the collective labour agreement of the Hidrocontábrico Group ("Convênio Colectivo"), signed in December 2007. This agreement regulates, among other matters, the pre-retirement regime for the years 2008 until 2012. The provision includes 53,878 thousand Euros related to responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2010	8	2	-	10
2011	6,781	2	-	6,783
2012	7,761	2	-	7,763
2013	8,796	3	-	8,799
2014	9,872	3	-	9,875
2015	10,907	3	-	10,910
2016	12,193	3	1	12,197
2017	13,546	3	-	13,549
2018	15,355	3	1	15,359
2019	18,253	3	1	18,257

The contributions made to the pension Funds in 2009 amounted to 6,086 thousand Euros (7,574 thousand Euros in 2008) and were fully paid in cash.

The pensions paid by the Funds in 2009 totalled 11,806 thousand Euros (11,261 thousand Euros in 2008).

II. Defined contribution pension plan

NEO and Hidrocarbúrico in Spain, Bandeirante in Brazil and EDP Estudos e Consultoria in Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa and Energest in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

Assumptions	Dec 2009		Dec 2008	
	Portugal	Brazil	Portugal	Brazil
Discount rate	5.20%	11.20%	5.75%	11.25%
Annual increase rate of medical service costs	4.00%	9.5% (b)	4.00%	10% (b)
Estimated administrative expenses per beneficiary per year (Euros)	150	not applicable	233	not applicable
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	RP-2000 Geracional	TV 88/90	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 2009 and 2008 is as follows:

	2009		2008	
	Portugal	Brazil	Portugal	Brazil
Number of participants				
Retirees and pensioners	18,300	856	18,446	834
Current employees	6,608	656	6,838	1,098
	<u>24,908</u>	<u>1,512</u>	<u>25,284</u>	<u>1,932</u>

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for medical care					
Liability at the end of the year	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>	<u>743,462</u>
Provision at the end of the year	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>	<u>743,462</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:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>	<u>61,049</u>
	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>	<u>61,049</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:

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>	<u>5,606</u>
	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>	<u>5,606</u>



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The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2009			Dec 2008		
	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	734,934	16,048	750,982	754,288	25,496	779,784
Current service cost	6,622	166	6,788	7,223	256	7,479
Current interest cost	41,141	2,026	43,167	38,993	2,319	41,312
Benefits paid	-39,034	-3,871	-42,905	-31,396	-1,922	-33,318
Curtailments / Settlements	1,736	-	1,736	3,086	-	3,086
Actuarial gains and losses	-6,338	8,817	2,479	-40,519	-3,323	-43,842
Currency fluctuation	-	5,449	5,449	-	-4,058	-4,058
Other	2,661	-	2,661	3,259	-2,720	539
Liability at end of the year	741,722	28,635	770,357	734,934	16,048	750,982
Provision at end of the year	741,722	28,635	770,357	734,934	16,048	750,982

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 2009			Dec 2008		
	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	6,622	166	6,788	7,223	256	7,479
Interest cost	41,141	2,026	43,167	38,993	2,319	41,312
Curtailement	1,736	-	1,736	3,086	-	3,086
Net cost for the year	49,499	2,192	51,691	49,302	2,575	51,877

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	741,722	696,959	796,138
2010 cost for the year			
Current service cost	6,965	6,221	7,933
Interest cost	37,629	35,302	40,459
	44,594	41,523	48,392

Medical Care Plan and Other Benefits in Brazil includes liabilities of 23,555 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	23,555	21,768	25,593
2010 cost for the year			
Current service cost	-	-	-
Interest cost	2,528	2,328	2,757
	2,528	2,328	2,757

36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Provision for legal and labour matters and other contingencies	94,520	116,528	-	-
Provision for customer guarantees under current operations	28,561	14,993	-	-
Provision for other liabilities and charges	219,674	192,198	18,637	79,014
	342,755	323,719	18,637	79,014

The changes in the Provisions for legal and labour matters and other contingencies are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2008 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	116,528	152,428	-	-
Changes in the consolidation perimeter	-	-30,869	-	-
Charge for the year	26,502	14,566	-	-
Reversals	-10,354	-2,561	-	-
Charge-off for the year	-65,551	-2,195	-	-
Other and exchange differences	27,395	-14,841	-	-
Balance at the end of the year	94,520	116,528	-	-

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 2009, the amount of this Tax contingency totals 176 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 tax perspective. The Group intends to, at a final instance, call upon a judicial proceeding, if necessary.

Provision for legal and labour matters and other contingencies of 94,520 thousand Euros, includes provisions for litigation in progress and other labour contingencies of 78,693 thousand Euros.

The opening balance as at 31 December 2009 relating to tax litigation includes 9,564 thousand Euros relating to taxes to be returned to the State by the subsidiary Naturgás Distribuição 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 provisions for legal litigations in process against subsidiaries of the EDP Group amounting to 78,693 thousand Euros (2008: 54,304 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 15,607 thousand Euros (2008: 15,998 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of 11,200 thousand Euros;
- iii) There is 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 movement in **Provision for customer guarantees under current operations** is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	14,993	8,093	-	-
Changes in the consolidation perimeter	-	-1,810	-	-
Charge for the year	30,992	20,279	-	-
Reversals	-	-1,289	-	-
Charge-off for the year	-17,457	-9,968	-	-
Other and exchange differences	33	-312	-	-
Balance at the end of the year	28,561	14,993	-	-

Provisions for customer guarantees under current operations of 28,561 thousand Euros (2008: 14,993 thousand Euros) includes essentially to provisions for commercial losses.

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	192,198	215,520	79,014	29,580
Changes in the consolidation perimeter	184	-	-	-
Charge for the year	34,828	36,339	187	61,117
Reversals	-7,283	-35,264	-57,190	-2,408
Charge-off for the year	-36,211	-28,734	-7,500	-9,275
Other and exchange differences	35,958	4,337	4,126	-
Balance at the end of the year	219,674	192,198	18,637	79,014

As at 31 December 2009, Provision for other liabilities and charges on a consolidated basis of 219,674 thousand Euros (2008: 192,198 thousand Euros) mainly includes the following situations:

- i) The Group holds a provision of 21,466 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 63,956 thousand Euros (2008: 47,311 thousand Euros) to cover the costs of returning the locations and land to their original state, from which 41,609 thousand Euros referring to the wind farms of the Horizon Group and the remaining balance to cover the wind farms of the NEO Group.
- iii) 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 12,154 thousand Euros and 5,831 thousand Euros as at 31 December 2009, to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 (a), 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.

As at 31 December 2008, Provision for other liabilities and charges on a company basis, included 57,190 thousand Euros to cover for the negative equity of subsidiary companies. During 2009, following the supplementary capital contributions, this provision was reversed against financial income, as referred in note 14.



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37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Trade and other payables - Current:				
Suppliers	803,457	956,745	110,501	125,068
Property, plant and equipment suppliers	901,417	649,475	7,217	522
Advances from customers	29,500	29,905	43	43
Other payables:				
- Employees	56,949	64,286	6,901	3,496
- Supply of other goods and services	193,914	147,229	9,777	138,847
- Concession rents	15,822	11,857	-	-
- Amount payable to the regulatory entity in Brazil	11,988	11,591	-	-
- Amount to be invested in research and development - Brazil	16,449	13,734	-	-
- Portuguese public debt securities (treasury bonds) to liquidate	-	48,206	-	-
- Amounts payable for electricity transactions in MIBEL	-	119,714	-	119,714
Payables - related companies	30,481	13,837	-	113,830
Payables from the Regulated Activity	40,159	27,127	-	-
Energetic efficiency program - Brazil	21,056	10,757	-	-
Holiday pay, bonus and other charges	96,606	90,382	587	652
Derivative financial instruments	88,745	178,473	132,349	239,948
Government grants and co-participation in investment in fixed assets	135,446	105,418	-	-
Accrued costs - Energy management business	17,132	107,885	102,176	107,885
Accrued costs - Energy purchase (PRE)	143,280	97,128	-	-
Accrued income - supply energy	20,395	39,251	-	-
Accrued costs relating to CMEC Revisable mechanism	-	84,155	-	-
Accrued costs relating to the fix network utilization tariff	72,140	6,212	-	-
CO2 emission licenses	341,446	496,425	-	-
Accrued costs - Subcontracts (Horizon)	22,841	68,821	-	-
Deferred income - CMEC	92,446	131,136	-	-
OMIP futures (own use)	9,620	-	9,620	13,154
Amounts payable for tariff adjustments - Portugal	1,056,236	300,073	-	-
Amounts payable for tariff adjustments - Spain	65,231	-	-	-
Tariff adjustment payable	14,317	78,584	-	-
Supplementary capital contributions payable to EDP Imobiliária	-	-	-	48,206
Creditors - Group companies	-	-	621,941	768,931
Put options over minority interests liabilities	710,113	-	-	-
Other creditors and sundry operations	298,445	264,694	31,268	24,600
	5,305,631	4,153,100	1,032,380	1,704,896

The caption Group companies on a Company basis includes 558,061 thousand Euros (2008: 768,931 thousand Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 37,690 thousand Euros, 21,554 thousand Euros and 4,636 thousand Euros, relating to debt financing obtained near EDP Renováveis, Nuevas Energías del Occidente 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 2009 the liabilities with options over minority interests include a put option of Caja Madrid to NEO regarding 20% of its interests in Genesa of 303,722 thousand Euros (31 December 2008: 258,841 thousand Euros) and a put option from Ente Vasco de la Energía to HC Energía of 30.4% of its interests in Naturgás of 406,391 thousand Euros (31 December 2008: 426,839 thousand Euros). In 2008 these liabilities were booked as non-current.

The caption CO2 emission licenses includes 158,281 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 183,165 thousand Euros related to the HC Energía Group in Spain, regarding the CO2 consumptions made during the year.

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	10,893	10,893	10,893	10,893
Deposits received from customers and other debtors	37,670	38,415	3	4
Payables to associates	121,006	64,619	-	-
Suppliers of property, plant and equipment	6,789	5,076	1,888	1,333
Government grants for investment in fixed assets	1,932,913	1,736,514	-	-
Put options over minority interests liabilities	101,622	771,641	-	-
Amounts payable for tariff adjustments - Portugal	88,479	-	-	-
Deferred income	750	56,789	-	-
Energy sales contracts - Horizon	97,951	119,655	-	-
Deferred income - CMEC	381,278	467,209	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,353,612	1,096,668	-	-
Amounts payable for concessions	235,903	228,944	-	-
Derivative financial instruments	178,628	125,965	773	-
Payables - Group companies (EDP Finance BV)	-	-	2,809,277	2,388,201
Amounts payable for the acquisition of companies	21,230	31,247	-	-
Success fees payable related to companies acquisitions	53,034	85,145	-	-
Other creditors and sundry operations	52,511	23,871	1,907	1,409
	4,674,269	4,862,651	2,824,741	2,401,840

Deferred income - CMEC current and non current includes 473,724 thousand Euros (31 December 2008: 598,345 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) net of the amortisations of initial CMEC of the years 2007, 2008 and 2009 and including financial expenses (25,696 thousand Euros in 2009), as referred in note 14.

In the caption Put options over minority interests liabilities medium / long term, as referred under Accounting policies - note 2 b) the Group books the put options related to interests held by minority interests in EDP Group subsidiaries, at the acquisition date or in a subsequent date, as an anticipated acquisition of those minority interests, booking a financial liability for the present value of the best estimate of the payable amount, regardless of the probability of the options being exercised. As at 31 December 2009 the responsibilities with options over minority interests include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 100,812 thousand Euros (31 December 2008: 85,961 thousand Euros).

At the moment of the Horizon acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, 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 - Horizon, which is depreciated over the useful life of the contracts under Other operational income (see note 7).

The subsidiary Horizon books the receipts from equity investors associated to wind farms projects as non current liabilities under Liability to institutional investors in corporate partnership in wind farms in USA. This liability is reduced by the amount of tax benefits provided and payments made to the equity investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest calculated based on the liability amount and the expected return rate of the equity investors (see note 14).

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 154,301 thousand Euros as at 31 December 2009 (31 December 2008: 165,089 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 81,602 thousand Euros as at 31 December 2009 (31 December 2008: 63.855 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 88,745 thousand Euros and 178,628 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, Renovatio Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás.

The caption Payables - Group companies (EDP Finance B.V.) non current on a company basis, of 2,809,277 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following Horizon's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Amounts payable for tariff adjustments - Portugal current and non-current of 1,056,236 thousand Euros and 88,479 thousand Euros, respectively (2008: 300,073 thousand Euros in current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2008 and 2009 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 2008	-	-
Tariff adjustment of 2007	16,374	-
Tariff adjustment of the period	283,699	-
Balance as at 31 December 2008	<u>300,073</u>	-
Payment through the electricity tariff	-315,995	-
Tariff adjustment of 2008	-	34,144
Tariff adjustment of the period	-	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	<u>1,056,236</u>	<u>88,479</u>

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
State and other public entities:				
- Income tax	599,032	160,615	483,912	10,533
- Withholding tax	40,186	44,923	277	278
- Social Security contributions	9,982	8,358	20	19
- Value added tax (VAT)	42,344	37,305	385	-
- Turnover tax (Brazil)	57,179	33,126	-	-
- Social tax (Brazil)	41,402	22,333	-	-
- Other taxes	137,881	81,802	-	-
	<u>928,006</u>	<u>388,462</u>	<u>484,594</u>	<u>10,830</u>

As at 31 December 2009, Other taxes include foreign taxes regarding HC Energia Group of 44,225 thousand Euros, Naturgás Group of 31,671 thousand Euros (31 December 2008: HC Energia Group 41,048 thousand Euros and Naturgás Group of 25,045 thousand Euros) and Energia do Brazil Group of 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 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Assets classified as held for sale				
Land held for sale - Horizon	-	985	-	-
Investment held in Denerge - EDP Brasil	-	11,562	-	-
Investment held in ESC 90 - EDP Brasil	-	18,281	-	-
	-	<u>30,828</u>	-	-
Liabilities classified as held for sale				
Liabilities on ESC 90 (associated company)	-	-15,841	-	-
	-	<u>14,987</u>	-	-



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The EDP Group decided to maintain its interest of 3.16% in Denerge - Desenvolvimento Energético S.A., having reclassified this investment to the caption Available for sale investment (see note 21). This interest resulted from the asset swap operations occurred in 2008 with Rede Group.

On 30 June 2009, EDP Brasil concluded the sale of its shareholding 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 Sale and Purchase Private Agreement signed in August 2008. This operation was subject to the approval from the regulatory entity Agência Nacional de Telecomunicações—ANATEL, which has been granted without any reserves on 8 June 2009. This operation generated a gain on a consolidated basis of 19,141 thousand Euros (see note 13).

40. Derivative financial instruments

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedges of a recognised asset or liability (Fair value hedge), as cash flow hedges of recognised liabilities and highly probable future transactions (Cash flow hedge) and net investment hedge.

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 hedges						
Cross currency rate swaps	663	-94	-	-	75,098	75,098
	663	-94	-	-	75,098	75,098
Fair value hedges						
Interest rate swaps	82,347	-	-	1,000,000	-	1,000,000
Cross currency rate swaps	34,388	-143,821	-	-	730,313	730,313
	116,735	-143,821	-	1,000,000	730,313	1,730,313
Cash flow hedges						
Raw-materials swaps	85,261	-465	566,141	56,018	-	622,159
Interest rate swaps	96	-23,721	35,355	215,156	216,988	467,499
Foreign exchange forwards	1,805	-23,236	319,364	442,444	-	761,808
	87,162	-47,422	920,860	713,618	216,988	1,851,466
Negotiation						
Raw-materials 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 rate swaps	-	-8,603	-	27,003	-	27,003
Foreign exchange forwards	2,672	-27,191	480,337	132,959	-	613,296
Raw-materials 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

In 2008 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	
Fair value hedges						
Interest rate swaps	81,619	-	1,000,000	750,000	-	1,750,000
Cross currency rate swaps	2,764	-115,979	43,586	43,113	265,600	352,299
	84,383	-115,979	1,043,586	793,113	265,600	2,102,299
Cash flow hedges						
Raw-materials swaps	5,154	-483	12,865	-	-	12,865
Cross currency rate swaps	102	-17,294	29,310	182,557	212,407	424,274
Foreign exchange forwards	365	-2,264	99,408	-	-	99,408
	5,621	-20,041	141,583	182,557	212,407	536,547
Negotiation						
Raw-materials swaps	84,569	-57,039	591,387	-	-	591,387
Interest rate swaps	26,665	-20,881	22,455	-	600,000	622,455
Cross currency rate swaps	-	-61,175	-	-	410,313	410,313
Foreign exchange forwards	59,629	-26,808	2,104,298	98,700	-	2,202,998
Options purchased and sold	-	-2,515	1,506,609	54,761	2,051	1,563,421
	170,863	-168,418	4,224,749	153,461	1,012,364	5,390,574
	260,867	-304,438	5,409,918	1,129,131	1,490,371	8,029,420

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.

The valuation of cash flow hedges is based on external entities. These entities use market information and generally accepted future cash flow discount techniques.

Derivative financial instruments classified as negotiation 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 are analysed as follows:

Type of hedge	Hedging instrument	Hedged risk	2009		2008	
			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	-2,286	2,286	18,539	-18,539
- Fair value	Cross currency rate swaps	Interest and exchange rate	26,547	-26,547	-52,141	52,141
- Cash flow hedge	Interest rate swap	Interest rate	-3,242	-	-22,836	-
- Cash flow hedge	Foreign exchange forwards	Exchange rate	-29,177	-	4,434	-
- Cash flow hedge	Raw-materials swaps	Raw-materials price	79,498	-	-39,773	-
			<u>71,340</u>	<u>-24,261</u>	<u>-91,777</u>	<u>33,602</u>

The changes in the fair value reserve relating to cash flow hedges in 2009 and 2008 were as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	-54,653	2,014
Fair value changes	47,079	-58,175
Transfers to results	88,018	1,508
Balance at the end of the year	<u>80,444</u>	<u>-54,653</u>

The gains and losses on the financial instruments portfolio booked in the income statement in 2009 and 2008 are as follows:

	Group		Company	
	31 Dec 2009 Euro'000	31 Dec 2008 Euro'000	31 Dec 2009 Euro'000	31 Dec 2008 Euro'000
Derivatives held for trading	34,123	55,295	-10,474	147,089
Fair value hedges				
- Derivatives	24,261	-33,602	-2,852	18,539
- Hedged liabilities	-24,261	33,602	2,852	-18,539
Cash flow hedges				
- Transfer to results	-88,018	-1,508	-42,505	-1,485
- Ineffectiveness	977	-	977	-
	<u>-52,918</u>	<u>53,787</u>	<u>-52,002</u>	<u>145,604</u>

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2009 are as follows:

	Group			
	Notional	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		

The currency forward contracts BRL / USD correspond to the exchange hedge of the loan from Porto do Pecém Geração de Energia S.A. The interest rate is fixed through interest rate swaps in USD.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2008 were as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,796,729	EUR	[5.95% - 3.0%]	[6.40% - 3.04%]
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	GBP / EUR	8.67%	8.63%
CIRS (currency interest rate swaps)	32,299	USD / BRL	[16.35% - 13.47%]	[4.38% - 4.0%]
	Nominal value Euro'000		Group	
Interest rate contracts				
Options purchased on interest rates (CAP purchases)	534,810		[5.75% - 4.00%]	
Options sold on interest rates (CAP sale)	500,000		[5.30% - 5.20%]	
Options sold on interest rates (FLOOR sale)	528,611		[4.27% - 3.00%]	



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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 2009 and 2008, are analysed as follows:

Type	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Guarantees of a financial nature				
EDP, S.A.	396,175	407,256	396,175	407,256
Hidroantábrico Group	36,858	65,027	-	-
Brazil Group	46,587	40,569	-	-
EDP Renováveis Group	9,465	9,574	-	-
Other	3,720	3,729	-	-
	<u>492,805</u>	<u>526,155</u>	<u>396,175</u>	<u>407,256</u>
Guarantees of an operating nature				
EDP, S.A.	829,891	1,042,960	829,891	1,042,960
Hidroantábrico Group	324,839	301,454	-	-
Brazil Group	102,732	66,333	-	-
EDP Renováveis Group	1,613,885	1,309,010	-	-
Other (Portugal)	25,191	9,110	-	-
	<u>2,896,538</u>	<u>2,728,867</u>	<u>829,891</u>	<u>1,042,960</u>
Total	3,389,343	3,255,022	1,226,066	1,450,216
Real guarantees	12,504	6,313	-	-

The financial guarantees contracted include, at 31 December 2009 and 31 December 2008, 452,063 thousand Euros and 466,916 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 359,249 thousand Euros at December 2009 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 132,851 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 2009 and 2008, 439,030 thousand Euros and 454,651 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 2009 and 2008 these loans amounted to 716,429 thousand Euros and 742,190 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 2009 and 2008, by maturity, as follows:

	Dec 2009				
	Capital outstanding by maturity				
é analisado como segue:	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	
Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	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>
	Dec 2008				
	Capital outstanding by maturity				
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)	18,381,211	4,522,169	2,891,980	4,503,073	6,463,989
Finance lease commitments	6,517	2,979	3,033	505	-
Operating lease commitments	493,111	35,193	60,424	54,888	342,606
Purchase obligations	32,506,448	4,201,423	5,670,470	4,700,128	17,934,427
Other long term commitments	2,428,415	238,707	479,685	468,079	1,241,944
	<u>53,815,702</u>	<u>9,000,471</u>	<u>9,105,592</u>	<u>9,726,673</u>	<u>25,982,966</u>

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Iberian Peninsula and Brazil.

