EDP FINANCE B.V.

(incorporated with limited liability in The Netherlands and having its statutory seat in Amsterdam)

With the benefit of a Keep Well Agreement executed by

EDP – ENERGIAS DE PORTUGAL, S.A.

US$ 750,000,000 5.250 PER CENT. NOTES
DUE 2021

ISSUE PRICE FOR THE NOTES: 99.365 PER CENT.
PLUS ACCRUED INTEREST, IF ANY, FROM 14 JANUARY 2014

EDP Finance B.V. (the "Issuer") is offering US$750,000,000 5.250 per cent. Notes due 2021 (the "Notes").

The Notes will not be guaranteed by EDP – Energias de Portugal, S.A. ("EDP S.A."), but the Issuer has the benefit of a Keep Well Agreement executed by EDP S.A. as more fully described herein.

The Notes will bear interest at 5.250 per cent. per year. Interest on the Notes will be payable on 14 January and 14 July of each year, and on the Maturity Date (as defined below), beginning on 14 July 2014, until the Maturity Date. The Notes will mature on 14 January 2021 (the "Maturity Date"). The Notes are being issued under the €12,500,000,000 programme for the issuance of debt instruments.

The Issuer may redeem the Notes at 100 per cent. of their nominal amount plus accrued interest if certain tax events as described in this offering memorandum (the "offering memorandum") occur. In addition, the Issuer may redeem the Notes in whole or in part at any time at a redemption price equal to the greater of (i) the nominal value of the Notes plus accrued interest thereon or (ii) the sum of the present values of the remaining scheduled payments of principal of the Notes to be redeemed and interest thereon plus the applicable premium specified herein, see "*Terms and Conditions of the Notes – Redemption and Purchase*".

Holders have the option to require the Issuer to redeem or purchase the Notes at their nominal amount plus accrued interest in certain circumstances relating to a change of control of EDP S.A. See "*Terms and Conditions of the Notes – Redemption and Purchase*".

The Notes will be the Issuer's unsecured debt and will rank equally in right of payment with the Issuer's other unsecured unsubordinated indebtedness. For a more detailed description of the Notes, see "*Terms and Conditions of the Notes*" beginning on page 185.

Investing in the Notes involves risks. See "*Risk Factors*" beginning on page 10.

None of the Notes have been or will be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any state under the Securities Act, and the Notes are being offered only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act ("Rule 144A")) pursuant to Rule 144A and to non-U.S. persons in offshore transactions outside the United States pursuant to Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on transfer of the Notes, see "*Plan of Distribution – Selling Restrictions*" beginning on page 219.

Morgan Stanley & Co. LLC, RBS Securities Inc., Société Générale,UBS Securities LLC and Banco Espirito Santo de Investimento, S.A. – Sucursal en España (the "initial purchasers") expect to deliver the Notes to purchasers in registered book-entry form through the facilities of The Depository Trust Company ("DTC"), Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 14 January 2014, which is the fifth business day following the date of this offering memorandum (such settlement cycle is referred to as "T+5"). See "*Plan of Distribution*". The Notes offered and sold in reliance on Regulation S (the "Regulation S Notes"), which will be sold to non-U.S. persons outside the United States, will initially be represented by one global note in registered form (the "Regulation S Global Note"). The Notes offered and sold in the United States pursuant to Rule 144A under the Securities Act (the "Rule 144A Notes") will be represented by one or more global notes in registered form (the "Rule 144A Global Notes" and, together with the Regulation S Global Note, the "Global Notes").

This offering memorandum has been approved by the Central Bank of Ireland (the "Central Bank"), as competent authority under Directive 2003/71/EC (the "Prospectus Directive"). The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any Member State of the European Economic Area". Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the "Official List") and trading on its regulated market (the "Main Securities Market"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the "Markets in Financial Instruments Directive").

Joint Book-Running Lead Managers

Morgan Stanley **RBS** **Société Générale Corporate & Investment Banking** **UBS Investment Bank**

Espírito Santo Investment Bank

10 January 2014

IMPORTANT INFORMATION

This offering memorandum is issued for the purpose of giving information with respect to the EDP Group and the Notes and which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the group.

This offering memorandum comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the "Prospectus Directive") and has been prepared in connection with the listing of the Notes on the Irish Stock Exchange's Main Securities Market.