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the year-end.

Finance lease 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 — Employee benefits).

As at 31 December 2009, 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 Ente Vasco de la Energia over HC Energia for 30.4% of Naturgás, exercised until 30 July 2010, for the higher of the following amounts:
 - Initial price discounted to the put option exercise date, considering the dividends distributed up to date;
 - Fair value of the asset, determined by investment banks;
- Put option of Caja Madrid over NEO for 20% of its investment in Genesa. The option can be exercised between January 2010 and January 2011, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds a put option over Mercado Electrónico and Mercado Electrónico has a call option over EDP of 34% of the investment in Central E, S.A. The price of the options will be determined based on the last 12 months invoicing and the exercise period of the options starts in June 2010 and ends in June 2015;
- EDP holds, through its subsidiary NEO, a call option over Cajastur for "Quinze Minas" 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 NEO, a call option over Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" share capital (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 NEO, a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Veinco Energia Limpia, S.L. a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. 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, valid for 2 years, 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;

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 (Euro)
Balance as at 31 December 2007	1,610,333	2.21
Options exercised	492,848	
Options granted	-	
Balance as at 31 December 2008	1,117,485	2.21
Options exercised	105,088	
Options granted	-	
Balance as at 31 December 2009	1,012,397	2.21

Information regarding 2009 stock options is:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options (Euro'000)
1,012,397	2.21	4,02	1,012,397	772,237

During 2009 no stock options cost was recognised as the past service cost was recognised in prior years.

In 2009, the EDP Group granted, for the period ended 31 December 2009, treasury stock to employees (722,130 shares acquired at an average price of 2.835 Euros), totalling 2,048 thousand Euros. Additionally, 3,807 shares (14 thousand Euros) were granted, related to a previous year bonus.

43. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2009 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Pública Group	733,150,672	20.05%	20.24%
Iberdrola - Participações, SGPS, S.A.	347,371,083	9.50%	5.00%
Caixa Geral de Depósitos Group	207,093,071	5.66%	5.45%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,283,526	4.82%	4.87%
Senhora, SARL	148,431,999	4.06%	4.10%
BlackRock Group	139,884,362	3.83%	3.86%
Millennium BCP Group and Pension Fund	123,052,525	3.36%	3.40%
Banco Espírito Santo Group	111,000,000	3.04%	3.06%
Pictet Asset Management	104,396,422	2.86%	2.88%
Sonatrach	81,713,076	2.23%	2.26%
EDP Group (Treasury stock)	34,212,975	0.94%	
Remaining shareholders	1,266,690,491	34.64%	
	3,656,537,715	100.0%	



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The number of shares of EDP S.A. held by company officers in 2009 and 2008 are as follows:

	2009	2008
	Nr. of shares	Nr. of shares
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
António Francisco Barroso de Sousa Gomes *	-	4,135
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	-
Rui Eduardo Rodrigues Pena	1,445	1,445
Vital Martins Moreira *	-	27,082
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,745	82,340
Executive Board of Directors		
António Luís Guerra Nunes Mexia	1,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	12,497	12,497
Nuno Maria Pestana de Almeida Alves	50,000	40,000
	112,613	102,613

* No longer members of the General and Supervisory Board on 31 December 2009.

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 2009 was as follows:

	EBD	GSC
	Euro'000	Euro'000
President	1,303	639
Members	6,305	842
	7,608	1,481

The remuneration of the members of the Executive Board of Directors includes a variable component of 3,170 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries, which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

Balances and transactions with subsidiaries and associates

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	Loans	Other	Total
	Financial Mov.	Granted	Receivables	Euro'000
	Euro'000	Euro'000	Euro'000	Euro'000
Companies				
Balwerk	17,741	265,000	1,604	284,345
EDP Produção Bioeléctrica	-	13,045	94	13,139
EDP Produção	2,459	3,693,962	213,626	3,910,047
EDP 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	-	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	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
Energia	-	-	1,177	1,177
HDC Gestão de Energia	-	303,139	-	303,139
Hidroeléctrica 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

As at 31 December 2008, 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	5,454	280,000	1,580	287,034
EDP Brasil	-	-	7,504	7,504
EDP Comercial	-	-	6,283	6,283
EDP Distribuição	1,030,212	1,406,215	43,034	2,479,461
EDP Finance	-	-	655,931	655,931
EDP Gás	19,207	13,150	1,060	33,417
EDP Imobiliária e Participações	5,045	343,591	4,079	352,715
EDP Inovação	-	813	383	1,196
EDP Internacional	-	661	103	764
EDP Powerline	4,201	-	97	4,298
EDP Produção	7,911	3,171,324	111,463	3,290,698
EDP Produção Bioelétrica	-	21,370	470	21,840
EDP Renováveis	-	862,817	74,646	937,463
EDP Serviço Universal	-	-	92,721	92,721
EDP Serviner	-	-	147	147
EDP Soluções Comerciais	-	3,250	19,085	22,335
EDP Valor	-	1,750	5,019	6,769
Electrica Ribera del Ebro	-	-	10,659	10,659
Enemova	-	-	1,276	1,276
Hidroeléctrica del Cantábrico	675	-	79,491	80,166
Labelec	-	1,500	522	2,022
NEO	-	-	2,434	2,434
EDP Investimentos	-	17,000	3	17,003
OPTEP	-	-	571	571
Sávida	-	-	234	234
Other	-	-	5,136	5,136
	<u>1,072,705</u>	<u>6,123,441</u>	<u>1,123,931</u>	<u>8,320,077</u>

As at 31 December 2009, the **debits** 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 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	-	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
Energin	-	-	2,446	2,446
Hidroantábrico Energia	-	-	1,219	1,219
Hidroeléctrica do Guadiana (Alqueva)	-	-	1,143	1,143
Hidroeléctrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
NEO	-	21,554	11,377	32,931
NQF 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
	<u>158,559</u>	<u>3,401,239</u>	<u>244,775</u>	<u>3,804,573</u>



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As at 31 December 2008, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
Edalpro	197	-	-	197
EDP Comercial	1,497	-	2,076	3,573
EDP Distribuição	-	-	42,868	42,868
EDP Estudos e Consultoria	1,416	-	4,639	6,055
EDP Finance	-	-	3,131,528	3,131,528
EDP Gás.Com	-	-	2,258	2,258
EDP Imobiliária e Participações	-	-	48,346	48,346
EDP Inovação	1,238	-	3,871	5,109
EDP Produção	-	-	275,332	275,332
EDP Renováveis	-	-	24,352	24,352
EDP Serviner	1,443	-	55	1,498
EDP Soluções Comerciais	1,497	-	4,404	5,901
EDP Valor	29,492	-	7,078	36,570
Electrica Ribera del Ebro	-	-	848	848
Hidrocantábrico Energia	-	-	2,166	2,166
Hidroeléctrica del Cantábrico	-	-	937	937
EDP Internacional	462	-	-	462
Labelec	3,680	-	1,001	4,681
NEO	-	-	6,684	6,684
EDPGás II SGPS (INQF Energia)	62,147	-	4	62,151
EDP Investimentos	1,949	-	-	1,949
Sávida	6,775	-	353	7,128
Soporgen	-	-	1,542	1,542
Other	-	-	4,719	4,719
	<u>111,793</u>	<u>-</u>	<u>3,565,061</u>	<u>3,676,854</u>

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 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	-	168,347	99,216	267,563
EDP Gas 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 (Alqueva)	-	-	7,130	7,130
Hidroeléctrica del Cantábrico	-	-	47,934	47,934
Naturgás	-	850	-	850
NEO	-	-	24,857	24,857
Outras	109	131	1,446	1,686
	<u>2,598</u>	<u>169,585</u>	<u>1,281,572</u>	<u>1,453,755</u>

Expenses related to intra-Group transactions for the year ended 31 December 2008, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
Balwerk	145	-	94	239
EDP Comercial	-	-	22,364	22,364
EDP Distribuição	-	-	8,690	8,690
EDP Estudos e Consultoria	77	-	16,116	16,193
EDP Finance	-	-	157,872	157,872
EDP Gás .Com	754	-	339	1,093
EDP Inovação	126	-	3,280	3,406
EDP Produção	707	-	1,205,319	1,206,026
EDP Renováveis	-	-	28,317	28,317
EDP Serviço Universal	1,540	-	477	2,017
EDP Valor	952	-	5,881	6,833
Eléctrica Ribera del Ebro	-	-	9,427	9,427
Enernova	340	-	-	340
Hidroeléctrica del Cantábrico	-	-	41,827	41,827
Hidrocantábrico Energia S.A.U.	-	-	30,463	30,463
Labelec	79	-	533	612
NEO	-	-	7,226	7,226
Sávida	233	-	30	263
Other	384	-	7,582	7,966
	<u>5,337</u>	<u>-</u>	<u>1,545,837</u>	<u>1,551,174</u>

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 Bioelétrica	-	466	1	467
EDP 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	-	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	284	1,712	1,786	3,782
EDP Valor	-	-	9,298	9,298
Electrica Ribera del Ebro	-	-	16,602	16,602
Hidrocantábrico Distribuição Elétrica S.A.U.	-	-	1,000	1,000
Hidroelétrica do Guadiana (Alqueva)	-	-	1,577	1,577
Hidroelétrica 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>

Income related to intra-Group transactions for the year ended 31 December 2008, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	16	14,304	-	14,320
EDP Comercial	1,102	-	4,382	5,484
EDP Distribuição	17,112	92,893	36,721	146,726
EDP Finance	-	4,278	61,175	65,453
EDP Imobiliária e Participações	257	20,882	349	21,488
EDP Produção	8,087	151,690	117,108	276,885
EDP Gás	851	744	707	2,302
EDP Renováveis	-	12,958	108,596	121,554
EDP Serviço Universal	3,432	-	58,134	61,566
EDP Soluções Comerciais	979	-	32,778	33,757
EDP Valor	49	-	9,190	9,239
EDP Powerline	207	-	-	207
Enemova	7	1,258	118	1,383
Elétrica Ribera del Ebro	-	-	15,202	15,202
Hidroelétrica del Cantábrico	-	-	50,589	50,589
Hidrocantábrico Energia S.A.U.	-	-	2,359	2,359
Horizon Wind Energy, LLC	-	3,200	2	3,202
NEO	-	37,819	546	38,365
Other	45	948	14,661	15,654
	<u>32,144</u>	<u>340,974</u>	<u>512,617</u>	<u>885,735</u>

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>

Assets and Liabilities with related companies at 31 December 2008, for the **Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	28,394	1,905	26,489
Jointly controlled entities	25,786	2,503	23,283
	<u>54,180</u>	<u>4,408</u>	<u>49,772</u>



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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>

Transactions with related companies at 31 December 2008, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	11,064	1,270	-1,133	-18
Jointly controlled entities	1,641	965	-10,005	-3,827
	<u>12,705</u>	<u>2,235</u>	<u>-11,138</u>	<u>-3,845</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 2009 and 2008, 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 2009			31 December 2008		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.70%	0.25%	8.74%	2.89%	1.43%	13.02%
6 months	0.99%	0.43%	9.22%	2.97%	1.75%	12.68%
1 year	1.25%	0.98%	10.50%	3.05%	2.00%	12.16%
2 years	1.89%	1.42%	11.86%	2.68%	1.48%	12.19%
3 years	2.25%	2.06%	12.43%	2.96%	1.75%	12.29%
4 years	2.56%	2.58%	12.65%	3.12%	1.95%	12.55%
5 years	2.80%	2.98%	12.79%	3.25%	2.13%	12.56%
6 years	3.03%	3.29%	12.90%	3.37%	2.25%	12.65%
7 years	3.22%	3.54%	13.10%	3.48%	2.31%	12.71%
8 years	3.36%	3.70%	13.30%	3.56%	2.44%	12.73%
9 years	3.49%	3.85%	13.31%	3.67%	2.50%	12.73%
10 years	3.58%	3.97%	13.31%	3.74%	2.56%	12.73%

Fair value of assets and liabilities as at 31 December 2009 and 31 December 2008 is analysed as follows:

	Group Dec 2009			Group Dec 2008		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	443,117	443,117	-	350,887	350,887	-
Trade receivables	2,008,134	2,008,134	-	1,758,657	1,758,657	-
Derivative financial instruments	276,311	276,311	-	260,867	260,867	-
Financial assets at fair value through profit or loss	84,852	84,852	-	83,227	83,227	-
Cash and cash equivalents (assets)	2,189,560	2,189,560	-	713,587	713,587	-
	<u>5,001,974</u>	<u>5,001,974</u>	<u>-</u>	<u>3,167,225</u>	<u>3,167,225</u>	<u>-</u>
Financial liabilities						
Loans	16,280,980	16,658,072	377,092	14,686,325	14,500,981	-185,344
Trade payables	1,704,874	1,704,874	-	1,606,220	1,606,220	-
Derivative financial instruments	267,373	267,373	-	304,438	304,438	-
	<u>18,253,227</u>	<u>18,630,319</u>	<u>377,092</u>	<u>16,596,983</u>	<u>16,411,639</u>	<u>-185,344</u>

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

The market value of the medium/long term loans is calculated based on the discounted 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. Regarding short term debt, the market value does not differ substantially from the book value.

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.

	31 December 2009			31 December 2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	323,645	47,570	71,902	272,924	22,379	55,584
Derivative financial instruments	-	276,311	-	-	260,867	-
Financial assets at fair value through profit or loss	84,852	-	-	83,227	-	-
	<u>408,497</u>	<u>323,881</u>	<u>71,902</u>	<u>356,151</u>	<u>283,246</u>	<u>55,584</u>
Financial liabilities						
Derivative financial instruments	-	267,373	-	-	304,438	-
	<u>-</u>	<u>267,373</u>	<u>-</u>	<u>-</u>	<u>304,438</u>	<u>-</u>

As at 31 December 2009 and 2008, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2009	Dec 2008
Balance at beginning of year	55,584	55,792
Change in fair value reserve		17,277
Disposals		-1,168
Transfers and other changes		209
Balance at year end	<u>71,902</u>	<u>55,584</u>

45. Discontinued operations

On 11 September 2008, the assets swap between EDP Energias do Brasil and Rede Group (Rede Energia S.A. and Rede Power do Brasil S.A.) was concluded. This operation consisted in a swap of 100% interest in Enersul, previously held by EDP Energias do Brasil, by the shareholding control of Investco, after the purchase of the majority interests held in the share capital of the companies Lajeado Energia, S.A. and Tocantins. The EDP Group results as at 31 December 2008 include the effect of the Enersul operations, which have been identified in the column "Discontinued operations" in the Consolidated Income Statement for comparative purposes.

46. CO₂ licenses

The movements in the portfolio of CO₂ licenses are analysed as follows:

	Group	Group
	Dec 2009	Dec 2008
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses as at 1 January	1,373,457	820,169
Licenses canceled (granted in PNALE II)	-	-820,169
Licenses granted free of charge	15,713,069	15,335,505
Licenses purchased	6,390,760	5,352,160
Licenses transferred (from own consumption to trading)	-3,105,000	-2,446,000
	<u>20,372,286</u>	<u>18,241,665</u>
Licenses to be returned (consumed)	19,956,601	16,868,208
Excess/(Lack) of licenses	<u>415,685</u>	<u>1,373,457</u>

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).

The movements in the portfolio of CO₂ licenses held for trading and classified as inventories are analysed as follows:

	Group	Group
	Dec 2009	Dec 2008
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses held for trading on 1 January	1,830,009	148,908
Licenses cancelled (granted in PNALE II)	-	-148,908
Licenses acquired in the market	5,860,583	7,983,009
Emission licenses transferred to the trading portfolio	3,105,000	2,446,000
Licenses sold	-9,840,853	-8,599,000
	<u>954,739</u>	<u>1,830,009</u>
CO ₂ licenses for trading (in tons) - EUA	601,000	1,630,853
CO ₂ licenses for trading (in tons) - CER	353,739	199,156
	<u>954,739</u>	<u>1,830,009</u>
Fair Value at 31 December - EUA (in Euros)	12.33	15.36
Fair Value at 31 December - CER (in Euros)	11.14	13.53
CO ₂ Licenses for trading (in thousand Euros)	<u>11,351</u>	<u>27,744</u>

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 I).

Fair value corresponds to the spot price (closing price) at the end of December in each year.



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47. Subsequent events

EDP adjudicates construction of new hydroelectric Venda Nova III

On 13 January 2010, EDP adjudicated the construction works to increase the power of the hydroelectric plant in Venda Nova, designated as Venda Nova III, to the consortium MSF/Somague/Mota-Engil/Spie Batignolles, for 131 million Euros. The beginning of the work in the new plant, located in Vieira do Minho, is expected to start in January 2010, being almost exclusively underground works. The plant is expected to start to produce in the first semester of 2015. At this date, the total estimated investment amounts to 349 million Euros.

EDP Renováveis enters the Italian wind market through the acquisition of 520 MW in developing stage

On 27 January 2010, EDP Renováveis acquired 85% of Italian Wind Srl, from Co-Ver Group (industrial cluster in North Italy), adding to its portfolio several wind projects in Italy totalling 520 MW. These projects are in different stages of maturity and in prime locations: i) 4 wind projects totalling 108 MW classified as Tier 2; ii) 98 MW of projects classified as Tier 3; and iii) 314 MW classified as Prospects.

EDP Renováveis awarded 1.3 GW of wind offshore capacity in the UK

EDP Renováveis UK and SeaEnergy PLC formed in 2009 a company denominated Moray Offshore Renewable Limited ("MORL", company owned 75% by EDP Renováveis Group), to develop wind farms offshore in the Moray estuary, in Scotland.

In January 2010, EDP Renováveis announced that UK Crown Estate awarded to MORL, the right to develop wind farms in this region, with the capacity of 1,3 GW.

After obtaining the required administrative authorizations, MORL will be able to start the construction and operation of the wind offshore projects, which should occur between 2015 and 2020.

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 1 (Amended) — Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued in September 2007, the amended IAS 1 - Presentation of Financial Statements, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

The changes regarding the current text of IAS 1 are as follows:

- The presentation of the financial position statement (balance sheet) is required for current and comparative period. According to amended IAS 1, the financial position statement should also be presented for the beginning of the comparative period, when an entity restates the comparatives following a change in an accounting policy, an error adjustment or a reclassification of an item in the financial statements. In these cases, three statements of the financial position would be presented, compared to the two already required.

- Following the changes required by this standard, the users of the financial statements will be able to distinguish, in an easier way, the variations in the equity of the Group on transactions with shareholders, as shareholders (ex. dividends, transactions with treasury stocks) and transactions with third parties, that are summarised in the comprehensive income statement.

Given the nature of these changes (disclosures), no significant impact resulted from this amendment.

IAS 23 (Amended) — Borrowing costs

The International Accounting Standards Board (IASB) issued in March 2007, the amended IAS 23 - Borrowing costs, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

This standard defines that borrowing costs, directly attributable to acquisition cost, construction or production of an asset (eligible asset) are included in its cost. Therefore, the option to recognise these costs directly in the profit or loss is eliminated.

No significant impact in the Group resulted from the adoption of this amendment.

IAS 32 (Amended) - Financial Instruments: Presentation - Puttable Financial Instruments and obligations arising from liquidation

The International Accounting Standards Board (IASB) issued in February 2008, the revised IAS 32 Financial Instruments - Presentation - Puttable financial instruments and obligations arising from liquidation, with effective date of mandatory application of 1 January 2009.