Each of the Issuer and EDP S.A. accepts responsibility for the information contained in this offering memorandum, and to the best of the knowledge and belief of each of the Issuer and EDP S.A., each of whom has taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and contains no omission likely to affect its import. However, the information set out in relation to sections of this offering memorandum describing clearing arrangements, including the section entitled "Book-Entry; Delivery and Form", is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream, Luxembourg.

This offering memorandum has been prepared by the Issuer and EDP S.A. solely for use in connection with the proposed offering of the securities described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this offering memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without EDP S.A.'s or the Issuer's prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no photocopies of this offering memorandum or any documents referred to in this offering memorandum.

The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

The initial purchasers will provide you with a copy of this offering memorandum and any related amendments or supplements. By receiving this offering memorandum, you acknowledge that you have had an opportunity to request from EDP S.A. or the Issuer for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this offering memorandum. You also acknowledge that you have not relied on the initial purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and EDP and the terms of the offering, including the merits and risks involved. In addition, neither the Issuer, nor EDP S.A. nor the initial purchasers nor any of their respective representatives are making any representation to you regarding the legality of an investment in the Notes, and you should not construe anything in this offering memorandum as legal, business or tax advice. You should consult your own advisors as to legal, tax, business, financial and related aspects of an investment in the Notes. You must comply with all laws applicable in any jurisdiction in which you buy, offer or sell the Notes or possess or distribute this offering memorandum, and you must obtain all applicable consents and approvals; neither the Issuer or EDP S.A. nor the initial purchasers shall have any responsibility for any of the foregoing legal requirements.

None of the U.S. Securities and Exchange Commission (the "SEC"), any state securities commission or any other regulatory authority, has approved or disapproved the securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary may be a criminal offence.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this offering memorandum entitled "*Plan of Distribution*" and "*Transfer Restrictions*".

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER RSA 421-B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENCED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

CERTAIN REGULATORY ISSUES RELATED TO THE UNITED KINGDOM

This offering memorandum is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, and other persons to whom it may lawfully be communicated (all such persons together being referred to as "relevant persons"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this offering memorandum or any of its contents.

STABILISATION

In connection with the offering of the Notes, Morgan Stanley & Co. LLC (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

You should rely only on the information contained in this offering memorandum. The Issuer, EDP and the initial purchasers have not authorised anyone to provide you with different information, and you should not rely on any such information. The Issuer is not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where this offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

TABLE OF CONTENTS

Page

OVERVIEW 2
RISK FACTORS 10
SUMMARY CONDENSED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION 27
PRESENTATION OF FINANCIAL AND OTHER DATA 31
INFORMATION REGARDING FORWARD-LOOKING STATEMENTS 32
TERMS USED IN THIS OFFERING MEMORANDUM 33
DOCUMENTS INCORPORATED BY REFERENCE 37
USE OF PROCEEDS 38
CAPITALISATION 39
SELECTED FINANCIAL INFORMATION 40
OPERATING AND FINANCIAL REVIEW 47
BUSINESS 83
MANAGEMENT 138
PRINCIPAL SHAREHOLDERS OF EDP S.A. 154
EDP FINANCE B.V. 156
TERMS AND CONDITIONS OF THE NOTES 158
BOOK ENTRY; DELIVERY AND FORM 171
KEEP WELL AGREEMENT 177
TAX CONSIDERATIONS 180
PLAN OF DISTRIBUTION 187
TRANSFER RESTRICTIONS 192
SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES 195
EMPLOYEE RETIREMENT INCOME SECURITY ACT 196
INDEPENDENT AUDITORS 198
LEGAL MATTERS 199
ADDITIONAL INFORMATION 200
LISTING AND GENERAL INFORMATION 201
INDEX TO THE FINANCIAL STATEMENTS F-1

OVERVIEW

The following overview may not contain all the information that may be important to you. Before making an investment decision, you should read this entire offering memorandum, including the "Risk Factors" section and the financial statements, together with the related notes, included in this offering memorandum.

THE ISSUER

EDP Finance B.V. ("EDP B.V." or the "Issuer"), a wholly-owned subsidiary of EDP, was incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam, The Netherlands, on 1 October 1999 for an unlimited period of time.