According with the previous requirements of IAS 32, if an issuer can be required to make a payment in money or in other financial asset in exchange for the redemption or repurchase of the financial instrument, the instrument is classified as a financial liability. As a result of this review, some financial instruments that currently comply with the definition of a financial liability will be classified as an equity instrument if (i) they represent a residual interest in the net assets of the entity; (ii) are included in a class of instruments subordinated to any other class of instruments issued by the entity; and (iii) all instruments in the class have the same terms and conditions. A change in IAS 1 Presentation of Financial Statements was also performed to add a new presentation requirement for puttable financial instruments and obligations arising from liquidation.

No significant impact in the Group resulted from the adoption of this change.

IFRS 2 (Amended) - Share-based payment: Acquisition conditions

The International Accounting Standards Board (IASB) issued in January 2008, the amended IFRS 2 - Share-based payment - Acquisition conditions, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

This change to IFRS 2 clarifies that: (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any cancellation of such programs, by the entity or by third parties, has the same accounting treatment.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 7 (Amended) — Financial Instruments: Disclosures

The International Accounting Standards Board (IASB) issued in March 2009 the amended IFRS 7 — Financial instruments: Disclosures, with effective date of mandatory application of 1 January 2009.

This amendment to IFRS 7 requires the disclosure of additional information related to fair value measurement, namely that these amounts should be presented in three hierarchical levels defined in the standard and related to liquidity risk.

Given the nature of these changes (disclosures) the impact in the Group financial statements was exclusively related to presentation.

IFRS 8 — Operating Segments

The International Accounting Standards Board (IASB) issued on 30 November 2006, the IFRS 8 - Operating Segments, approved by the European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments and also about services and products, geographical areas where the entity operates and its major clients. This standard specifies how an entity should disclose its information in the annual financial statements and, consequently will amend IAS 34 - Interim Financial Reporting, regarding the information to be disclosed in the interim financial reporting. Each entity should also to provide a description of the segmental information disclosed, namely profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

Given the nature of these changes, the impact was exclusively related to presentation.

IFRIC 13 — Customer Loyalty Programmes

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 the IFRIC 13 - Customer Loyalty Programmes with effective date of mandatory application on 1 July 2008, being allowed its early adoption.

This interpretation is applicable to customer loyalty programmes and addresses how companies grant their customers loyalty award credits (often called points) when buying goods or services, allowing them to exchange these credits, in the future, by goods or services free of charge or with a discount.

No significant impact in the Group resulted from the adoption of this interpretation.

IFRIC 15 - Agreements for the Construction of Real Estate

The IFRIC 15 - Agreements for the Construction of Real Estate is effective from 1 January 2009.

This interpretation includes guidance that allows determining if a contract for the construction of real estate is within the scope of IAS 18 - Revenue or IAS 11 - Construction Contracts. It is expected that IAS 18 will be applied to a larger number of transactions.

No significant impact in the Group resulted from the adoption of this interpretation.

IFRIC 16 — Hedges of a Net Investment in a Foreign Operation

The International Financial Reporting Interpretations Committee (IFRIC), issued in July 2008 the IFRIC 16 — Hedges of a Net Investment in a Foreign Operation, with mandatory application for years started after 1 October 2008, although allowing for an early adoption.

This interpretation intends to clarify that:

- The hedge of a net investment in a foreign operation can only be applied to exchange differences resulting from the foreign subsidiaries' financial statements conversion from its functional currency to the parent company's functional currency and only for an amount equal or smaller to the subsidiary's net assets;
- The hedge instrument can be contracted by any of the Group's entities, except by the entity that is being hedged; and
- At the moment of the hedged subsidiary's sale, the accumulated gain or loss related to the effective hedge component is reclassified to profit and loss.

This interpretation allows an entity that uses the step by step consolidation method to choose an accounting policy that allows determining the accumulated foreign exchange conversion adjustment that is reclassified to profit and loss when the subsidiary is sold, as it would do if applying the direct consolidation method. This interpretation has a prospective application.

No significant impact in the Group resulted from the adoption of this interpretation.

Annual Improvement Project

In May 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority is mandatory for the Group in 2009, as follows:

- Changes to IAS 1 - Financial Statements presentation, which is applicable from 1 January 2009. The change clarifies that only some financial instruments classified as trading instruments are an example of current assets and liabilities.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 16 - Property, Plant and Equipment, which is applicable from 1 January 2009. The change that occurred on this standard establishes classification rules (i) for the income originated by the sale of rented assets subsequently sold and (ii) from these assets during the period between the termination date of the rental agreement and the date of the sale agreement.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 19 - Employee Benefits, which is applicable from 1 January 2009. The changes clarified (i) the concept of negative costs associated to past services resulting from changes in the defined benefit plan, (ii) the interaction between the expected return from the assets and the costs of managing the plan, and (iii) the distinction between short and medium and long term benefits.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, which is applicable from 1 January 2009. This change established that the benefit arising from obtaining a government loan at rates below market rates, should be measured as the difference between the fair value of the liability at granting date, determined according with IAS 39 Financial Instruments: Recognition and Measurement and the amount received. This benefit should be subsequently accounted according with IAS 20.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 23 - Borrowing Costs, applicable from 1 January 2009. The concept of borrowing costs was changed to clarify that these costs should be determined according to the effective interest rate as defined in IAS 39 - Financial Instruments: Recognition and Measurement, thus eliminating the inconsistency between IAS 23 and IAS 39.

No significant impact in the Group resulted from the adoption of this change.



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- Changes to IAS 27 - Consolidated and Separate Financial Statements, applicable from 1 January 2009. The change to this standard determines that in the cases when an investment in a subsidiary is accounted at fair value in the individual accounts, according with IAS 39 - Financial Instruments: Recognition and Measurement and qualifies for classification as a non-current asset held for sale according with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the investment should continue to be measured as defined in IAS 39.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 28 - Investments in Associates, applicable from 1 January 2009. The changes to IAS 28 - Investments in Associates had the objective of clarifying (i) that an investment in an associate should be treated as a single asset for impairment testing purposes under the scope of IAS 36 - Impairment of assets, (ii) that any impairment loss to be recognised should not be allocated to specific assets namely to goodwill and (iii) that the impairment reversals are accounted as an adjustment to the carrying amount of the associate as long as and to the extent that the recoverable amount of the investment increases.

No significant impact in the Group resulted from the adoption of this change.

- Changes to the IAS 39 - Financial Instruments: Recognition and Measurement, applicable from 1 January 2009. These changes include mainly (i) the clarification that it is possible to perform transfers from and to the category of fair value through profit and loss regarding derivatives, whenever these start or end an hedge relationship in cash-flows hedge models or net investment in an associate or subsidiary, (ii) the change to the definition of financial instruments at fair value through profit and loss in what relates to the trading portfolio, determining that in the case of financial instrument portfolios jointly managed and for which there is evidence of a recent and real model of short-term profit taking, these should be classified as trading on initial recognition; (iii) the change to the documentation requirements and the effectiveness tests of the hedge relationship for the operational segments defined under the scope of IFRS 8 - Operating Segments; and (iv) the clarification that the measurement of a financial liability at amortised cost, after the interruption of the respective fair value hedge relationship, should be performed based on the new effective rate calculated at the interruption date.

No significant impact in the Group resulted from the adoption of this change.

- Change to IAS 40 - Investment Properties, applicable from 1 January 2009. Following this change, the properties under construction or development for subsequent use as investment properties are included under the scope of IAS 40 (before they were included under the scope of IAS 16 Property, Plant and Equipment). These properties under construction can be accounted at fair value except if they cannot be reliably measured in which case they should be accounted at acquisition cost.

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 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.

The Group is evaluating the impact of adopting this standard in its financial statements.

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.

The Group does not expect any significant impact from the adoption of this amendment.

IFRS 3 (Amended) - Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial statements

The International Accounting Standards Board (IASB) issued in January 2008 the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its 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 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.

The Group is evaluating the impact of adopting this standard.

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 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.

According to the preliminary analysis made, the Group does not expect a significant impact resulting from the adoption of this interpretation in the other locations of EDP Group. The Group is evaluating the impact of adopting this interpretation, which could affect the classification of certain assets currently recognised as property, plant and equipment, to intangible assets and / or financial assets.

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.

The Group does not expect any significant impact from the adoption of this interpretation in the financial statements.

IFRIC 18 — Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early 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 does not expect any significant impact from the adoption of this interpretation in the financial statements.

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.

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 Energía (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energía (Naturgás Energía Grupo S.A.), are directly allocated to the assets of EDP Sucursal.



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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 2009 and 2008 is analysed as follows:

	EDP Branch	
	Dec 2009 Euro'000	Dec 2008 Euro'000
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
Deferred tax assets	-	52,404
Other debtors	1,478	928,506
Total Non-Current Assets	4,923,225	5,902,657
Trade receivables	16,157	2,022
Debtors and other assets	376,013	154,589
Tax receivable	10,442	7,406
Financial assets at fair value through profit or loss	-	-
Cash and cash equivalents	10,885	113,379
Total Current Assets	413,497	277,396
Total Assets	5,336,722	6,180,053
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Equity	1,852,407	1,925,440
Financial debt	2,809,277	3,419,314
Total Non-Current Liabilities	2,809,277	3,419,314
Financial debt	22,771	760,825
Trade and other payables	651,760	74,324
Tax payable	507	150
Total Current Liabilities	675,038	835,299
Total Liabilities	3,484,315	4,254,613
Total Equity and Liabilities	5,336,722	6,180,053

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 2009 and 2008 are analysed as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Air and climate protection	59,062	93,052
Biodiversity and landscape protection	16,150	20,555
Waste management	1,485	8,876
Research and development in the environmental area	-	1,197
Soil, subterranean and superficial water protection	1,104	1,596
Residual water management	1,403	112
Noise and radiation reduction	27	607
Other environmental management and protection activities	7,439	5,518
	86,670	131,513

Investments recognised in Air and climate protection as Property, plant and equipment in 2009 include costs incurred by EDP Produção of 51,628 thousand Euros. The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2009, have a net book value of 249 million Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Air and climate protection	9,582	15,196
Soil, subterranean and superficial water protection	3,635	2,894
Waste management	3,477	6,731
Biodiversity and landscape protection	2,765	1,394
Residual water management	1,577	-
Research and development in the environmental area	106	2,420
Noise and radiation reduction	296	-
Other environmental management and protection activities	10,747	2,521
Other expenses	43	1,113
	<u>32,228</u>	<u>32,269</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 12,154 thousand Euros and 5,831 thousand Euros as at 31 December 2009, 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 2009, the provisions amount to 63,956 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 21,466 thousand Euros (see note 36).

During the year 2009, EDP Group incurred in fines and other penalties for breaching environmental regulations of 29 thousand Euros.

Environmental income recognised in 2009 relates to the sale of environmental subproducts of 5,510 thousand Euros, the sale of environmental waste of 4,967 thousand Euros and public environmental protection incentives of 1,043 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.
- Pebble Hydro subgroup
- Electrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Group 4
- 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.
- EDP Soluções Comerciais, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotacion Redes
- Hidrocantábrico Distribucion Eléctrica, S.A.U.



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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.
- Hidrocentrificadora Energia, S.A.U.

The **EDP Renováveis** segment corresponds to the power generation activity through renewable energy resources and includes all the companies of NEO Energia and Horizon Wind Energy subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies 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 Group, S.A.
- Septentrional de Gas, 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.

For comparability purposes the information as at 31 December 2008 has been restated to reflect the changes which occurred in 2009.

53. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. 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 2009 are as follows:

Subsidiaries	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
Portugal									
Group Parent Company and Related Activities:									
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715 EUR	17,253,574	10,710,705	6,542,869	3,926,537	630,021	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	293,154	287,311	5,843	18,055	4,444	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	12,359	9,338	3,021	32,133	2,579	100.00%	100.00%
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000 EUR	265,643	73,047	192,596	12,655	3,623	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	266,087	238,192	27,896	37,603	-9,901	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	9,995	8,459	1,536	4,724	225	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006 EUR	267,345	195,779	71,566	27,468	20,749	100.00%	-
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	66,104	51,073	15,031	61,588	5,957	100.00%	100.00%
EDP Internacional S.A.	Lisbon	50,000 EUR	7,605	5,900	1,705	4,905	1,219	100.00%	100.00%
Labelac - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	17,453	11,305	6,148	13,620	1,870	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100 EUR	154,571	140,794	13,777	16,331	2,964	100.00%	-
Sóvida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	17,756	14,089	3,667	35,190	1,143	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	152	87	64	264	-52	100.00%	-
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000 EUR	2,156	1,490	666	1	-94	100.00%	-
CEO-Comp Energia Oceânica, S.A.	Póvoa do Varzim	65,435 EUR	3,291	2,321	970	-	-8,354	52.07%	-
Electricity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	7,656,118	5,577,284	2,078,834	1,813,514	376,445	100.00%	100.00%
Energlin, S.A.	Lisbon	50,000 EUR	42,239	41,899	340	3,083	-134	65.00%	-
OSM Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	7,897	4,393	3,504	11,535	2,448	100.00%	-
Sopargen, S.A.	Lisbon	50,000 EUR	37,778	29,302	8,476	45,374	2,024	82.00%	-
Targen - Operação e Manutenção de Centrais Termoelétricas, S.A.	Carregado	250,000 EUR	3,208	1,963	1,245	3,457	170	100.00%	-
Greenvoug - Soc. Gestora do Aproveitamento Hidroelétrico de Ribeirão-Ermida, S.A.	Oliveira de Frades	50,000 EUR	5,442	5,518	-76	30	-194	55.00%	-
Hidroelétrica de Fagilde, Lda.	Lisbon	374,098 EUR	2,630	2,068	562	388	19	100.00%	-
Hidroelétrica Janeiro de Baixa, LDA	Lisbon	5,000 EUR	43	42	1	-	-20	100.00%	-
Minihídrica do Palhal, Lda.	Lisbon	450,000 EUR	3,735	1,609	2,126	1,945	1,046	100.00%	-
Hidroelétrica de Penacova, Lda.	Lisbon	498,798 EUR	9,325	8,895	430	1,296	205	100.00%	-
Hidroelétrica de Pinhel, Lda.	Lisbon	1,415,000 EUR	13,788	12,078	1,710	2,189	380	100.00%	-
Hidroelétrica do Rabaçal Ponte, Lda.	Lisbon	1,350,000 EUR	20,790	19,745	1,044	1,857	156	100.00%	-
FSIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	178	139	38	-	-12	51.00%	-
Empresa Hidroelétrica do Guadiana, SA	Lisbon	48,750,000 EUR	413,732	395,933	17,798	21,447	-16,138	100.00%	-
Renewable Energies:									
Enerallus-Produção de Energia Eléctrica, S.A.	Oporto	1,505,000 EUR	39,528	33,462	6,065	9,083	2,187	77.53%	-
Enemova - Novas Energias, S.A.	Oporto	7,500,000 EUR	784,488	698,373	86,115	115,984	35,728	77.53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50,000 EUR	12,821	10,259	2,563	3,186	784	46.51%	-
Eólica da Serra das Alturas, S.A.	Boiças	50,000 EUR	15,581	13,688	1,893	1,776	668	38.84%	-
Eólica de Montenegro, Lda	Vila Pouca de Aguiar	50,000 EUR	26,343	22,761	3,582	3,475	1,442	38.84%	-
Malhoades, S.A.	Oporto	50,000 EUR	27,782	27,437	345	4,876	195	77.53%	-
Windplus, S.A.	Lisbon	50,000 EUR	325	153	172	-	-3	71.40%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	1,024,500,000 EUR	5,426,830	4,875,689	551,141	1,948,913	211,960	100.00%	100.00%
Electricity Supply:									
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	2,260,061	2,227,087	32,974	4,542,377	16,532	100.00%	-
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695 EUR	205,486	182,122	23,363	498,330	7,391	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000 EUR	2,687	2,269	418	4,942	-44	100.00%	100.00%
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, SA	Massama	50,000 EUR	940	600	340	756	-28	55.00%	-
Gas Supply and Distribution:									
EDP GÁS Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	42,740	34,785	7,955	158,536	7,507	100.00%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	14,164	13,501	662	385	30	60.00%	-
EDP Investimentos, S.G.P.S., S.A.	Lisbon	5,489,000 EUR	63,265	17,981	45,284	1,515	506	100.00%	100.00%
EDP Gás III S.G.P.S., S.A.	Lisbon	5,500,000 EUR	62,831	33,684	29,147	4	-1,142	100.00%	-
EDP Gás II S.G.P.S., S.A.	Lisbon	5,000,000 EUR	53,029	18,488	34,541	812	-44	100.00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	351,461	284,800	66,661	52,322	6,285	71.97%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.	Oporto	549,998 EUR	5,735	3,340	2,395	3,651	984	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	25,392	21,843	3,549	99,235	-3,479	71.97%	-
Related Activities:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	99,661	102,490	-2,830	171,012	3,278	100.00%	100.00%
Other Activities:									
FCIE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000 EUR	11	512	-501	25	14	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000 EUR	1,968	64,660	-62,692	1	1,796	100.00%	-
OPTEP SGPS, S.A.	Lisbon	5,500,000 EUR	49,596	27,912	21,684	37,522	27,823	100.00%	-
Spain									
Parent Company and Related Activities:									
EDP Renováveis S.A.	Oviedo	4,361,540,810 EUR	7,250,640	2,194,214	5,056,426	325,448	68,012	77.53%	62.02%
Nuevas Energías de Occidente, S.L.	Oviedo	30,000,000 EUR	4,218,682	4,042,169	176,513	172,544	-20,008	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	5,492,164	3,321,042	2,171,123	1,341,385	83,694	100.00%	96.86%
Electricity - Spain:									
Electricity Generation:									
Cepstror AE	Oviedo	360,607 EUR	418	2	415	2	-3	44.01%	-
Rasacal Cogeneración S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Cogeneración Bergara, A.I.E.	Bilbao	450,000 EUR	1,242	478	763	1,719	167	50.00%	-
Cogeneración Montjic, S.L.U.	Bilbao	1,250,000 EUR	4,433	2,164	2,269	110	-468	100.00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	13,377	8,800	4,577	1,992	1,629	70.00%	-
Electrica de la Ribera del Ebro, SA	Oviedo	5,000,000 EUR	381,103	320,846	60,257	140,496	-6,407	100.00%	-
Energía e Industria de Toledo, S.A.	Oviedo	2,139,603 EUR	5,395	9,145	-3,750	5,820	136	90.00%	-
Fuerzas Eléctricas Valencianas, SA	Valencia	1,021,700 EUR	10,401	11,122	-721	697	-690	100.00%	-
Central Termica Ciclo Combinado Grupo 4	Oviedo	2,117,000 EUR	208,075	212,908	-4,833	73,988	-20,167	75.00%	-
HC Soluciones Comerciales S.A.	Oviedo	60,300 EUR	25,603	9,924	15,779	34,774	6,483	100.00%	-
HDC Explotacion Centrales-2	Oviedo	60,150 EUR	42,144	59,467	-17,323	1,949	-456	100.00%	-
HDC Explotacion Redes-2	Oviedo	70,000 EUR	2,003	1,605	398	5,133	383	100.00%	-
HDC Gestion de Energia-2	Oviedo	5,078,029 EUR	947,314	428,831	518,482	32,086	15,190	100.00%	-
Hidrocarbónico Servicios, S.A.	Oviedo	60,150 EUR	14,435	6,214	8,221	23,003	819	100.00%	-
Instalaciones Eléctricas Rio Isabena, S.L.	Zaragoza	3,006 EUR	4,138	3,849	289	625	190	90.02%	-
Mazarrón Cogeneración, S.A.	Oviedo	70,000 EUR	462	5,199	-4,736	292	-29	90.00%	-
Millenium Energy S.L.	Bilbao	2,830,247 EUR	9,259	7,913	1,345	160	-1,421	100.00%	-
Papresa Cogeneración AIE	Bilbao	50,000,000 EUR	51,080	-	51,080	1,333	1,080	95.41%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150,000,000 EUR	637,377	1,042	636,335	29,050	20,296	100.00%	-
HC Tudela Cogeneración	Carreno	306,030 EUR	1,965	1,666	299	-	-7	50.10%	-
Ciclo Combinado Soto S, S.L.	Oviedo	1,000,000 EUR	277,485	276,533	952	-	-48	100.00%	-
Renewable Energies:									
Acampo Arios S.L.	Zaragoza	3,314,300 EUR	30,391	27,402	2,989	2,201	-326	76.12%	-
Agrupación Eólica, SLU	Zaragoza	649,836 EUR	79,371	44,270	35,101	3,481	1,682	77.53%	-
Ceasa Promociones Eólicas, SLU	Zaragoza	1,205,029 EUR	142,690	137,620	5,071	170,653	5,018	77.53%	-



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Subsidiaries	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
Spain									
Electricity - Spain:									
Renewable Energies:									
Cia. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	69,116 EUR	74	19	55	-	-	77.53%	-
Compañía Eléctrica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,574	432	1,142	520	157	58.79%	-
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	86,480 EUR	85	1	84	-	-	77.53%	-
Desarrollos Eólicos Promoción, S.A.	Seville	8,061,000 EUR	54,966	11	54,955	16,404	16,555	77.53%	-
Desarrollo Eólico Almarchal, SAU	Cadiz	2,061,190 EUR	19,874	16,468	3,406	3,193	490	77.53%	-
Desarrollo Eólico Buenavista, SAU	Cadiz	1,712,369 EUR	12,000	8,074	3,926	2,654	687	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	11,647	3,197	8,450	4,237	1,677	77.53%	-
Desarrollo Eólico de Lugo, SAU	Lugo	7,761,000 EUR	71,248	55,758	15,490	16,316	5,683	77.53%	-
Desarrollo Eólico de Tarifa, SAU	Cadiz	5,799,650 EUR	13,399	3,799	9,600	5,102	1,778	77.53%	-
Desarrollo Eólico Dumbria, SAU	La Coruna	61,000 EUR	81,511	71,075	10,436	14,523	2,914	77.53%	-
Desarrollo Eólico Rebosera, S.A.	Huesca	7,560,950 EUR	36,774	25,513	11,261	7,553	2,455	73.65%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	27,227	15,473	11,754	6,214	2,051	45.22%	-
Desarrollos Catalanes Del Viento,S.L	Barcelona	5,992,600 EUR	45,043	23,533	21,509	938	26	46.52%	-
Desarrollos Eólicos de Galicia, S.A.	La Coruna	6,130,200 EUR	12,951	2,175	10,776	3,772	1,153	77.53%	-
Desarrollos Eolicos, S.A.	Seville	1,056,225 EUR	57,520	39,395	18,125	115,907	519	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	37,123	35,940	1,183	5,964	1,002	77.53%	-
Eólica Alfoz, SL	Madrid	10,000 EUR	147,866	147,856	10	3,515	-	65.88%	-
Enerollva S.A.	Seville	75,120 EUR	206	138	68	2	-	77.53%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	28,864	21,336	7,528	5,888	1,322	60.08%	-
Eolica Campollano S.A.	Madrid	6,559,994 EUR	104,608	84,732	19,876	22,784	5,675	58.15%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	54,016	51,488	2,529	10,405	2,525	77.53%	-
Energía Eólica La Manchuela, SLU	Madrid	1,141,900 EUR	22,142	18,839	3,303	4,772	1,217	77.53%	-
Genesis I S.L.	Madrid	28,562,170 EUR	649,229	452,143	197,086	215,862	8,600	77.53%	-
Guadalalaba	Seville	10,000 EUR	215,159	214,359	800	16,194	791	77.53%	-
Hidroantabárico Congeneración S.L.	Oviedo	2,914,650 EUR	47,144	19,408	27,736	30,971	-295	100.00%	-
Hidroeléctrica del Rumberal, S.L.	Madrid	276,460 EUR	946	871	75	174	33	62.02%	-
Hidroeléctrica Fuenteseras, S.L.	Oviedo	77,036 EUR	298	29	269	74	8	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	426	482	-55	41	-20	58.15%	-
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	1,918,728 EUR	30,398	28,458	1,940	4,094	-142	77.53%	-
Industrias Medioambientales Río Carrón, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	15,717,845 EUR	173,624	162,895	10,728	16,047	-2,513	46.20%	-
Lajanda	Madrid	2,050,000 EUR	183,468	180,309	3,158	17,184	1,095	77.53%	-
Lanavica	Madrid	10,000 EUR	48,164	46,132	2,033	6,630	852	77.53%	-
Malino de Caragüeyes,S.L	Zaragoza	180,300 EUR	607	431	176	187	30	62.02%	-
NEO Catalunya SL	Barcelona	10,000 EUR	33,634	34,534	-900	32	-596	77.53%	-
NEO Energia Aragon SL	Madrid	10,000 EUR	10	1	9	-	-	77.53%	-
Neomax Inversiones SICAV, SA	Madrid	33,358,370 EUR	40,008	151	39,857	1,429	1,355	77.53%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	47,083	38,731	8,352	8,352	1,532	77.53%	-
Parque Eólico la Sotenera, S.L.	Zaragoza	2,000,000 EUR	20,073	15,543	4,530	4,219	1,210	50.27%	-
Parque Eólico Los Canteles, SLU	Zaragoza	1,963,050 EUR	29,156	24,506	4,650	5,950	1,700	77.53%	-
Parque Eólico Montes de Castañón, S.L.	Zaragoza	12,024 EUR	50	41	9	-	-	77.53%	-
Parque Eólico Plano de Artañona, SLU	Zaragoza	12,024 EUR	67	59	9	-	-	77.53%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000 EUR	42,586	39,527	3,059	3,433	411	46.52%	-
Parques Eólicos del Cantábrego, S.L.	Oviedo	9,079,680 EUR	56,567	32,589	23,977	11,000	899	77.53%	-
Renovables Castilla La Mancha, S.A.	Albacete	60,102 EUR	36,919	34,695	2,223	6,589	1,402	69.78%	-
Eólica Sierra de Avila, SL	Madrid	10,000 EUR	74,258	74,248	10	4,872	-	69.77%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-	77.53%	-
Sinca Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	115,394	83,843	31,550	22,024	17,871	77.53%	-
Sotromat, S.A.	Soria	112,880 EUR	30	206	-176	-	-	69.78%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	67	50	17	-	-	62.02%	-
Valle del Ebro Ingeniería y Consultoría, S.L.	Zaragoza	188,047 EUR	4,838	17	4,821	911	833	77.53%	-
Veinco Energia Limpia SLU	Zaragoza	3,043 EUR	5,620	5,055	565	443	157	77.53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	3,005 EUR	23,383	23,375	8	568	-	46.52%	-
Fontelsiva	La Coruna	10,000 EUR	52,928	52,920	9	2,614	-1	77.53%	-
Parc Eólic Molinars SL	Girona	3,006 EUR	215	212	3	-	-	41.87%	-
Muxia I e II	La Coruna	10,000 EUR	66,494	66,485	9	1,420	-1	77.53%	-
Naturmeo Energía, S.L.	Bilbao	3,020 EUR	2	-	2	-	-	86.93%	-
Eolica de Radona SL	Madrid	10,000 EUR	75,021	75,115	-94	4,582	-104	77.53%	-
Parc Eólic de Torre Madrina, S.L.	Barcelona	3,005 EUR	47,183	47,175	7	563	-	46.52%	-
Bon Vent de Carbera, SL	Barcelona	90,000 EUR	73,542	73,456	86	3,150	-	77.53%	-
Bon Vent de Vilaiba, SL	Barcelona	90,000 EUR	75,703	76,332	-629	4,724	-715	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3,006 EUR	34,232	34,229	3	509	-	46.52%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	21,293	19,845	1,448	230	-214	37.75%	-
Agrupación Eólica Francia SL	Madrid	900,000 EUR	43,250	4	43,246	97	18	77.53%	-
Coll de la Garganta	Barcelona	3,010 EUR	19,873	19,870	3	440	-	77.53%	-
Eólica Curiscoo Pumar, S.A.	Madrid	60,200 EUR	69,744	67,399	2,345	12,036	2,271	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	71	90	-19	-	-79	31.43%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	72,236	64,765	7,471	12,894	2,429	65.82%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90,000 EUR	5,157	5,102	55	-	-	77.53%	-
Serra Valtorera	Barcelona	3,010 EUR	29,884	29,881	3	748	-	77.53%	-
Eólica Garcimuñoz, SL	Madrid	10,000 EUR	11	1	10	-	-	77.53%	-
Electricity Distribution:									
Electra de Llobregat Energía, S.L.	Oviedo	150,000 EUR	5,492	7,052	-1,561	533	-597	75.00%	-
Solanar Distribución Eléctrica, S.L.	Zaragoza	421,000 EUR	8,458	8,031	427	889	-58	90.00%	-
Gas Supply and Distribution:									
Gas de Euskadi Transporte de Gas, S.A.U.	Bilbao	12,880,200 EUR	161,867	96,218	65,649	21,871	9,841	95.97%	-
Naturgas Comercializadora, S.A.	Bilbao	8,255,306 EUR	256,821	225,932	30,889	822,351	20,162	95.97%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,857,830	560,244	1,297,585	176,554	74,851	95.97%	-
Naturgas Energía Grupo, S.A.	Bilbao	316,516,400 EUR	1,611,603	536,858	1,074,744	296,528	17,574	95.97%	-
Naturgas Participaciones, S.A.U.	Bilbao	300,500 EUR	12,530	11,894	636	696	287	95.97%	-
Naturgas Energía Comercializadoras Ultimo Recurso,S.A.	Bilbao	2,000,000 EUR	2,040	18	2,022	28	20	95.97%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	10,958	10,304	654	17,259	582	95.97%	-
Naturgas Energía Surministro Sur, S.L.	Bilbao	2,077,000 EUR	9,576	7,519	2,056	-	-	95.97%	-
Naturgas Energía Surministro, S.L.	Bilbao	2,129,600 EUR	10,973	8,865	2,109	-	-	95.97%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191,010 EUR	227	41	186	-	-	95.97%	-
Naturgas Energía Distribución Cantabria, S.A.	Santander	3,160,333 EUR	99,279	62,528	36,751	-	-	86.77%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185 EUR	152,622	102,559	50,063	-	-	95.95%	-
HC Energía Ultimo Recurso, S.A.	Oviedo	1,000,000 EUR	38,984	37,976	1,008	96,616	8	97.99%	-
Electricity Supply:									
EDP Energía Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	36	9	100.00%	-
Hidroantabárico Energía, S.A.U.	Oviedo	44,502,000 EUR	1,127,192	1,066,713	60,479	1,540,261	29,097	100.00%	-
Other Activities:									
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247 EUR	1,418	1,938	-520	1,195	65	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2,996,022 EUR	9,749	9,719	30	15,514	1,707	100.00%	-
Renovamed, S.A.	Oviedo	60,200 EUR	550	1,321	-770	925	67	75.00%	-
Sinova Medioambiental, SA	Oviedo	2,687,364 EUR	16,433	13,623	2,810	14,217	1,385	84.00%	-
Tecman, S.L.	Bilbao	250,000 EUR	4,931	1,416	3,515	5,306	321	95.97%	-
Tratamientos Ambientales Sierra de La Terça, S.A.	Oviedo	3,731,202 EUR	14,737	5,331	9,406	16,317	2,496	88.00%	-
Brazil									
Parent Company and Related Activities:									
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954 BRL	2,031,817	121,654	1,910,164	293,452	250,941	64.91%	25.02%

Subsidiaries	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
Brazil									
Parent Company and Related Activities:									
Energset, S.A.	Sao Paulo	120,480,870 BRL	196,146	73,436	122,711	58,979	31,469	64.91%	-
Escelsapor	Espirito Santo	2,800,000 BRL	2,115	3,064	-948	1	-175	64.91%	-
Santo-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	63,147	27,974	35,173	7,079	1,103	64.91%	-
Elebras Projetos, Ltda	Sao Paulo	1,326,013 BRL	174	4	170	-	-6	71.85%	-
Evrecy Participações Ltda	Sao Paulo	21,462,267 BRL	10,119	496	9,623	1,691	1,462	64.91%	-
Electricity - Brazil:									
Electricity Generation:									
CESA - Castelo Energética, S.A.	Sao Paulo	23,458,269 BRL	81,755	54,976	26,780	16,412	6,351	64.91%	-
Costa Rica Energética, Ltda.	Mato Grosso Sul	14,318,185 BRL	9,459	1,132	8,327	6,053	5,013	33.11%	-
Enercouth, S.A.	Sao Paulo	1,000 BRL	1,977	2,164	-187	-	-21	64.91%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748 BRL	831,923	390,903	441,020	121,482	48,360	38.95%	-
Pantanal	Sao Paulo	23,390,369 BRL	32,389	9,489	22,900	14,910	10,770	64.91%	-
Ipuerinas Energia S.A.	Sao Paulo	14,721,836 BRL	3	2	-	-	-2	64.91%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541 BRL	736,883	126,632	610,251	106,823	40,556	36.26%	-
Investco, S.A.	Sao Paulo	961,793,701 BRL	750,856	254,456	496,400	78,072	36,684	26.47%	-
Renewable Energies:									
EDP Renováveis Brasil, SA	Sao Paulo	49,458,545 BRL	27,428	8,018	19,410	567	-205	71.85%	-
Enemova, SA (Brasil)	Sao Paulo	1,000 BRL	10,285	12,522	-2,237	-540	-2,031	64.91%	-
Central Nacional de Energia Eólica, S.A.	Sao Paulo	22,035,000 BRL	18,781	9,898	8,883	2,640	634	71.85%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	665	1,274	-609	-	-609	59.72%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	254,628,684 BRL	1,031,902	699,870	332,031	798,077	114,156	64.91%	-
Escelsa - Espirito Santo Centrais Elétricas, S.A.	Espirito Santo	376,021,630 BRL	918,995	592,054	326,941	524,563	63,242	64.91%	-
Electricity Supply:									
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758 BRL	67,576	47,387	20,188	290,165	9,972	64.91%	-
France									
Electricity - France:									
Renewable Energies:									
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	16,367	16,803	-435	2,062	-7	77.53%	-
C.E. Gueltes Noyal-Pontivy, S.A.S.	Paris	2,261,000 EUR	9,422	5,778	3,645	1,540	344	77.53%	-
C.E. Patay, SAS	Paris	1,640,000 EUR	16,625	13,980	2,645	2,835	447	77.53%	-
C.E. Segur, SAS	Paris	1,615,000 EUR	15,750	13,944	1,805	2,398	238	77.53%	-
Plouvien Breiz, S.A.S.	Carhaix	40,000 EUR	12,880	14,453	-1,573	1,483	-382	77.53%	-
C.E. NEO Truc L'homme, SAS	Paris	37,500 EUR	35	7	29	-	-3	77.53%	-
Parc Eolien D'Ardennes	Elbeuf	1,000 EUR	25	147	-122	1	-1	77.53%	-
Parc Eolien du Clos Bataille, SAS	Elbeuf	37,001 EUR	12,516	13,655	-1,139	1,810	286	77.53%	-
Eolienne des Bocages, SARL	Elbeuf	1,000 EUR	8	35	-27	1	-1	77.53%	-
Eolienne de Challengeville, SAS	Elbeuf	37,004 EUR	29	12	17	9	3	77.53%	-
Parc Eolien des Longs Champs, SARL	Elbeuf	1,000 EUR	79	148	-68	1	-3	77.53%	-
Eolienne D'Etalondes, SARL	Elbeuf	1,000 EUR	19	46	-27	1	-2	77.53%	-
Parc Eolien de La Hétroye, SAS	Elbeuf	37,004 EUR	19	10	9	-	-5	77.53%	-
Parc Eolien de Mancheville, SARL	Elbeuf	1,000 EUR	7	46	-39	-	-4	77.53%	-
Neo Galia, SAS	Paris	48,526,642 EUR	260,687	218,223	42,464	15,046	-4,587	77.53%	-
Parc Eolien des Bocages, SARL	Elbeuf	1,000 EUR	27	188	-161	1	-1	77.53%	-
Parc Eolien de Roman, SARL	Elbeuf	1,000 EUR	139	240	-101	1	-7	77.53%	-
C.E. Saint Barnabe, SAS	Paris	1,600,000 EUR	15,607	13,883	1,724	2,362	144	77.53%	-
Eolienne de Saugeuse, SARL	Elbeuf	1,000 EUR	10	37	-26	-	-2	77.53%	-
Parc Eolien de Varimpre, SAS	Elbeuf	37,003 EUR	15,201	16,754	-1,553	2,429	527	77.53%	-
Parc Eolien des Vaines, SAS	Elbeuf	37,004 EUR	14,737	16,419	-1,682	2,062	196	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	7,111	7,153	-42	151	-9	37.99%	-
Sauvageons, S.A.R.L.	Toulouse	1,000 EUR	9,834	9,866	-32	324	-13	37.99%	-
Petite Piece, S.A.R.L.	Toulouse	1,000 EUR	1,042	1,116	-75	-	-72	37.99%	-
Mardelle, SARL	Toulouse	1,000 EUR	5,294	5,298	-3	14	-1	77.53%	-
Quinze Minis, SARL	Toulouse	1,000 EUR	11,225	11,242	-17	256	-15	37.99%	-
Vallée du Moulin, SARL	Toulouse	1,000 EUR	9,593	9,609	-16	218	-13	77.53%	-
United Kingdom									
Electricity - United Kingdom:									
Renewable Energies:									
EDPR UK Limited	Cardiff	- EUR	-	-	-	-	-	77.53%	-
Moray Offshore Renewables Limited	Cardiff	- EUR	-	-	-	-	-	58.15%	-
Poland									
Electricity - Poland:									
Renewable Energies:									
Relax Wind Park I, S.P. ZO.O	Warsaw	521,379 EUR	170,970	171,080	-110	126,038	-277	74.76%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	102,327 EUR	5,964	5,937	27	4,319	-57	77.53%	-
Neolica Polska SP Z.O.O.	Warsaw	105,943,477 EUR	267,009	157,885	109,125	139,220	6,619	77.53%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	107,199 EUR	369	301	69	111	-2	39.54%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	95,018 EUR	650	668	-18	175	52	39.54%	-
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	17,054 EUR	2,476	2,470	6	200	-11	77.53%	-
Chodow Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
KIP Wind Park I SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
KIP Wind Park II SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
Relax Wind Park V SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
Relax Wind Park VI SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
SK Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
Sokolowo Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
Zulawy Wind Park I SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77.53%	-
United States of America									
Parent Company:									
Horizon Wind Energy LLC	Houston, Texas	4,060,307,096 USD	3,124,691	399,493	2,725,198	11,357	-31,938	77.53%	-
Electricity - United States of America:									
Renewable Energies:									
2007 Vento I LLC	Texas	1,208,830,306 USD	844,614	3,112	841,502	4,526	1,173	77.53%	-
Arlington Wind Power Project LLC	Oregon	198,688,728 USD	143,189	2,995	140,194	12,721	1,999	77.53%	-
Aroostook Wind Energy LLC	Maine	1,257,610 USD	6,568	5,769	799	-	-17	77.53%	-
BC2 Maple Ridge Wind LLC	Texas	418,051,060 USD	301,852	-	301,852	8,008	5,171	77.53%	-
Blue Canyon Windpower II LLC	Oklahoma	177,566,728 USD	145,411	14,798	130,613	15,105	1,831	77.53%	-
Clinton County Wind Farm, LLC	New York	15,009,806 USD	23,909	13,495	10,414	-	-	77.53%	-
High Prairie Wind Farm II, LLC	Minnesota	162,402,566 USD	122,548	9,423	113,124	9,455	-1,142	77.53%	-
High Trail Wind Farm, LLC	Illinois	413,131,796 USD	300,553	8,088	292,466	25,343	1,701	77.53%	-
Horizon Wind Energy International	Texas	5,691,290 USD	4,320	191	4,129	4	-2	77.53%	-
Horizon Wind Ventures I LLC	Texas	1,764,182,426 USD	2,403,190	1,153,249	1,249,942	36,713	15,276	77.53%	-
Horizon Wind Ventures II, LLC	Texas	3,304,156 USD	419,026	398,412	20,614	29,934	11,060	77.53%	-
Jericho Rise Wind Farm LLC	New York	1,600,290 USD	3,591	2,510	1,081	3	-6	77.53%	-
Madison Windpower LLC	New York	10,166,158 USD	6,783	836	5,947	677	-963	77.53%	-