EDP B.V. has its registered office at Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands, and its statutory seat is in Amsterdam, The Netherlands. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce and Industry in Amsterdam under No. 34121496.

EDP B.V. has entered into a Keep Well Agreement with EDP S.A. dated 14 March 2001 (the "Keep Well Agreement"). Under the Keep Well Agreement, EDP S.A. has agreed that, for so long as the Issuer has any instruments outstanding under its €12,500,000,000 programme for the issuance of debt instruments (the "Programme"), it will make available to the Issuer funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that the Issuer's funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings.

INFORMATION ON EDP

EDP is a vertically integrated utility company. EDP believes it is the largest generator, distributor and supplier of electricity in Portugal in terms of gigawatt hours ("GWh") of electricity generated, distributed and supplied, respectively, the third largest electricity generation company in the Iberian Peninsula in terms of installed capacity, and one of the largest gas distributors in the Iberian Peninsula in terms of both amount of energy distributed and network size. EDP maintains significant electricity and gas operations in Spain, and EDP believes it is the third largest wind power operator worldwide in terms of electricity generation (terawatt hours ("TWh")), with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, France, Belgium, Italy, Poland and Romania, and is developing wind farms in the United Kingdom and Canada. It also has electricity distribution, generation and supply activities in Brazil and generates solar photovoltaic energy in Romania.

Historically, EDP's core business has been electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market has become EDP's natural home market, and EDP has made this market the primary focus of its energy business. As at the date of this offering memorandum, EDP's principal subsidiaries in Portugal include its electrical generation company, EDP – Gestão da Produção de Energia, S.A. ("EDP Produção"), its distribution company, EDP Distribuição – Energia S.A. ("EDP Distribuição"), and its two supply companies EDP Serviço Universal, S.A. ("EDP SU") and EDP Comercial – Comercialização de Energia S.A. ("EDP Comercial"). In Spain, EDP's main subsidiary (of which it holds 99.9 per cent.) is HC Energia – Hidroelectrica del Cantábrico S.A. ("Hidrocantábrico"), which operates electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias region of Spain.

In the gas market, EDP holds significant interests in both Portugal and Spain. In Portugal, EDP holds 72.0 per cent. of Portgás – Sociedade de Produção e Distribuição de Gás, S.A. ("Portgás"), the natural gas distribution company for the northern region of Portugal. In Spain, EDP holds indirectly (through Hidrocantábrico) 95.0 per cent. of Naturgas Energia ("Naturgas"), which EDP believes is one of the largest gas distribution companies in the Spanish market in terms of points of supply, mainly in the Asturias and Basque regions. The holding in Naturgas increased from 63.5 per cent. to 95.0 per cent. following the exercise by Ente Vasco De La Energia ("EVE"), in July 2010, of a put option for part of EVE's stake in Naturgas.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of EDP Renewables North America LLC ("EDPR North America") in 2007, EDP believes it has become the third largest wind power operator worldwide in terms of electricity generation (TWh). Its wind power assets are held through its subsidiary EDP Renováveis, S.A. ("EDP Renováveis"), of which it holds a 77.5 per cent. stake (62.0 per cent. directly and 15.5 per cent. through Hidrocantábrico). EDP Renováveis has been listed on the Euronext Lisbon since its IPO on 4 June 2008. EDP Renováveis has built significant growth platforms in the European and U.S.

markets for the development and operation of power plants that generate electricity using renewable resources, mainly wind. EDP Renováveis currently operates 7.8 GW of generation assets, comprising on-shore wind farms in Spain, Portugal, the United States, France, Belgium, Italy, Romania and Poland. Through a joint venture with EDP – Energias do Brasil, S.A. ("EDP Brasil"), the company is also present in the Brazilian market. EDP Renováveis has various wind projects in different stages of construction and development in these countries as well as in Canada and the United Kingdom. At present, EDP Renováveis is actively seeking to expand its activities into other countries.