notes to the financial statements

consolidated income statement for the years ended 31 December 2009 and 2008

Subsidiaries	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
United States of America									
Electricity - United States of America:									
Renewable Energies:									
Marble River, LLC	New York	18,671,894 USD	44,267	31,419	12,847	-	-40	77.53%	-
Martinsdale Wind Farm LLC	Colorado	3,196,368 USD	2,616	402	2,214	2	-2	77.53%	-
Mesquite Wind, LLC	Texas	270,389,299 USD	232,109	30,588	201,521	25,303	6,724	77.53%	-
Old Trail Wind Farm, LLC	Illinois	432,164,536 USD	302,529	5,264	297,265	22,285	-2,969	77.53%	-
OPQ Property LLC	Illinois	17,838 USD	1,944	1,840	104	88	72	77.53%	-
Post Oak Wind, LLC	Texas	309,069,202 USD	259,233	34,269	224,963	25,806	5,377	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	-24,029 USD	1	20	-18	-	-	77.53%	-
Telcaset Wind Power Partners, LLC	Oregon	147,493,608 USD	132,793	21,459	111,334	15,173	3,856	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	-1,629 USD	-	4	-4	-	-	77.53%	-
Stinson Mills Wind Farm, LLC	Colorado	860,990 USD	1,941	1,411	530	-	-2	77.53%	-
Wind Turbine Prometheus, LP	California	-568,023 USD	1	399	-398	-	-	77.53%	-
Lost Lakes Wind Farm, LLC	Minnesota	203,677,837 USD	201,905	60,659	141,246	540	-71	77.53%	-
Quilt Block Wind Farm, LLC	Minnesota	- USD	2,506	2,519	-13	-	-8	77.53%	-
Cloud County Wind Farm	Kansas	349,286,236 USD	247,496	3,090	244,406	20,701	1,850	77.53%	-
Whitestone Wind Purchasing, LLC	Texas	- USD	149,339	150,058	-719	128	-11,090	77.53%	-
Blue Canyon Windpower V, LLC	Oklahoma	199,255,942 USD	158,967	20,141	138,826	2,940	529	77.53%	-
Pioneer Prairie Wind Farm I, LLC	Iowa	625,332,250 USD	438,658	6,497	432,161	20,544	-11,092	77.53%	-
Sagebrush Power Partners, LLC	Washington	- USD	42,662	42,688	-26	-	-13	77.53%	-
Rail Splitter	Illinois	252,149,315 USD	176,684	3,142	173,542	3,532	-1,323	77.53%	-
Blackstone Wind Farm, LLC	Illinois	- USD	197,154	198,104	-950	1,574	-947	77.53%	-
Meadow Lake Wind Farm, LLC	Indiana	- USD	373,539	374,910	-1,370	3,890	-1,158	77.53%	-
Wheatfield Wind Power Project, LLC	Oregon	- USD	164,060	161,039	3,021	9,742	2,956	77.53%	-
2007 Vento II	Texas	1,062,259,725 USD	736,327	315	736,012	1	-731	77.53%	-
2008 Vento III	Texas	1,180,921,586 USD	819,924	803	819,121	5	-622	77.53%	-
Horizon Wind Ventures IC, LLC	Texas	5,496,832 USD	259,556	256,163	3,393	12,969	-422	77.53%	-
Meadow Lake Wind Farm IV LLC	Indiana	- USD	2,008	2,008	-	-	-	77.53%	-
Meadow Lake Windfarm III LLC	Indiana	- USD	1,160	1,160	-	-	-	77.53%	-
2009 Vento IV, LLC	Texas	252,182,648 USD	175,031	46	174,984	-	-69	77.53%	-
2009 Vento V, LLC	Texas	199,255,942 USD	138,315	5	138,309	-	-5	77.53%	-
2009 Vento VI, LLC	Texas	202,969,316 USD	141,384	561	140,823	-	-69	77.53%	-
Horizon Wind Ventures II LLC	Texas	152,278,982 USD	175,963	70,824	105,140	711	-565	77.53%	-
Horizon Wind Ventures III, LLC	Texas	82,988,612 USD	138,743	81,146	57,597	493	-10	77.53%	-
Horizon Wind Ventures IV, LLC	Texas	112,863,100 USD	141,446	63,103	78,343	-	-1	77.53%	-
Black Prairie Wind Farm LLC	Texas	- USD	3,089	3,089	-	-	-	77.53%	-
Blackstone Wind Farm II LLC	Texas	- USD	12,496	12,497	-1	-	-1	77.53%	-
Meadow Lake Wind Farm II LLC	Texas	- USD	62,102	62,103	-1	-	-1	77.53%	-
Saddleback Wind Power Project LLC	Texas	- USD	783	787	-3	-	-3	77.53%	-
Horizon Wind, Freeport Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm LLC	Texas	- 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 III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rim Rock Power Partners 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 W 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%	-
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%	-
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%	-
Alabama Ledge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Athens-Weston Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower VI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Choteaugay River Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Freeport Windpower I, LP	Texas	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Homestead Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-

Subsidiaries	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
United States of America									
Electricity - United States of America:									
Renewable Energies:									
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Paulling Wind Farm LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulling Wind Farm II LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulling 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%	-
Meadow Lake Wind Farm V, LLC	Indiana	- USD	-	-	-	-	-	77.53%	-
Other Countries									
Related Activities:									
EDP Finance BV	Amsterdam	2,000,000 EUR	11,203,207	11,197,528	5,679	390,872	1,126	100.00%	100.00%
EDP Finance Company Ltd.	Dublin	1,000,001 EUR	674	352	322	-	-82	100.00%	100.00%
EDP ASIA - Investimento e Consultadoria, Limitada	Macao	200,000 MOP	58,602	147	58,456	13,973	13,048	100.00%	100.00%
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	130	-	130	-	-	60.00%	-
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	2,000,000 EUR	50,301	33,737	16,564	13,603	2,464	100.00%	100.00%
Electricity - Other Countries:									
Renewable Energies:									
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	87,902	63,059	24,843	8,190	1,166	54.27%	-
Tarcan, BV	Amsterdam	20,000 EUR	20,294	15,643	4,650	6,542	5,283	77.53%	-
Cernavoda Power SRL	Bucharest	200 LEI	55,901	56,704	-803	4,000	-281	65.90%	-
Renovatio Power SRL	Bucharest	200 LEI	53,610	54,520	-910	3,035	-518	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 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%	-
Cogeneración y Mantenimiento AIE	Oviedo	1,208,010 EUR	50	2,463	-	1,106	1,407	3,647	-3,050	597	50.00%	-
Compañía Eléctrica 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 Energeticos 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%	-
Murciasol 1 Sola Térmica, S.L.	Almería	3,340 EUR	84	16	-	100	-	-	-	-	38.76%	-
Tébar Eléctrica, 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.	Ceará	507,594,744 BRL	183,315	81,966	242,064	36,049	-12,832	24,828	-28,264	-3,436	32.46%	-
Fiat Rock Windpower II LLC	Portland	207,447,187 USD	-7,899	849	387	43	-7,479	2,743	-4,387	-1,644	38.76%	-
Fiat 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%	-

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

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-08 Euro'000	Current Assets 31-Dec-08 Euro'000	Non-current Liabilities 31-Dec-08 Euro'000	Current Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Total Costs 31-Dec-08 Euro'000	Net Profit/(Loss) 31-Dec-08 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101 EUR	87	2,196	-	1,480	803	3,542	-3,096	446	50.00%	-
Cogeneración y Mantenimiento AIE	Oviedo	1,208,010 EUR	868	6,348	-	3,527	3,689	8,842	-8,033	809	50.00%	-
Compañía Eléctrica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	111,323	32,463	78,081	16,569	49,136	41,157	-26,923	14,234	38.76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15,025 EUR	-	8	-	18	-10	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	130,964	3,310	106,739	22,545	4,990	6,961	-9,138	-2,177	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	54,664	11,580	42,808	10,971	12,465	13,468	-9,402	4,066	38.11%	-
Horta Medioambiental S.A.	Madrid	60,200 EUR	-	-	-	113	-113	-	-	-	38.76%	-
Ibersol E. Solar Ibérica, S.A.	Almería	65,000 EUR	2,134	56	200	1,925	65	-	-	-	38.76%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	884	4,897	399	1,258	4,124	2,112	-1,928	184	47.99%	-
Murciasol 1 Sola Térmica, S.L.	Almería	3,340 EUR	152	50	-82	281	3	-	-	-	38.76%	-
Proenercam, S.L.	Ruiloba	240,400 EUR	111	267	80	396	-98	158	-213	-55	50.00%	-
Tébar Eléctrica, S.A.	Cuenca	4,720,400 EUR	37,784	10,737	34,611	3,838	10,072	12,163	-8,506	3,657	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	530	-	530	-	380	-380	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000 EUR	19,591	3,614	-	23,175	30	14,843	-15,014	-171	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceará	160,310,744 BRL	297,867	8,975	42,329	208,394	56,119	12,083	-5,218	6,865	35.97%	-
Fiat Rock Windpower II LLC	Portland	207,447,187 USD	137,438	2,351	740	176	138,873	10,814	-7,846	2,968	38.76%	-
Fiat Rock Windpower LLC	Portland	525,479,601 USD	345,091	8,862	2,005	424	351,524	31,284	-26,223	5,061	38.76%	-



notes to the financial statements

consolidated income statement for the years ended 31 December 2009 and 2008

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.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Vila Real	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 - Distribución Eléctrica Centroamericana Dos III, 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%	-
Inkolán, 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%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500 EUR	9,158	5,692	3,466	10,180	1,031	23.99%	-
Parque Eólico Altos del Voltaya, 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%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	21,180	2,201	18,979	15,759	1,708	39.60%	-
SETGAS - 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 associated companies included in the consolidation under the equity method as at 31 December 2008 are as follows:

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

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2009, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-

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

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Profit/Loss 31-Dec-08 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454.896 EUR	432	194	238	-	-169	18,49%	-
Carriço Cogeração, S.A.	Vila Rei	50.000 EUR	22.380	17.343	5.037	25.037	2.540	35,00%	-
CEM, S.A.	Macao	580.000.000 MOP	420.814	183.169	237.645	373.640	42.447	21,19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227.275 EUR	1.094	543	551	1.272	324	34,00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300.000 EUR	62	-190	252	-	-	18,49%	-
D.E. de Canarias, S.A.	Gran Canaria	4.291.140 EUR	10.431	919	9.512	4.784	1.388	27,58%	-
DECA - Distribucion Eléctrica Centroamericana Dos Ill, S.A.	Guatemala	1.731.677.586 GTQ	596.939	350.773	246.166	619.452	61.055	21,00%	21,00%
EDEL - Empresa Editorial Electrotécnica, Lda.	Portugal	1.798 EUR	19	93	-74	-	-	47,77%	47,77%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1.000.000 EUR	970	-	970	-	-19	25,00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5.000.000 EUR	107.446	74.357	33.089	1.331	-258	15,10%	-
Geolercieira - S. Geo. Terceira, S.A.	Azores	1.000.000 EUR	16.973	15.980	993	931	-	49,90%	-
Hidroastur, S.A.	Oviedo	4.808.000 EUR	9.188	739	8.449	-	-	15,41%	-
Inkolán, A.I.E.	Bilbao	60.101 EUR	247	194	53	-	-	27,22%	-
Inverasturias - Fondo Capital Riesgo	Aviles	5.384.132 EUR	5.265	49	5.216	-	-	19,37%	-
Kosarkuntza, A.I.E.	Bilbao	1.503 EUR	9.775	6.137	3.638	11.706	1.336	15,88%	-
Parque Eólico Altos del Voltayo, S.A.	Madrid	6.444.956 EUR	44.101	32.196	11.905	12.320	2.451	19,11%	-
Parque Eólico de Belmonte, S.A.	Asturias	120.400 EUR	38.542	33.467	5.075	6.756	2.541	18,43%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7.194.021 EUR	27	-12.959	12.986	13.573	3.980	25,89%	-
Portines - Terminal Multipurpose de Sines, S.A.	Sines	10.000.000 EUR	23.060	3.366	19.694	16.749	2.500	39,60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9.000.000 EUR	120.815	92.810	28.005	23.820	4.671	19,83%	-
Sodecoan, S.L.	Seville	6.010 EUR	-	3	-3	-	-	30,82%	-
Solar Siglo XXI, S.A.	Ciudad Real	80.000 EUR	69	7	62	-	-7	15,41%	-
Tolosa Gasa, S.A.	Tolosa	1.021.700 EUR	2.574	375	2.199	1.963	602	25,40%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2009, are as follows:

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



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EDP Group Activity by Business Segment - IFRS

Information by Business Segment – 31 December 2009 (Amounts in thousand Euros)

	Iberian Generation				Iberian Distribution *				Iberian Supply			Electricity				EDP Renovels		
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Ajustamentos	Total	Portugal	Spain	Total	Europe	U.S.A.	Other Operations	Adjustments	Total		
Turnover	2,331,504	1,429,637	-52,382	3,708,759	4,763,759	224,046	-	4,987,805	495,546	1,289,270	1,784,816	441,437	204,649	1,771	385	648,242		
External customers	1,940,347	1,352,278	-36,305	3,256,320	4,632,156	175,212	-	4,807,368	487,479	1,159,214	1,646,693	141,977	204,649	2,286	-	348,912		
Intra segmental customers	391,157	77,359	-16,077	452,439	131,603	48,834	-	180,437	8,067	130,056	138,123	299,460	-	-515	385	299,330		
Cost of consumed electricity	-404,369	-478,375	943	-877,001	-3,380,624	-38,577	-	-3,419,201	-450,839	-1,231,440	-1,682,279	-	-246	-	-78	-1,522		
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	564	-	-11,540	-6,062	-14,491	-20,553	-4,804	-	-	91	-4,713		
	1,251,989	471,325	-17,839	1,705,475	1,371,031	186,033	-	1,557,064	38,645	37,737	76,382	436,387	203,451	1,693	476	642,007		
Other operating income / (expenses)																		
Other operating income	18,244	3,932	-	22,176	51,434	12,567	-	64,001	2,475	38,168	40,643	9,853	115,318	1,303	-1,243	125,231		
Supplies and services	-96,230	-62,810	2,140	-156,900	-289,154	-63,652	-	-352,806	-16,555	-36,167	-52,722	-68,699	-65,418	-15,113	926	-148,304		
Personnel costs	-72,603	-31,762	1,030	-103,335	-164,262	-18,491	-	-182,753	-4,776	-6,004	-10,780	-14,665	-19,641	-7,608	-	-41,914		
Employee benefits	-41,659	-1,643	-	-43,302	-94,351	-2,921	-	-97,272	-172	-212	-384	813	-1,346	-100	-	-633		
Other operating expenses	-18,563	-31,353	738	-49,178	-284,840	-9,353	-	-294,193	-6,295	-15,254	-21,549	-15,322	-17,926	-430	-160	-33,838		
	-210,811	-123,636	3,908	-330,539	-781,173	-81,850	-	-863,023	-25,323	-19,469	-44,792	-88,020	10,987	-21,948	-477	-99,458		
	1,041,178	347,689	-13,931	1,374,936	589,858	104,183	-	694,041	13,322	18,268	31,590	348,367	214,438	-20,255	-1	542,549		
Provisions	-5,859	-20,299	-	-26,158	-8,558	-5,384	-	-13,942	-1,913	-17,333	-19,246	182	-	1	-	183		
Depreciation and amortisation expense	-316,818	-128,659	-	-445,477	-346,776	-34,799	-	-381,575	-1,135	-2,534	-3,669	-154,092	-158,982	-1,035	-241	-314,350		
Impairment of tangible and intangible assets	-416	-	-	-416	-	-	-	-	-	-	-	-	-	-	-	-		
Compensation of amortisation and depreciation	5,225	450	-	5,675	88,659	4,109	-	92,768	51	-	51	813	1,589	-	1	2,403		
	723,310	199,181	-13,931	908,560	323,183	68,109	-	391,292	10,325	-1,599	8,726	195,270	57,045	-21,289	-241	230,785		
Gains/(losses) from the sale of financial assets	-	13,251	-	13,251	-	2	-	2	-	-	-	268	-	-	-	268		
Other financial income	523,980	54,945	-70,845	508,080	485	-	-	485	46	53	99	10,382	6,218	127,928	-125,784	18,744		
Interest revenue	465	22,328	-	22,793	90,528	78	-	90,606	62	361	423	7,839	692	197,069	-188,627	16,973		
Other financial expenses	-475,608	-82,393	73,234	-484,767	-41,593	-607	-	-42,200	-12	-431	-443	-19,115	-59,590	-126,461	126,069	-79,097		
Interest expense	-153,329	-24,811	-	-178,140	-83,575	-7,997	-	-191,572	-690	-7,638	-8,328	-166,989	2,477	-80,057	215,515	-29,054		
Gains/(losses) in associates	735	258	-	993	-	-	-	-	-	-	-	-	-	-	-	3,922		
Profit / (loss) before tax	619,553	182,759	-11,542	790,770	289,028	59,585	-	348,613	9,731	-9,254	477	31,864	6,555	97,190	26,932	162,541		
Income tax expense	-118,781	-29,455	-4,241	-152,477	-57,224	-18,067	-	-75,291	-2,625	2,843	218	-7,324	-	-29,363	-8,067	-44,754		
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	231,804	41,518	-	273,322	7,106	-6,411	695	24,540	6,555	67,827	18,865	117,787		
Attributable to:																		
Equity holders of EDP	500,319	152,103	-15,783	636,639	231,804	40,362	-	272,166	7,119	-6,210	909	21,019	6,555	67,910	18,865	114,349		
Minority interest	453	1,201	-	1,654	-	1,156	-	1,156	-13	-201	-214	3,521	-	-83	-	3,438		
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	231,804	41,518	-	273,322	7,106	-6,411	695	24,540	6,555	67,827	18,865	117,787		
Assets																		
Property, plant and equipment	4,092,660	1,994,279	-	6,086,939	4,328,548	682,603	1,981	5,013,132	4,082	11,280	15,362	4,590,281	3,978,845	40,011	25,874	8,635,011		
Intangible assets + Goodwill	1,658,250	591,848	-	2,250,098	-	235,556	-	2,355,564	524	7	531	772,344	549,122	1,507	12,723	1,335,696		
Financial investments in associates	1,340	1,053	-	2,393	-	-	-	-	-	-	-	45,924	1,686	-	-1	47,609		
Current assets	778,379	498,658	-794	1,276,243	1,339,853	136,421	-36	1,476,238	208,116	392,871	600,987	612,267	208,581	508,360	-223,852	1,105,356		
Equity and Liabilities																		
Equity and minority interest	2,071,977	2,259,098	-156,903	4,174,172	475,694	450,455	6,373	932,522	19,617	-150,183	-130,566	445,555	2,858,681	5,084,442	-3,061,123	5,327,555		
Current liabilities	727,786	1,179,999	-794	1,906,991	2,244,128	415,038	-36	2,659,130	174,224	332,761	506,985	1,146,265	274,160	48,657	-223,572	1,245,510		
Other Information:																		
Increase of the year																		
Property, plant and equipment	397,717	182,577	-	580,294	383,690	61,414	-	445,104	1,812	6,416	8,228	1,024,560	828,519	6,354	-	1,859,433		
Intangible assets + Goodwill	454,321	43,170	-	497,491	-	96	-	96	-	6	6	37,847	-	1,251	-	39,098		
Transactions without Cash Flow Impact																		
Impairment of held for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

* Include Last Resort Supplier in Portugal

EDP Energias do Brasil						Gas Iberian Activity						EDP Group
Generation	Distribution	Supply	Other Operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other Operations	Adjustments	
351,201	1,242,560	289,136	1,693	-204,584	1,680,006	255,681	1,030,595	-97,252	1,189,024	168,955	-1,969,424	12,198,183
193,933	1,240,350	244,736	987	-	1,680,006	126,687	994,883	-	1,121,570	-932,241	15,730	11,944,358
157,268	2,210	44,400	706	-204,584	-	128,994	35,712	-97,252	67,454	1,101,196	-1,985,154	255,825
-52,222	-744,496	-269,686	-	204,584	-861,820	-	-143,180	-	-143,180	-	1,644,545	-5,343,458
-	-	-	-	-	-	-203,374	-619,242	97,583	-725,033	-	89,452	-641,183
-37	-1,167	-7	-	-	-1,211	-	-5,249	-	-5,249	-112	58,432	-1,111,229
298,942	496,897	19,443	1,693	-	816,975	52,307	262,924	331	315,562	168,843	-176,995	5,103,313
206	10,355	4	388	-	10,953	2,040	3,398	-86	5,352	69,545	-113,111	224,790
-20,603	-94,865	-1,750	-13,233	-	-130,451	-13,164	-43,880	1,469	-55,575	-136,020	264,576	-768,202
-12,069	-53,846	-1,926	-5,679	-	-73,520	-4,758	-23,192	-	-27,950	-101,312	1,528	-540,036
-1,093	-13,346	-160	-1,903	-	-16,502	-117	-513	-	-630	-9,475	9,845	-158,353
-5,715	-46,883	-2,145	-2,491	-	-57,234	-4,871	-13,753	-617	-19,241	-29,045	3,714	-500,564
-39,274	-198,585	-5,977	-22,918	-	-266,754	-20,870	-77,940	766	-98,044	-206,307	166,552	-1,742,365
259,668	298,312	13,466	-21,225	-	550,221	31,437	184,984	1,097	217,518	-37,464	-10,443	3,362,948
-595	-3,890	-242	-8,057	-	-12,784	-848	-188	-	-1,036	-1,702	-	-74,685
-50,128	-68,907	-77	-4,663	-	-123,775	-12,376	-37,577	-	-49,953	-11,781	-98,715	-1,429,295
-	-	-	-	-	-	-	-	-	-	-	-	-416
-3	5,574	-	-	-	5,571	1,251	3,241	-	4,492	55	-	111,015
208,942	231,089	13,147	-33,945	-	419,233	19,464	150,460	1,097	171,021	-50,892	-109,158	1,969,567
-	-	-	45,673	-	45,673	-	143	-	143	34,793	-34,427	59,703
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
7,564	29,573	973	17,967	-2,318	53,759	957	4,932	-	5,889	658,646	-473,292	375,797
-45,447	-20,627	-714	-15,420	2,325	-79,883	-3,869	-768	-332	-4,969	-474,334	313,187	-852,506
-42,469	-41,532	-64	-10,729	-	-94,794	-5,337	-258	-	-5,595	-736,606	473,512	-670,577
-	-	-	-	-83	-83	2,668	262	-84	2,846	17,307	166	25,151
142,374	218,404	13,393	171,640	-167,158	378,653	15,967	156,260	-85	172,142	452,746	-738,230	1,567,712
-19,440	-58,326	-4,395	-3,568	-	-85,729	-5,010	-36,780	-	-41,790	-21,715	21,773	-399,765
122,994	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,457	1,167,947
74,893	160,078	8,998	163,975	-167,158	240,786	8,892	112,818	-85	121,625	439,816	-802,445	1,023,845
48,041	-	-	4,097	-	52,138	2,065	6,662	-	8,727	-8,785	85,988	144,102
122,994	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,457	1,167,947
1,929,064	968,702	303	9,087	-	2,907,156	321,795	805,049	-	1,126,844	163,485	145,809	24,093,738
332,290	65,670	402	111,601	-891	509,072	77,150	710,403	-	787,553	368,030	480,010	5,966,546
8,862	-	-	10,951	-11,078	8,735	23,909	1,319	-	25,228	997,335	-906,028	175,272
231,220	621,890	58,738	192,014	-80,926	1,022,936	79,642	326,707	-2,564	403,785	4,749,421	-3,771,208	6,863,758
1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318	229,182	1,451,426	-	1,680,608	5,623,848	-10,070,769	9,978,688
288,772	674,150	37,707	98,856	-72,677	1,026,808	139,277	614,092	-2,564	750,805	4,628,497	-3,696,608	9,028,118
155,419	111,643	167	249	-	267,478	20,834	139,171	-	160,005	61,928	-	3,382,470
481	15,595	59	106	-	16,241	12,613	57,912	-	70,525	56,894	-	680,351
-	-	-	-	-	-	-	-	-	-	29,289	-	29,289



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EDP Group Activity by Business Segment - IFRS

Information by Business Segment – 31 December 2008 (Amounts in thousand Euros)

	Electricity														
	Iberian Generation			Iberian Distribution *			Iberian Supply			EDP Renováveis					
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other Operations	Adjustments	Total
Turnover	3,066,782	1,037,032	-8,064	4,095,750	6,056,159	157,068	6,213,227	165,042	964,908	1,129,950	400,615	131,814	-	-	532,429
External customers	2,643,472	806,490	-	3,449,962	5,971,360	127,273	6,098,633	142,254	751,006	893,260	201,352	131,814	-	-	333,166
Inter segmental customers	423,310	230,542	-8,064	645,788	84,799	29,795	114,594	22,786	213,902	236,690	199,263	-	-	-	199,263
Cost of consumed electricity	-1,037,117	-29,249	-	-1,066,366	-4,562,113	-	-4,562,113	-145,024	-898,651	-1,043,675	-487	-506	-	-	-993
Cost of consumed gas	-	-	-	-	-	-	-	-	-2,430	-2,430	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-813,062	-676,386	-	-1,489,448	-11,909	1,021	-10,888	-5,994	-5,990	-11,984	-11,251	-	-	-	-11,251
	1,196,603	331,397	-8,064	1,519,936	1,482,137	158,089	1,640,226	14,024	57,837	71,861	388,877	131,308	-	-	520,185
Other operating income / (expenses)															
Other operating income	16,372	22,125	-	38,497	48,942	17,472	66,414	2,424	31,693	34,117	5,583	84,601	1,679	-2,339	89,524
Supplies and services	-108,981	-55,582	8,064	-156,499	-284,339	-59,948	-344,287	-15,828	-34,011	-49,839	-55,777	-45,381	-7,318	2,062	-106,414
Personnel costs	-80,495	-33,294	-	-113,789	-173,761	-20,897	-194,658	-4,681	-5,134	-9,815	-18,532	-17,098	-1,723	-191	-37,544
Employee benefits	-36,218	-1,683	-	-37,901	-132,087	-3,611	-135,698	-147	-173	-320	-162	-928	-	-	-1,090
Other operating expenses	-6,082	-71,993	-	-78,075	-253,028	-9,160	-262,188	-1,568	-10,581	-12,149	-13,217	-14,034	-1	468	-26,784
	-215,404	-140,427	8,064	-347,767	-794,273	-76,144	-870,417	-19,800	-18,206	-38,006	-82,105	7,160	-7,363	-	-82,308
	981,199	190,970	-	1,172,169	687,864	81,945	769,809	-5,776	39,631	33,855	306,772	138,468	-7,363	-	437,877
Provisions	1,080	-19,037	-	-17,957	1,452	-126	1,326	-7,384	2,995	-4,389	807	-1	-	-	806
Depreciation and amortisation expense	-296,557	-122,781	-	-419,338	-340,399	-29,288	-689,687	-1,056	-1,996	-3,052	-120,078	-87,686	-	-	-207,764
Compensation of amortisation and depreciation	3,596	451	-	4,047	91,767	3,553	95,320	-	-	-	696	-	-	-	696
	689,318	49,603	-	738,921	440,684	56,084	496,768	-14,216	40,630	26,414	188,197	50,781	-7,363	-	231,615
Gains/(losses) from the sale of financial assets	49,398	1,741	-	51,139	680	-	680	-	-	-	2,363	-	-	-	2,363
Other financial income	342,754	63,003	-112,499	293,258	2,751	47	2,798	210	1,203	1,413	1,813	1,317	326,581	-104,059	225,652
Interest revenue	1,821	12,750	-	14,571	16,287	147	16,434	162	392	554	7,223	1,872	127,544	-91,390	45,249
Other financial expenses	-296,094	-80,701	112,499	-264,296	-4,546	-496	-5,042	-11	-405	-416	-2,777	-56,568	-326,908	104,942	-281,311
Interest expense	-133,939	-22,166	-	-156,105	-102,097	-12,880	-114,977	-1,115	-17,201	-18,316	-155,141	10,974	-13,249	90,607	-66,809
Gains/(losses) in associates	5,982	340	-	6,322	-	-	-	-	-	-	4,444	-6	-	-	4,438
Profit / (loss) before tax	659,240	24,570	-	683,810	353,759	42,902	396,661	-14,970	24,419	9,449	46,122	8,370	106,705	-	161,197
Income tax expense	-152,516	-6,075	-	-158,591	-79,135	-12,732	-91,867	2,780	-7,291	-4,511	-16,992	-	-31,987	-	-48,979
Profit after taxes and before gains/(loss) from discontinued operations	506,724	18,495	-	525,219	274,624	30,170	304,794	-12,190	17,128	4,938	29,130	8,370	74,718	-	112,218
Gains / (losses) on sale of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit / (loss) for the year	506,724	18,495	-	525,219	274,624	30,170	304,794	-12,190	17,128	4,938	29,130	8,370	74,718	-	112,218
Attributable to:															
Equity holders of EDP	506,362	17,303	-	523,665	274,624	29,492	304,116	-12,181	15,909	3,728	24,889	8,370	74,718	-3,613	104,364
Minority interest	562	1,192	-	1,754	-	678	678	-9	1,219	1,210	4,241	-	-	3,613	7,854
Net profit / (loss) for the year	506,724	18,495	-	525,219	274,624	30,170	304,794	-12,190	17,128	4,938	29,130	8,370	74,718	-	112,218
Assets															
Property, plant and equipment	3,986,466	1,923,817	-	5,910,283	4,292,343	656,696	4,949,039	3,418	7,394	10,812	3,663,369	3,478,077	359	-	7,141,805
Intangible assets + Goodwill	1,474,979	620,621	-	2,095,600	-	235,554	235,554	523	5	528	745,890	569,513	-	12,723	1,328,126
Financial investments in associates	2,005	1,215	-	3,220	-	-	-	-	-	-	38,751	2,031	-	-	40,782
Current assets	1,012,757	719,260	-68,977	1,663,040	1,122,160	165,132	1,287,292	43,120	273,644	316,764	473,515	126,338	335,303	-202,836	732,320
Equity and Liabilities															
Equity and minority interest	2,080,269	2,140,472	25,022	4,245,763	604,661	404,323	1,008,984	11,481	-143,810	-132,329	417,741	2,786,532	4,988,352	-2,993,752	5,198,873
Current liabilities	2,559,050	1,113,724	-38,116	3,634,658	3,572,679	467,697	4,040,376	25,038	214,621	239,659	793,471	175,002	21,009	-208,722	780,760
Other information:															
Increase of the year															
Property, plant and equipment	405,631	130,065	-	535,696	346,007	78,735	424,742	1,904	4,275	6,179	890,901	1,212,603	374	-	2,103,878
Intangible assets + Goodwill	337,496	70,715	-	408,211	578	261	839	-	-	-	97,771	-	-	-	97,771
Transactions without Cash flow impact															
Impairment of held for sale assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Includes Last Resort Supplier in Portugal

** As of 2009 the amounts related to Naturgas electricity supply in Spain are presented in the segment Gas - Spain. Consequently, the corresponding 2008 balances were re-expressed from the segment Supply - Spain to Gas - Spain.

d) For business segment reporting purposes, only the discontinued operations (Enersul) are considered in the Income Statement.

Gas																
EDP Energias do Brasil						Iberian Activity							Operations		EDP Group	
Generation	Distribution	Supply	Other Operations	Adjustments	Total	Portugal	Spain **	Adjustments	Total	Other Operations	Adjustments	Continued	Discontinued			
297,241	1,487,553	291,316	-	-231,202	1,844,908	259,418	1,325,627	-142,623	1,442,422	162,135	-1,749,617	13,671,204	222,859	13,894,063		
102,181	1,487,553	256,157	-	-	1,845,891	118,714	1,306,734	-	1,425,448	-406,010	16,895	13,657,245	222,859	13,880,104		
195,060	-	35,159	-	-231,202	-983	140,704	18,893	-142,623	16,974	568,145	-1,766,512	13,959	-	13,959		
-46,077	-865,688	-261,977	-	-	193,793	-979,949	-	-159,761	609	-159,152	-	1,273,998	-6,558,250	-6,622,273		
-	-	-	-	-	-	-212,563	-904,667	136,789	-980,441	-	159,671	-823,200	-	-823,200		
-553	-13,013	-7	-62	-	-13,635	-	-1,890	607	-1,283	-387	-5,148	-1,544,024	-2,381	-1,546,405		
250,611	608,852	29,332	-62	-37,409	851,324	46,855	259,309	-4,618	301,546	161,748	-321,096	4,745,730	151,455	4,897,185		
1,910	17,603	-	645	-	20,158	2,408	12,129	-620	13,917	84,918	-121,303	226,242	2,431	228,673		
-16,009	-116,390	-1,967	-10,377	-	-144,743	-14,367	-42,497	4,380	-52,484	-147,858	294,341	-707,783	-27,985	-735,768		
-10,237	-78,054	-2,017	-5,733	-	-96,041	-4,228	-22,609	374	-26,463	-95,688	16,322	-557,676	-15,998	-573,674		
-485	-9,336	-80	-430	-	-10,331	-75	-479	-	-554	-5,722	32,216	-159,400	-1,800	-161,200		
-11,627	-77,068	-5,956	-848	37,409	-58,090	-8,085	-19,308	-51	-27,444	-19,303	29,116	-454,918	-45,362	-500,280		
-36,448	-263,245	-10,020	-16,743	37,409	-289,047	-24,347	-72,764	4,083	-93,028	-183,653	250,692	-1,653,535	-88,714	-1,742,249		
214,163	345,607	19,312	-16,805	-	562,277	22,508	186,545	-535	208,518	-21,905	-70,404	3,092,195	62,741	3,154,936		
-78	-6,980	-	-1,340	-	-8,398	47	-445	-	-398	-5,997	7,012	-27,994	-4,077	-32,071		
-40,750	-141,850	-108	-55,016	54,892	-82,832	-11,714	-35,465	6	-47,233	-10,499	-37,054	-1,277,459	-29,009	-1,306,468		
-	8,511	-	-	-	8,511	1,399	3,176	-	4,575	447	-2,884	110,712	2,885	113,597		
173,335	205,288	19,204	-73,161	54,892	379,558	12,180	153,811	-529	165,462	-37,954	-103,330	1,897,454	32,540	1,929,994		
-	-	-	-	-	-	-	-	-	-	-	9,254	436,804	481,732	481,732		
13,711	14,840	315	57,566	-55,742	30,690	8,458	683	-3,773	5,368	2,129,065	-1,753,255	934,989	1,734	936,723		
9,419	49,504	884	8,312	-1,924	66,195	2,194	14,420	-	16,614	141,151	-60,665	240,303	9,271	249,574		
-28,944	-38,829	-318	-44,541	57,666	-74,786	-6,377	-400	3,766	-3,211	-1,265,170	571,631	-1,322,801	-214	-1,323,015		
-44,735	-67,743	-	-6,060	-	-118,538	-7,403	-1,110	-	-8,513	-783,007	476,461	-789,804	-15,980	-805,784		
-	-	-	-33	-	-33	1,544	241	-	1,785	-	22,175	34,687	-	34,687		
122,766	163,260	20,085	-77,917	54,892	283,086	10,596	167,445	-536	177,505	174,831	-410,179	1,476,360	27,351	1,503,711		
-19,615	-53,673	-6,579	-9,504	-10,170	-99,541	-3,382	-36,493	36	-39,839	-164,855	333,917	-274,266	-9,325	-283,591		
103,151	109,587	13,506	-87,421	44,722	183,545	7,214	130,952	-500	137,666	9,976	-76,262	1,202,094	18,026	1,220,120		
-	-	-	-	-	-	-	-	-	-	-	-	-	-8,448	-8,448		
103,151	109,587	13,506	-87,421	44,722	183,545	7,214	130,952	-500	137,666	9,976	-76,262	1,202,094	9,578	1,211,672		
93,711	109,587	13,506	-87,421	20,301	149,684	5,193	126,117	-3,331	127,979	9,976	-134,080	1,089,232	2,297	1,091,529		
9,440	-	-	-	24,421	33,861	2,021	4,835	2,831	9,687	-	57,818	112,862	7,281	120,143		
103,151	109,587	13,506	-87,421	44,722	183,545	7,214	130,952	-500	137,666	9,976	-76,262	1,202,094	9,578	1,211,672		
1,408,222	709,618	128	614	-	2,118,582	297,368	526,702	-429	823,641	144,700	151,103	al	al	21,249,965		
272,679	48,336	298	87,370	-	408,683	135,650	740,288	-62,887	813,051	355,993	516,236	al	al	5,753,771		
-	-	-	-	-	-	9,256	1,308	-	10,564	580,548	-462,360	al	al	172,754		
138,213	336,503	41,883	114,627	-65,706	565,520	57,359	608,176	-10,385	655,150	3,545,771	-3,837,890	al	al	4,927,967		
1,021,074	474,306	19,577	125,833	-1,456	1,639,334	308,365	1,053,054	-585,258	776,161	6,923,329	-11,092,690	al	al	8,567,425		
315,868	449,806	32,539	126,252	-64,090	860,377	126,343	304,457	-9,366	421,434	2,914,814	-4,522,661	al	al	8,369,417		
242,560	155,787	17	225	-	398,588	23,578	72,888	-	96,466	90,037	-	al	al	3,655,587		
33,360	22,714	102	16,620	-	72,796	2,899	17,501	-	20,400	58,715	-	al	al	658,733		
-	-	-	-	-	-	-	-	-	-	289,378	-	-	-	289,378		



annexes

242	ACKNOWLEDGEMENTS
243	PROPOSAL FOR THE APPROPRIATION OF PROFITS
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annexes

ACKNOWLEDGEMENTS

The Executive Board of Directors expresses its gratitude to all those who have contributed to the activity of EDP during 2009.

First of all, we thank the shareholders for the interest and confidence they placed in the current Executive Board of Directors and to each of its members, designated on the Annual Shareholders Meeting for the new mandate, corresponding to the three-year period 2009-2011.

A word of gratitude is also due to the members of the Company Bodies, responsible for the auditing and supervision of the Group, for the work undertaken and for the support provided during 2009 and, in particular, to the General and Supervisory Board for the guidance provided to activity of the Executive Board of Directors.

2009 came to contribute, once again, for the consolidation of the existing governance model of EDP, which has been serving as an example in the overseeing of the management activity and as a guarantee for the interests of the Group's stakeholders.

As a result of the support granted to the Group activities during last year, the Board also wishes to thank the members of the governmental bodies of the countries in which EDP has institutional presence and who have assisted EDP in its activities for the benefit of the economic and social development of their respective nations.

Similar to previous years, it is also important to refer to, the ongoing cooperation between EDP and the energy sector regulators. A particular emphasis should be given 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 2009, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese association of Electricity Sector Companies – ELECPOR;
- Asociación Española de la Industria Eléctrica – UNESA;
- The European Wind Energy Association – EWEA and the American Wind Energy Association – AWEA;

- The National Association of Portuguese Municipalities and Town Councils;
- Environmental and social non-governmental organisations.

A particular acknowledgment is also to be given to the clients of the EDP Group companies, to which we reinforce the commitment towards Excellency in the provision of services and fulfilment of their needs. The provision of a service driven by quality and excellence is assumed by us as a constant priority.

The Board's gratitude is also extended to the various media bodies that followed closely the company during 2009. The coverage made with respect to the various EDP Group events inspires us to continue the requirement of accuracy and professionalism of all those who cooperate with the Company.

Finally, a special word of thanks to all the staff of EDP, whose contribution, commitment, competence and dynamic were crucial elements to the results attained 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:

APROPRIATION OF PROFIT (EUROS)

Company Net Profits	2009
Legal Reserve	31.501.045,15 €
Dividends	566.763.345,83 €
Donations to Fundação EDP	6.000.000,00 €
Retained Earnings	25.756.511,99 €
Net Profit	630.020.902,97 €

The dividend proposed is EUR 0.155 per share.



annexes

1. GRI COMPLIANCE

The contents of EDP’s Report and Accounts were developed considering “Global Reporting Initiative” guidelines. The following table shows GRI Indicators according to the Electric Utility Sector Supplement and includes commitments for future disclosure of a few specific indicators according to this new supplement, where it has not been possible to publish in this first year of this Supplement. In www.edp.pt > Sustainability > Reports it can be consulted a completed table. The table below also identifies the available information that responds to the Global Compact 10 Principles, reinforcing the EDP’s commitment with this initiative.