In Brazil, in addition to a renewable energy generation business, EDP has significant electricity generation and distribution businesses in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Mato Grosso do Sul through its 51.1 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. In July 2011, EDP sold 21.9 million shares of EDP Brasil in a secondary distribution offer (reducing its stake from 64.8 per cent. to 51.1 per cent.), at a price per share of R$37.00, resulting in receipt of gross proceeds of approximately R$811 million. EDP Brasil is the holding company for the majority of EDP's investments in the Brazilian electricity industry, including its distribution subsidiaries Bandeirante Energia, S.A. ("Bandeirante") and Espírito Santo Centrais Eléctricas ("Escelsa"), its generation subsidiaries Energest S.A. ("Energest"), EDP Lajeado Energia, S.A. ("EDP Lajeado"), Enerpeixe S.A. ("Enerpeixe") and Porto do Pecém Geração de Energia, S.A. ("Pecém"), and its supply subsidiary EDP Comercialização e Serviços de Energia, S.A. ("EDP Comercializadora"). EDP Brasil holds 100.0 per cent. of each of these subsidiaries apart from EDP Lajeado and Enerpeixe, in which it holds 55.9 per cent. and 60.0 per cent., respectively, and Pecém, in which it holds 50.0 per cent. Additionally, EDP Lajeado holds a 73.0 per cent. stake in Investco S.A. ("Investco"), which gives it control over the management of Investco. Investco owns the Lajeado hydroelectric plant in Tocantins, Brazil.

The EDP Group's consolidated turnover for the six months ended 30 June 2013 amounted to €8,120.8 million, yielding operating results of €1,214.3 million. The EDP Group's consolidated turnover for the year ended 31 December 2012 amounted to €16,339.9 million, yielding operating results of €2,143.4 million. As at 30 June 2013, the EDP Group employed 12,143 people, had total assets of €41,665.0 million and shareholders' equity of €11,401.2 million.

EDP's registered head office is located at Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal, and its telephone number is +351 21 0012500.

STRATEGY OF EDP

EDP's business strategy is based on three central pillars: controlled risk, superior efficiency and focused growth. Management believes that its recent partnership with China Three Gorges ("CTG") will reinforce these strategic pillars. See "—*Strategic Partnership with China Three Gorges*".

Controlled risk

EDP aims to limit the risk exposure of its cash flows by actively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risk. To minimise its regulatory risks, EDP actively manages the regulatory agenda in the markets in which it operates, and EDP has invested in reduced CO_2 generation technologies to mitigate the risk of increasing restrictions on CO_2 emissions. To limit the effects of volatility in the energy markets, EDP has an integrated generation and supply model and maintains hedges to lock-in pricing for much of its fuel needs and energy sales in the liberalised markets.

Superior efficiency

EDP recognises the importance of regularly implementing new initiatives to improve the efficiency of its operations. In 2011, EDP launched a new programme to reduce the operating costs of its activities worldwide involving over 150 initiatives. The programme is targeting annual savings of approximately €130 million by 2015, primarily resulting from lower supplies and services. In order to achieve an efficient capital allocation, EDP follows a selective investment policy, in which potential investment projects are evaluated individually and then compared against each other based on EDP's investment criteria. EDP also strives to take advantage of operational efficiencies throughout its international network by promoting an integrated culture across all of its subsidiaries.

Focused growth

EDP's business plan currently calls for total capital expenditures of €2.0 billion/year on average, of which 70.0 per cent. is to be directed primarily toward expansion projects. These projects primarily involve wind power

generation in the Eastern European markets, hydroelectric power in Portugal and new power generation in Brazil.

Strategic Partnership with China Three Gorges

The completion of the 8th privatisation phase of EDP in May 2012 resulted in the sale by Parpública – Participações Públicas, SGPS, S.A. ("Parpública") of a 21.35 per cent. share stake in EDP to CTG. CTG is China's largest clean energy group with a significant renewable energy expansion plan worldwide.

In the wake of the privatisation process, EDP and CTG established a strategic partnership based on three main pillars: (i) CTG commits to invest €2.0 billion by 2015 in the acquisition of minority stakes (between 34 per cent. and 49 per cent.) in certain of EDP's projects and co-investment with EDP in 1.5 GW (net) of wind power projects; (ii) a Chinese financial institution is committed to provide a credit facility of up to €2 billion to EDP for up to 20 years, of which €1.0 billion had been drawn as of 30 September 2013; and (iii) EDP and CTG will jointly develop new growth opportunities worldwide.