EDP GRI TABLE

Source of Information	Global Compact
1. STRATEGY AND ANALYSIS	
Pages 7-9, 22-23, 122-124	
2. ORGANIZATIONAL PROFILE	
Pages 11, 18-19, 26-27, 52 -53, 90, 252, Last page: Contacts www.edp.pt > Sustainability> Publications and Reports	
EU1 Pages 11, 19; www.a-nossa-energia.edp.pt > centros produtores	
EU2 Pages 11, 19	
EU3 Page 68	
EU4 Pages 42, 48 Portugal: www.edpdistribuicao.pt ; Espanha: www.hcenergia.com > About Us> Distribution> Facilities	
EU5 Page 86; www.edp.pt > Sustainability> Publications and Reports> Sustainability Reports: Carbon Disclosure Project	
3. REPORT PARAMETER	
Report Profile	
Page 252, Last page: Contacts; www.edp.pt > Sustainability> Publications and Reports	
Report Scope and Boundary	
Page 252; www.edp.pt > Sustainability> Publications and Reports	
GRI Index	
Page 252; www.edp.pt > Sustainability> Publications and Reports	
Check	
Page 252; www.edp.pt > Sustainability> Publications and Reports	
4. GOVERNANCE	
Governance	
Pages 10, 54-55, 95-97, 103, 114, 129-131; www.edp.pt > Corporate Governance; www.edp.pt > Corporate Governance> By-Laws and Internal Regulations (Conflicts of Interests Framework Rules - Decision of 16th October 2008); www.edp.pt > About EDP> Our Commitments; www.edp.pt > Sustainability> Stakeholders> Employees	
Commitments to External Initiatives	
Page 119-120; www.edp.pt > Sustainability> Approach to Sustainability> Participations	
Stakeholder Engagement	
Page 56; www.edp.pt > Sustainability> Stakeholders; (stakeholders engagement)	
5. MANAGEMENT APPROACH	
ECONOMIC PERFORMANCE	
MANAGEMENT APPROACH	
EU6 Page 31	
EU7 Pages 72, 87	
EU8 Pages 57-58	
EU9 Page 85	
PERFORMANCE	
EC1 Page 21	
EC2 Pages 32, 86, 173	
EC3 Pages 166-167	
EC4 Page 21	
MARKET PRESENCE	
EC5 Page 61	
EC6 Page 74	
EC7 Page 62	
INDIRECT ECONOMIC IMPACTS	
EC8 Page 78; www.edp.pt > Sustainability> Society and Culture> Local Communities	
EC9 Page 77	
EU10 Page 31	
EU11 Page 87	
EU12 Page 83	

EDP GRI TABLE

Source of Information	Global Compact
ENVIRONMENTAL PERFORMANCE	
MANAGEMENT APPROACH	
Materials	
www.edp.pt > Sustainability> Environment> Performance	
Water	
www.edp.pt > Sustainability> Environment> Performance	
Biodiversity	
www.edp.pt > Sustainability> Environment> Biodiversity	
Emissions, Effluents and Waste	
www.edp.pt > Sustainability> Environment> Performance	
MATERIALS	
EN1 Pages 83, 85	7, 8
EN2 non existant	
ENERGY	
EN3 Page 83	
EN4 Page 83	
EN5 Page 83	
EN6 Page 85	
EN7 Page 72; www.eco.edp.pt	
WATER	
EN8 Page 83	
EN9 n/k	7, 8
EN10 0%	
BIODIVERSITY	
EN11 Page 87	
EN12 Pages 84-85, 87; www.edp.pt > Sustainability> Environment> Biodiversity	7, 8
EN13 (1)	
EN14 (1)	
EN15 n/k	
EMISSIONS, EFFLUENTS AND WASTE	
EN16 Page 83	
EN17 Page 83	8
EN18 Pages 72, 83 ,87	
EN19 (2)	
EN20 Page 83	
EN21 Pages 84-85 www.edp.pt > Sustainability> Environment> Performance	
EN22 Page 83	
EN23 Page 85	
EN24 Page 85	
EN25 n/k	
PRODUCTS AND SERVICES	
EN26 www.eco.edp.pt ; www.edp.pt > Sustainability> Environment> Impact Assessment	7
EN27 n/a(4)	
COMPLIANCE	
EN28 Page 83	8
TRANSPORT	
EN29 www.edp.pt > Sustainability> Environment> Impact Assessment	7
ENVIRONMENTAL INVESTMENTS	
EN30 Pages 83-85, 233-234	7, 8, 9

EDP GRI TABLE

Source of Information	Global Compact
SOCIAL PERFORMANCE	
MANAGEMENT APPROACH	
EU14 Page 64	
EU15 Page 63	
EU16 Page 61	
EMPLOYMENT	
LA1 n/k; EDP has an ongoing characterization of their suppliers, who hopes to graduate in 2010 and begin its public release in 2011; Pages 61, 75	
LA2 Page 61, Average duration of the presence of employees in the company is 18 years (note 3)	6
LA3 n/k	
EU17 Page 61	
EU18 Page 66	
LABOR/MANAGEMENT RELATIONS	
LA4 Page 61; See comment on LA1	1;3
LA5 Page 65	
OCCUPATIONAL HEALTH AND SAFETY	
LA6 Page 66	
LA7 Page 61	
LA8 Page 66; www.edp.pt> Sustainability> Occupational Health and Safety> Plano de Constingência	1
LA9 n/k	
TRAINING AND EDUCATION	
LA10 Page 61	
LA11 Pages 61, 64	6
LA12 Page 64: 100%	
DIVERSITY AND EQUAL OPPORTUNITY	
LA13 Pages 61-62	2; 6
LA14 Page 61	
HUMAN RIGHTS	
INVESTMENT AND PROCUREMENT PRACTICES	
HR1 100%, referred to in general terms of purchase of the EDP. Page 75	
HR2 20% (6)	1
HR3 Page 61	
NON-DISCRIMINATION	
HR4 Pages 110-111	1; 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
HR5 Page 65; www.edp.pt> Corporate Governance> Code of Ethics; www.edp.pt> Corporate Governance> Code of Ethics (Clause 2.2.2; 3.1.1); Explicit in the collective labor agreements.	1; 3
CHILD, FORCED AND COMPULSORY LABOR	
HR6 www.edp.pt> Corporate Governance> Code of Ethics (Clause 3.1.2)	1; 4; 5
HR7 www.edp.pt> Corporate Governance> Code of Ethics (Clause 3.1.2)	
SECURITY PRACTICES	
HR8 n/k	1
INDIGENOUS RIGHTS	
HR9 0	1; 2

Core indicators
 Additional indicators
 Core Sector indicators

(1) More information is available on a specific publication on Biodiversity to be made available during the first half of 2010

(2) The only source of emission of substances responsible for the depletion of the ozone layer identified by the company comes from air conditioning systems older, existing in administrative buildings. The company has an ongoing plan to replace these systems, which already are a minority at Group level.

EDP GRI TABLE

Source of Information	Global Compact
SOCIETY	
MANAGEMENT APPROACH	
EU19 Page 79; www.edp.pt> Approach to Sustainability> Organisation	
EU20 www.edp.pt> Sustainability> Environment> Biodiversity> Minimising the Impact on Biodiversity> Environmental impact management in Peixe Anglial Hydroelectric Power Plant	
EU21 Page 66	
COMMUNITY	
SO1 Pages 78, 84 (EMAS); www.edp.pt> Sustainability> Approach to sustainability> Organization; www.edp.pt > Sustainability> Environment> Impact Assessment	
EU22 0	
CORRUPTION	
SO2 Page 252; www.edp.pt> Sustainability> Publications and Reports	
SO3 Page 61	10
SO4 Page 110-111	
PUBLIC POLITIC	
SO5 www.edp.pt> Sustainability> Stakeholders (Governmental Institutions); www.edp.pt> Sustainability> Approach to Sustainability> Participations	
SO6 www.edp.pt> Corporate Governance> Code of Ethics (Clause 4.1.2)	
ANTICOMPETITIVE BEHAVIOUR	
SO7 n/k	10
COMPLIANCE	
SO8 (5)	
PRODUCT RESPONSIBILITY	
PRODUCT ACCESS APPROACH	
EU23 Page 71; www.edpdistribuicao.pt> a rede> AGRIS	
EU24 Page 68	
CUSTOMER HEALTH AND SAFETY	
PR1 www.edp.pt> Sustentabilidade> Prevenção e Segurança> Segurança e Cidadania; www.edp.pt> Sustentabilidade> Ambiente> Desempenho> Campos Eléctricos e Magnéticos	
PR2 0	
EU25 Page 61	
PRODUCT AND SERVICE LABELING	
PR3 Page 68	
PR4 n/k	
PR5 Pages 68-69	
MARKETING COMMUNICATIONS AND CUSTOMER PRIVACY	
PR6 non existant	
PR7 non existant	
PR8 n/k	
COMPLIANCE AND PRODUCT ACCESS	
PR9 (5)	
EU26 100%	
EU27 7% (6)	
EU28 www.edpdistribuicao.pt> Qualidade> Documentação> Relatórios de Qualidade de Serviço (6)	
EU29 Page 42	
EU30 Page 38	

(3) Information consolidated by the EDP, but not available over the Notebook. Will be included in 2010.

(4) The product sold by the company (Energie electricity and gas) is not packed.

(5) The monetary value of fines for the EDP has no materiality, therefore is not justified by what the different categories su breakdown

(6) Regulated market in Portugal, representing 60% of Group customers.



annexes

GRI COMPLIANCE

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

REPORT APPLICATION LEVEL		2002 IN ACCORDANCE	C	C+	B	B+	A	A+
MANDATORY	Self Declared							
	Third Party Checked			REPORT EXTERNALLY ASSURED				REPORT EXTERNALLY ASSURED
	GRI Checked							REPORT EXTERNALLY ASSURED

CONTENTS AND ORGANIZATION

This year, EDP publishes only one report separated in 5 different sections: EDP; Business; Contribution to Sustainability; Report on Corporate Governance; and Financial Information, with its performance reported between 1 of January and 31 of December 2009, including, as well, the most relevant facts occurred during the first quarter of 2010. In addition to this annual report,

- EDP reports quarterly to the market and key sustainability and made available on-line;
- Keeps on-line qualitative and quantitative information, both operational and environmental, some of it detailed at a facility level: Thermal Facilities 2009.
- Annual and Sustainable reports from EDP companies from 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.

CORPORATE CONSOLIDATION CRITERIA

The operational and sustainability consolidation criteria use the account consolidation methods, which are:

- Full consolidation – reporting the performance of 100% owned companies or whose management control is held by EDP.

- Proportional control – consolidating only the percentage it owns in the company, such as
 - * **50%**: EDP Produção Bioelétrica, COGENERACION Y MATENIMIENTO AIE-2, PROENERCAM, S.L.-2, BIOASTUR AIE-2, TEBAR EOLICA, S.A and Compañía Eólica Aragonesa, all at 50% and EVOLUCIÓN 2000 S.L.;
 - * **40%**: Desarrollos Energeticos Canarios S.A.; Evolución 2000, S.L.; Horta Medioambiente S.A.; Ibersol E. Solar Ibérica, S.A.; Murciasol-1 Solar Térmica, S.L.; TEBAR EÓLICA, S.A.

It has been included in this year's report information from the new two companies aquired by EDP: Gás Natural (number of employes, kilometers of grid, number of customers) and CIDE (number of customers).

1.3. GLOSSARY

For a better understanding of the report, our online glossary includes definitions of the quantitative indicators given at www.edp.pt/pt/Pages/Glossario.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 Portuguese version)

Introduction

- 1** In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information for the year ended 31 December, 2009 included in the Executive Board of Directors report and in the consolidated financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2009 (showing total assets of 40,261,557 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 7,291,151 thousand Euros, including a profit for the year attributable to equity holders of EDP of 1,023,845 thousand Euros), the consolidated statements of income, the cash flows, the changes in equity and the 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 information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated 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 Stock Exchange Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.
- 3** Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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PT 502 161 039 - Inscrição no O.R.C. Nº 188 -
Inscrito no C.M.V.M. Nº 0002.

Matriculado no Conservatório do Registo Comercial de Lisboa sob o Nº PT 502 161 039.



Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment the overall adequacy of the consolidated financial statements' presentation; and
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements.
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2009, the consolidated results of its operations, the consolidated cash flows, the consolidated 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.

Lisbon, 4 March, 2010

KPMG & Associados
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 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, 2009**

(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, 2009.
- 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 cash flows, of changes in equity, the 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, 4 March 2010

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)

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 PT 502 761 078 - Inscrição no D.R.C.C. Nº 1489 -
 Inscrição no C.M.V.M. Nº 8080

Instituição de Comunicações
 do registo Comercial de
 Lisboa sob o Nº PT 502 761
 078



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AUDITORS' REPORT

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

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

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information for the year ended 31 December, 2009 included in the Executive Board of Directors report and in the financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2009 (showing total assets of 17,253,574 thousand Euros and shareholders' equity of 6,542,869 thousand Euros, including a net profit of 630,021 thousand Euros), the statement of income, the cash flows, the statement of changes in equity and the 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 which presents fairly the financial position of EDP, the results of its operations, the cash flows and 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 Stock Exchange Code ("CVM");
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity of EDP, its financial position or results.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.



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.

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, 2009, 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.

Lisbon, 4 March, 2010


KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
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**REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2009**

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

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

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2009.
- 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, 4 March 2010

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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PT 802 181 078 - Inscrição na G.R.D.C. Nº 188 -
Inscrição na C.M.V.M. Nº 9082

Matriculada na Conservatória do Registo Comercial de Lisboa sob o Nº PT 802 181 078



annexes - external checks

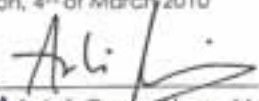


EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

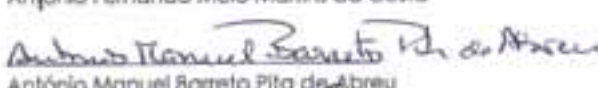
With reference to 2009 financial year, and according to N.º 1 item c) of article 245º of the Securities Code, the declarants, acting as members of the Executive Board of Directors, hereby declare that, to the best knowledge of each of them, the information foreseen in N.º 1 item a) of the article mentioned 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 its 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 its subsidiaries included in the consolidation perimeter, enclosing a description of the main risks and uncertainties to which they are exposed.

Lisbon, 4th of March 2010


António Luís Gusmão 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

DECLARATION

With reference to 2009 financial year, and according to N.º 1 item c) of article 245º of the Securities Code, 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 with 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 March 4, 2010





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)**

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, 2009.

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 the 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 AA1000 APS (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. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and 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.

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 the Report, 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.

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Inscritas na Círculo de Registo do Registo Comercial de Lisboa sob o Nº PT 502 181 078



- 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 USA, 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.

Conclusion

- 6 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” of EDP’s Annual Report for the year ended 31 December, 2009 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.
- 7 Our limited assurance report is intended solely to EDP in accordance with the terms of our engagement. Our work has been undertaken so that we might state 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 anyone other than EDP for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 4 March 2010



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



annexes - extract from the minutes of the general meeting of shareholders of edp

----- Extract of Minute no. 1/2010 of the EDP's General Shareholders' Meeting -----

On the sixteenth of April of two thousand and ten, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Auditório I of Centro de Reuniões of FIL, at Rua do Bojador, Parque das Nações, in Lisbon. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating.

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started the meeting by explaining the participation procedures in the present General Shareholders' Meeting and the respective functioning 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 15th of March of 2010).

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 58,4158% of the share capital and 55,6497% of the voting rights –, based upon the shares' registry and blocking statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. The Chairman of the General Shareholders' Meeting stated that the required meeting *quorum* and resolution *quorum* for this General Shareholder's Meeting were met.

The Chairman of the General Shareholders' Meeting also stated that, according to article 14, no. 3 of EDP's By-laws, votes from a shareholder owning category A shares issued on its own account or on behalf of another shareholder would not be cast in the event that they exceeded 5% of the total votes, as well as, since such restriction does not apply to category B shares, the shareholders Parpública – Participações Públicas, SGPS, S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., could vote with more than 5% of the voting rights attached to the share capital.

The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were complied with, namely, that the proposals and other information in relation to the items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law.

(...)

--- Mr. Rui 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 2009 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.

(...)

Afterwards, Mr. António de Almeida described the activity developed by the General and Supervisory Board on 2009, which is reflected at the Annual Report of the referred Board, and mentioned the main themes in which the General and Supervisory Board performed its supervision, counselling and accompanying activities.

(...)

With the conclusion of the discussion and since no person asked to speak, The Chairman of the General Shareholders' Meeting submitted to vote the proposal, having, consequently, been approved by majority of the votes cast (with 99,9150% of votes in favour) the sole management report, the other accounts' reporting documents for the 2009 financial year and the opinion of the General and Supervisory Board.

--- The Chairman of the General Shareholders' Meeting continued with the works and read Item Two of the agenda with following content: *"Resolve on the proposal for the allocation of profits in relation to the 2009 financial year"* and granted permission for the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, to speak, who presented the proposal of the Executive Board of Directors, in the following terms:

"In accordance with article 30/1 of the by-laws of EDP, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocations of profits, in the total value of € 630 020 902,97:

<i>Legal reserve</i>	<i>€ 31,501,045.15</i>
<i>Dividends (the proposed dividend is € 0.14 per share)</i>	<i>€ 566,763,345.83</i>
<i>Endowment to EDP Foundation</i>	<i>€ 6,000,000.00</i>
<i>Profit forwarded</i>	<i>€ 25,756,511.99"</i>

The Chairman of the General Shareholders' Meeting thanked the Chairman of the Executive Board of Directors and allowed the Chairman of the General and Supervisory Board to speak, who focused his speech on the endowment to the EDP Foundation, referring that allocation of profits shall grant an endowment to EDP Foundation related to patronage of recognized merit, in accordance to a program to be submitted to the General and Supervisory Board within the scope of EDP's Group company citizenship policy and sustainable development, on a value not superior to 0,1% of the consolidated business return.

(...)

The Chairman of the General Shareholders' Meeting continued the works by submitting to vote Item Two of the agenda and the proposal for the allocation of profits was approved by the majority of the votes cast (with 99,9977% 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, Banco Comercial Português, S.A., Banco Espírito Santo, S.A., José de Mello Energia, SGPS, S.A., Senfora, SARL 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 2009 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 2009 financial year. --

3. – A vote of confidence and praise to the Statutory Auditor for the performance of his office during 2009 financial year".-----

After reading the proposal, the Chairman of the Shareholders Meeting granted permission for the Chairman of the General and Supervisory Board to speak, who presented the following speech: -----

"Dear Shareholders, -----

Pursuant to GSB Opinion that was distributed to all concerning a vote of confidence in EBD, I waive the respective reading, remembering only its conclusion:-----

«In accordance to the analysis performed and the conclusions made on the 4th March 2010 referred meeting, the General and Supervisory Board, by unanimity, resolved to approve the present opinion concerning the evaluation of Executive Board of Directors activity and performance during 2009 financial year and to communicate to the Shareholders its favourable position to a vote of confidence and praise to the Executive Board and Directors, to its Chairman, Mr. António Mexia, and to each of its Members». -----

(...)

Since none of the persons attending the meeting asked to speak, the Chairman of General Shareholders' Meeting submitted to vote the proposal regarding Item Three of the agenda, which was approved by the majority of the votes cast (with 99,8452% 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. -----

(...)

After the conclusion of the explanation and since no one ask to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal contained in Item Four of the agenda, which was approved by the majority of the votes cast (with 94,8451% 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 since no one ask to speak the Chairman of the General Shareholders' Meeting submitted to vote the proposal, which was approved by the majority of the votes cast (with 99,7278% 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: -----

"Executive Board of Directors Remuneration Policy for the three year period 2009-2011 -----

- According to EDP – Energias de Portugal, S.A. (EDP) Articles of Association, the remuneration policy of the Executive Board of Directors is defined by the Remuneration Committee of the General and Supervisory Board and guided by the general purpose of accomplishing objectives established for the company by its shareholders, bearing in mind the restrictions imposed by the political, social and economical environment. -----
- Within the companies with the dimension and complexity in their management like EDP there is a natural dissociation between capital holders (shareholders) and the exercise of effective management (assured by professional managers, frequently without any participation in the share capital of the company). Therefore, the remuneration policy must have in mind not only the guarantee that EDP is able to attract and retain the most competent managers, but also encourage that the respective activity is aligned with the shareholders strategic interests. -----
- These strategic guidelines reflect and shape EDP's remuneration policy since 2001, within the scope of the one tier model existing at that time, where the salaries of the Executive Committee members have a fixed component and a variable component, in order to promote the alignment of management practice with EDP's shareholders strategic interests. -----
- In 2003, with the dissociation of the functions of the Chief Executive Officer and the Chairman, this remuneration model was reinforced, with the introduction of a multiannual variable component determined to stimulate the consistency of an executive management with a medium and long term perspective of the company's sustainability. -----
- Meanwhile, for the three year period 2006-2008, when the dual model was already in force, the referred remuneration model initiated in 2003 was maintained and was presented to the shareholders on the 2007 and 2009 Shareholders' General Meetings. -----
- In this context, Remuneration Committee of the General and Supervisory Board approved, on the 2009-2011 three year period, a remuneration system for the members of EDP's Executive Board of Directors, which was based in two piers: 1) assure, on a benchmark analysis, a competitive remuneration plan, and 2) accomplish an incentive system that guarantees management alignment with shareholders interests on an economical and financial sustainability perspective.-----



annexes - extract from the minutes of the general meeting of shareholders of edp

- Pursuant to the first objective, and taking into account EDP's dimension and importance regarding the national economy as well as the international expression of its current activity, it was considered, for comparison purposes, published remunerations of chairmen of listed companies that integrate Eurostoxx Utilities and PSI-20, in order to standardize the exercise of the management model adopted (one tier or dual). -----
- As a result of the referred analysis, and for the reasons detailed below, it was considered adequate to maintain the value of € 600 000 already practiced on the former three year period for the Chairman of the Executive Board of Directors, as well as the maintenance, in 80% of the relation between the salary of the other members of the Executive Board of Directors and their Chairman. As per the data available, such value would put that remuneration component substantially below the average of the analyzed universe. -----
- On the other hand, the execution of the second purpose demands not only a variable component that integrates the global remuneration, but also that the same is attributed subject to the verification of a set of requirements. -----
- Considering the best international practices – as companies' policies or guidelines issued by international institutions such as European Commission or supervisory entities – the remuneration variable component must: 1) be relevant, meaning, have an expressive relevance in the remuneration; 2) result from a set of indicators that reflect the shareholders perspective over the company performance and 3) depend, on a significant part, from the multiannual performance. -----
- As mentioned before, these criteria were already observed on the 2006-2008 three year period, materialized on a remuneration structure where the variable part may duplicate the fixed part and where the variable multiannual component, which reflects the appraisal for all term of office, has the same relevance as the fixed component. Therefore: -----
 - * Annual Variable Remuneration - the respective value might vary between 0 and 100% of the annual gross fixed remuneration, as the effective performance would be 90% below of the established on the business plan (in case no payment was conferred) or overcame it, in 10% (in case it would be conferred a 100% payment). -----
 - * Multiannual Variable Remuneration – the respective value would be established between 0 and 100% of the term of office gross fixed remuneration, in result of the accumulated annual appraisal of the directors performance in the materialization of EDP' Group economical sustainability. The attribution of this multiannual remuneration, though annually calculated, would only become effective if, at the end of the term of office, at least 90% of the strategic established purposes were reached; the referred purposes would be evaluated in result of the performance and of the comparison of the reference strategic universes. -----
- Beyond the demand resulting from the referred quantitative limits, we should note that the targets proposed by the Executive Board of Directors are approved by the General and Supervisory Board – corporate body that, although integrating independent members is also represented by EDP' referenced shareholders. -----
- A compared analysis of EDP's remuneration policy against the one practiced by the most significant referenced companies (main PSI-20 companies, iberian congeners and companies integrating Eurostoxx Utilities) and, above all, with the principal guidelines of the main supervision institutions, demonstrates the adequacy of the policy followed. As a result, when it was proposed to define the new guidelines for the 2009-2011 three year period, Remuneration Committee of the General and Supervisory Board has decided not to alter, significantly, the existing model but only to perform some adjustments resulting from modifications verified on the orientations of supervisory entities (maxime, CMVM) and from the evolution of the national and international economical context. -----
- As a reflection of the economical context evolution, namely of the foreseeable low inflation, Remuneration Committee of the General and Supervisory Board has decided to maintain frozen the fixed remuneration established for the former term of office. In result of this decision, at the term of the current term of office, the members of the Executive Board of Directors have not received any raise for a six year period.
- On the other hand, as the fixed part of the remuneration establishes the limits for the variable components, this same principle regarding the freezing of remuneration is applied to the maximum EDP's executive directors may receive. -----
- In parallel, the economical international crisis has demonstrated the bankruptcy of remuneration policies based on short term performance. As mentioned before, that was not EDP's case, as it was established since 2003 a multiannual variable remuneration component. -----
- Even though, and in order to comply with the orientations that point out to a reinforcement of the evaluation relevance of the multiannual performance, Remuneration Committee of the General and Supervisory Board has decided to redistribute the structure of the variable component of the remuneration, decreasing the relevance of the annual variable part and, as counterpart, increasing the multiannual. --
- Taking this into account, the maximum value of the annual performance bonus will be decreased for 80% of the fixed component, and the multiannual bonus may reach 120% of the fixed remuneration earned during the term of office. The limits to obtain the maximum values, or to be deprived of the variable remuneration, must be maintained, attending to the exigency related to the company's management. --
- At last, the indicators used to appraise the Executive Board of Directors performance, namely the ones related to the comparison between EDP's and the iberian and european peers stock behavior and to the valuation of the economical and financial performance of the company, are maintained with slight adjustments: -----
 - * Annual performance indicators: value of the Total Shareholder Return of EDP's Group when compared with the one verified on Eurostoxx Utilities and on PSI-20, real capacity of shareholder value creation, Gross Profit, Net Profit and EBITDA increase. -----
 - * Multiannual performance indicators: comparison universes are the same but the indicators used take into account, for this purpose, all term of office as reference. Critical indicators are relative performance of EDP's Group EBITDA, its capacity of value creation, total return for the shareholder as well as performance of the Sustainability Index applied to EDP's Group (with the methodology of Dow Jones Sustainability Index). Additionally, Remuneration Committee of the General and Supervisory Board will take in consideration, although without resource to quantitative indicators, the evolution of EDP's Group image regarding national and international markets, the change capacity and the ability to adapt to new market demands and, above all, the compliance with the strategic targets set for EDP's Group. -----

In compliance of the law and of EDP's Articles of Association, Remuneration Committee of the General and Supervisory Board submits to the approval of the Shareholders the declaration on remuneration policy of the members of the Executive Board of Directors, in accordance to the above stated terms". -----

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

speaking. Mr. Alberto João Coraceiro de Castro, after presenting its compliments to the shareholders, referred that its explanation would be focused on the “strength lines” of the remuneration policy of Executive Board of Directors members but, before doing it, referred that it shall be remembered here that EDP has assumed a leadership position on corporate governance best practices, which is proved not only by the fact that, in 2007, the Remuneration Committee of the General and Supervisory Board has submitted to the vote of shareholders the remuneration policy of Executive Board of Directors members, though there was no legal disposition that obliged such procedure, but also by the fact that the individualized remuneration of the Chairman of the General and Supervisory Board and of the Executive Board of Directors was published when there was no legal requirement that demanded such publication. -----

(...)

Subsequently, the Chairman of the General Shareholders’ Meeting submitted to vote Item Six of the agenda and the proposal was approved by the majority of the votes cast (with 50,3045% of votes in favour). -----

Afterwards, representative of Parpública – Participações Públicas (SGPS), S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., Mr. Rui Pinto Duarte, asked permission to speak to inform that the entities that he is representing voted against the proposal presented and require that the following statement, which was read by the Chairman of the General Shareholders’ Meeting, shall be reported on the present minutes: -----

«Within the scope of the understanding adopted by PARPÚBLICA (SGPS) S.A. and by CAPITALPOR, SGPS, S.A., regarding the guidelines contained on Dispatch no. 11420/2009, from the Treasury and Finance Secretary of State, published on Diário da República, 2nd series, dated 11th May 2009 and on Dispatch no. 5696-A/2010 from the Finance Ministry of State, published on Diário da República, 2nd series, dated 29th March 2010, as well as on the provision inserted in 2010 State Budget concerning the same subject, already approved but not yet promulgated, the companies above referred stated that they have voted against the statement regarding “Remuneration Policy of Executive Board of Directors members for the term of office 2009-2011” presented by the Remuneration Committee of the General and Supervisory Board within item 6. of the agenda» -----

--- 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 Remuneration Policy for the Corporate Bodies-----

A. Responsibility -----

1. Pursuant to Article 11, paragraph 2, item d), of the Articles of Association of EDP – Energias de Portugal, S.A., the General Shareholders Meeting is responsible for the appointment of a Remuneration Committee with the responsibility to determine the remuneration of the members of the corporate bodies, with the exception of the Directors’ remuneration (Executive Board of Directors), which, under Article 27 of the aforementioned Articles of Association, shall rather be determined by a Committee to be appointed by the General and Supervisory Board (GSB).-----

2. In accordance with Article 8, paragraphs 1 and 2, of the Articles of Association, the corporate bodies, other than the abovementioned Executive Board of Directors (EBD), are the following: -----

- a) the General Shareholders Meeting (GSM) -----
- b) the General Supervisory Council (GSC) -----
- c) the Statutory Auditor (SA). -----

The Company has also – also specifically mentioned in the Articles of Association – an Environment and Sustainability Council (Article 28), a Remuneration Committee (Article 27), and, within the GSC, a Financial Matters Committee, which shall also use the designation of Audit Committee (Article 8, paragraph 2).-----

Pursuant to Article 8, paragraph 4, of the Articles of Association, the Board of the General Shareholders Meeting is also deemed a corporate body.-----

3. Therefore, the Remuneration Committee, appointed at the General Shareholders Meeting, is responsible for determining the remunerations of the following corporate bodies: Board of the General Shareholders Meeting; Chairman and members of the GSB; Statutory Accountant; Remuneration Committee and Environment and Sustainability Council. The Financial Matters Committee, or Audit Committee, shall be treated alongside with the other Committees of the GSB. -----

4. The Remuneration Committee has been appointed on the General Shareholders Meeting held on 15 April 2009, for the term of office 2009-2011, being composed of the 3 following members: -----

- José Manuel Archer Galvão Teles – Chairman -----
- Parpública – Participações Públicas (SGPS), S.A. – Member, represented by João Plácido Pires-----
- Carlos Veiga Anjos – Member -----

5. The Remuneration Committee appointed by the General Shareholders Meeting is responsible, on the one hand, to provide all the information concerning the remuneration policy of the corporate bodies of EDP, and, on the other hand, to propose to the General Shareholders Meeting the approval of the remuneration policy guidelines to be adopted and pursued by EDP in the future. -----

6. Thus the Item 7 of the Agenda of the annual General Shareholders Meeting, to be held at 16 April, shall be satisfied with this statement.-- In light of the above, the Remuneration Committee appointed by the General Shareholders Meeting, pursuant Article 2, paragraph 1, of Law no. 28/2009, of 19 June, hereby submits to the shareholders’ appraisal the remuneration policy for the members of the corporate bodies of EDP – Energias de Portugal, S.A. which are covered by its functions.-----

B. General Framework -----

8. In pursuit of its duties, this Commission was guided by general criteria, as well as by specific criteria. -----

With regard to general aspects, it was mainly taken into account the following guiding principles: -----

- (i) The demand of a remuneration policy based on the evaluation and encouragement of a judicious action, as far as possible, in which the merits should be duly rewarded. -----
- (ii) The national and international comparison examples of remuneration of several members of the corporate bodies (benchmarking). -----



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(iii) The recommendations of the European Union and, mainly, the supporting principles of Order no. 363/09, of 30 April, of the Secretary of State for Treasury and Finance. -----

(iv) The general guideline – under the current severe circumstances of financial and economic global crisis – to promote moderation of remunerations in order to meet with the demands for a greater social justice within the general framework of the country, as well as within the various payment systems of the Company. -----

9. Specifically regarding EDP, the Commission had a particular concern to hear the Portuguese reference shareholders of the Company and took especially into account the following aspects: -----

(i) EDP's economic and financial conditions and the economic and social situation of the country.-----

(ii) The remuneration systems in force in similar companies comprised in the PSI 20 index and the top position of EDP in said index. -----

(iii) The effective way of exercising duties carried out by the members of the corporate bodies.-----

10. In addition, the Commission's understanding was that the introduction of radical changes, that in some particular cases would have been necessary, taking into account the new corporate governance model, were not advisable to be implemented as a whole in the current term of office. -----

11. The State, acting through Parpública, proposed that the remuneration of the Chairman of the GSB was reduced by 10% and that the remuneration of the remaining members was reduced by 5%. Furthermore, it proposed that no new remunerations should be introduced, notably that of the Vice-Chairman of the GSB.

C. Decisions-----

After being established the criteria governing the remuneration policy of the Company and weighted the several factors concerned, the Commission decided, in general, on the following: -----

(i) To set the remunerations of the members of the GSC, including its Chairman's remuneration, in amounts lower than those allocated to the members of the EBD, particularly regarding the non allocation of a variable component of remuneration, and -----

(ii) Given the guidelines established by the Portuguese Government for companies in which the State holds a shareholding, the Commission considered – taking into account the difficulties experienced by the country as a result of a widespread economic, financial and social crisis – to promote remuneration adjustments in order to improve containment. In any case, it should always be taken into account the merits of the members of each corporate body, in order not to put at risk the cohesion, stability and development of the company. -----

(iii) The Commission decided not to make any adjustments to the remunerations of the members of the Audit Committee, keeping unchanged the amount of remuneration applicable in the previous term of office, due to having been registered a progressive increase of work and responsibility of the members of this Committee. -----

(iv) Regarding the Chairman of the General Shareholders' Meeting, the Commission maintained the opinion concerning his integration, for remuneration purposes, under the GSB and regarding the Vice-Chairman, taking into account this recent situation, the decision was taken based on the criteria of effective meetings of the General Shareholders' Meeting chaired by him. -----

(v) With respect to the SA, given the specificity of his functions and his functional relationship with the GSC, and in particular with the Audit Committee, the Remuneration Committee deemed proper to accept and confirm the values contained in the estimate of the SE's annual fees, resulting from the "Service Provision Agreement of Statutory Auditing" negotiated and entered into by the GSB. -----

(vi) With regard to the Environment and Sustainability Council, the Commission decided that the remuneration of its members is set in accordance to the number of attendance to its meetings. -----

In conclusion, -----

The Commission proposes that the General Shareholders' Meeting approves the remuneration policy that has been applied to the above mentioned corporate bodies since the change of the corporate governance model of the Company, particularly in relation to its framework, taking into consideration the specific situation of the country and of the Company, encouraging, on the one hand, the institutional and individual merits, though, on the other hand, maintaining the orientation to adopt a fair and balanced remuneration containment". -----

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 who 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 where he is the Chairman, his exposition would be brief. The Chairman of the Remuneration Committee elected by the General Shareholders' Meeting proceed mentioning his apprehensiveness regarding the probability of non acceptance by the shareholders of the proposal contained in the item in discussion and mentioned its total availability to assist on any additional information assessed adequate or necessary.-----

(...)

Subsequently, the Chairman of the General Shareholders' Meeting submitted to vote Item Seven of the agenda and the proposal was rejected by the majority of the votes cast (with 86,9154% of votes against). -----

Afterwards, representative of Parpública – Participações Públicas (SGPS), S.A. and Capitalpor – Participações Portuguesas, SGPS, S.A., Mr. Rui Pinto Duarte, asked permission to speak in order to inform that the entities that he is representing voted against the proposal presented and required that the statement hereinafter described, shall be registered in the present minutes. Mr Rui Pinto Duarte has also clarified that there was no contradiction between the position hereby assumed by Parpública – Participações Públicas (SGPS), S.A. and the position contained on the statement presented by the Remuneration Committee elected on the General Shareholders' Meeting, considering the contents of item 11 of the referred statement:-----

Subsequently, the Chairman of the General Shareholders' Meeting read the following statement:-----

«In the scope of the understanding adopted by PARPÚBLICA (SGPS) S.A. and by CAPITALPOR, SGPS, S.A., regarding guidelines contained on Dispatch no. 11420/2009, from the Treasury and Finance Secretary of State, published on Diário da República, 2nd series, dated 11th May 2009 and on Dispatch no. 5696-A/2010 from the Finance Ministry of State, published on Diário da República, 2nd series, dated 29th March 2010, as well as on the disposition inserted on 2010 State Budget concerning the same subject, already approved but not yet promulgated, the companies above referred, stated that they have voted against the statement regarding "Remuneration Policy of corporate bodies members" presented by the Remuneration Committee of elected by the General Shareholders Meeting within item 7. of the agenda.-----

Nevertheless, these shareholders recognized the effort that was taken by this Remuneration Committee, namely by its chairman in the demand of a more fair and coherent solution with the proposed objectives. Even though, the fact that it was not possible to converge integrally concerning the referred guidelines, has determined the vote that was expressed».-----

--- Regarding Item Eight of the agenda, the Chairman of the General Shareholders' Meeting read the respective content – "Resolve on the election of a General and Supervisory Board member" – and ask the Company Secretary to read the proposal presented by the shareholders Senfora, SARL and Parpública – Participações Públicas (SGPS) S.A. with the following content:-----

"Considering that Mr. Khalifa Abdulla Khamis Al Romaithi presented its resignation as member of the General and Supervisory Board, the shareholders Senfora SARL and Parpública – Participações Públicas (SGPS), S.A. resolve to propose the election of Senfora, SARL, company incorporated under Abu Dhabi laws, which holds a participation in EDP correspondent to 4,06% of its share and outstanding capital, as member of the General and Supervisory Board, with effects on the current 2009-2011 term of office." On the information note regarding Senfora, SARL, disclosed to the shareholders within the legal deadline, it is mentioned the identification elements of the referred company, namely the reference that its registered office is in Luxemburg.-----

Since none of the presented members asked to speak about this item, the Chairman of the General Shareholders' Meeting submitted to vote Item Eight of the agenda, being the proposal approved by the majority of the votes cast (with 94,2684% 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.-----

--- There being no further business, the meeting was closed at nineteen hours and forty minutes, in relation to which the present minute was drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary.-----

Lisbon, April 20th, 2010

The Company Secretary
Maria Teresa Isabel Pereira



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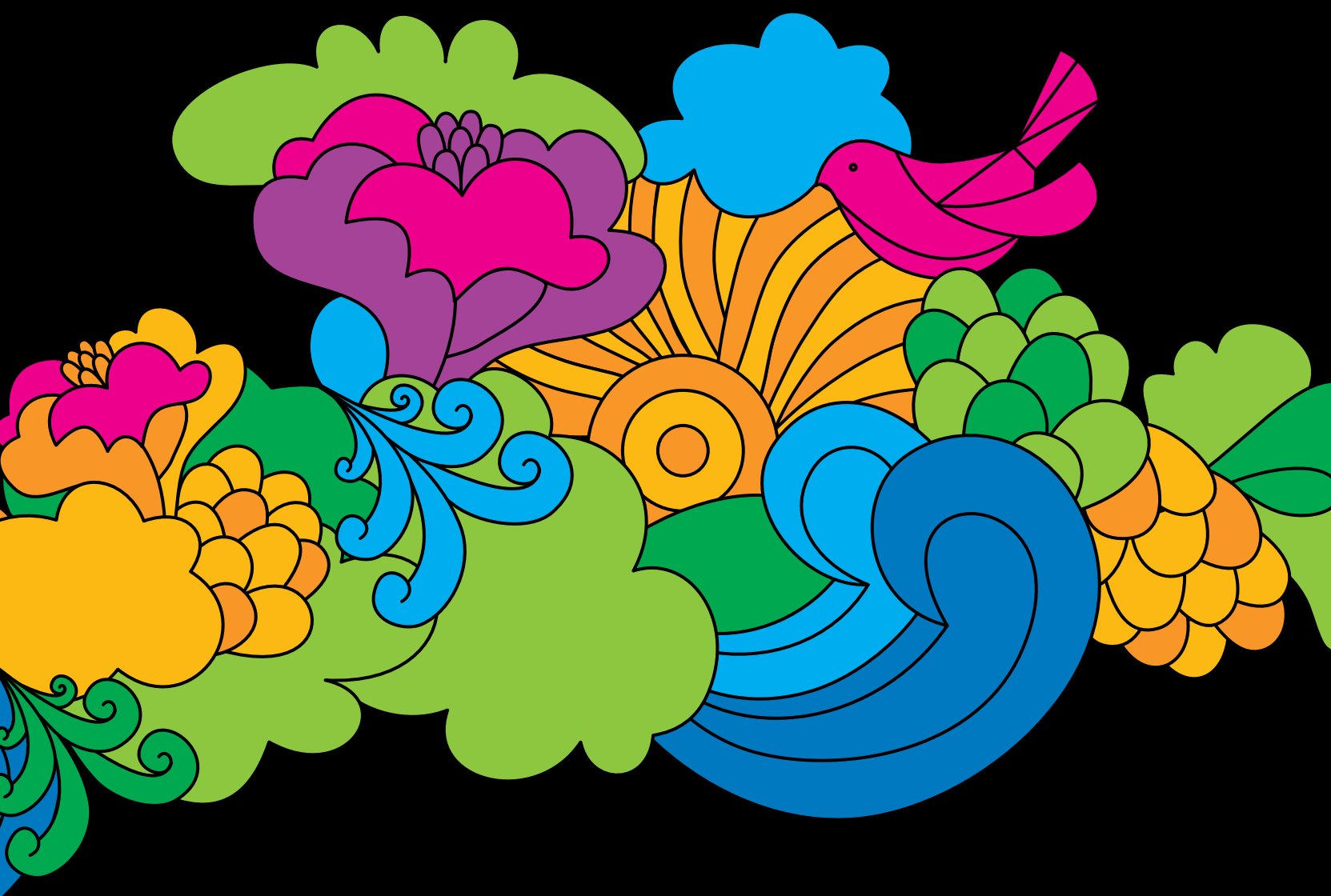
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