Management believes that this strategic partnership represents an important opportunity for EDP, as it combines the significant financial resources of CTG, its extensive expertise in hydroelectric power and well established presence in Asia, with EDP's expertise in wind business, proven internationalisation capabilities and established presence in Europe, the United States and Brazil.

Furthermore, this partnership reinforces EDP's 3-pillar strategy of controlled risk, superior efficiency and focused growth: It strengthens EDP's financial liquidity position, improves shareholder stability and creates room for new sustained long-term growth drivers, either in terms of technologies or geographies.

Recent Developments

In July, Fitch Ratings placed the ratings of several utilities with significant exposure to Spain on Rating Watch Negative, including the "BBB–" rating of EDP, its finance subsidiary, EDP Finance B.V., and its Spanish subsidiary, Hidroelectrica del Cantabrico, following the Spanish Government's announcement, on 12 July, of proposed new regulatory measures to permanently resolve the excess cost or tariff deficit generated by the Spanish electricity system.

In September, Standard & Poor's Ratings Services ("S&P") placed its "BB+" long-term corporate credit and issue ratings on EDP and EDP Finance B.V. on CreditWatch with negative implications. At the same time, S&P affirmed short-term corporate credit debt ratings on EDP at "B". The negative CreditWatch placement mirrors that on the Republic of Portugal, on 18 September, since by S&P's rating criteria, sovereign risk is a key factor that influences utilities' credit strength.

On 18 September 2013 the European Commission issued a press release stating that it has opened an in-depth state aid inquiry into water resources concessions granted by the Portuguese State to EDP for electricity generation and will inquire about the situation in other Member States. As with any state aid investigation, such proceedings are solely conducted between the European Commission and the Member State concerned (in this case, Portugal). Although EDP's business, financial condition, prospects and/or results of operations could be adversely affected by the outcome of this inquiry, it is difficult to predict the outcome at this stage in the process.

In September, EDP Finance B.V. issued and priced a Eurobond in the total amount of €750,000,000 maturing in September 2020 with a coupon of 4.875%.

The State Budget for 2014 Law (Law 83-C/2013, of 31 December) created an extraordinary contribution applicable to economic operators in the energy sector that develop the following activities: i) generation, transmission or distribution of electricity; ii) transport, distribution, storage or wholesale supply of natural gas; and iii) refining, treatment, storage, transportation, distribution and wholesale supply of crude oil and oil products.

The contribution rate applicable to the energy sector will be 0.85% on the fixed tangible and intangible assets, as of 1 January 2014 or as of the first day of the fiscal year if different. In the case of electricity generation activity, this rate will be applicable only to the power plants in operation on that date.

Among others, the following assets will be exempt from this rate:

(i) Hydroelectric plants with installed capacity below 20 MW;

(ii) Wind farms; and

(iii) Power plants with electricity generation licenses awarded following tender procedures or competitive consultation.

A reduced rate of 0.285% for CCGTs with an annual utilisation of installed capacity below 1500 hours and a reduced rate of 0.565% for CCGTs with an annual utilisation of installed capacity equal or above 1500 hours and below 3000 hours also apply.

The Government expects the contribution to generate €150 million of proceeds, of which €50 million will be allocated to the reduction of the tariff deficit of the electricity sector and to energy efficiency measures.

According to the information available in the state budget, the impact net of taxes for EDP of this extraordinary contribution will amount to approximately €45 million in 2014.

On 31 October 2013, EDP published its third quarter 2013 results, of which the respective accounts are provided herein on pages F-2 to F-83.

In the nine months ended 30 September 2013, the Group's consolidated turnover was €11,812 million, compared with €12,090 million in the nine months ended 30 September 2012. In the nine months ended 30 September 2013, the Group's net profit attributable to equity holders of EDP was €792 million, compared with €795 million in the nine months ended 30 September 2012.

Net debt amounted to €18.1 billion at 30 September 2013, €0.1 billion less than the net debt total at 31 December 2012, as the proceeds from tariff deficit securitisations in Portugal and Spain (€1 billion in the first half of 2013), coupled with proceeds from asset disposals (€0.4 billion from the sale of a minority stake in EDP Renováveis Portugal to China Three Gorges and gas transmission assets in Spain to Enagás, S.A. in the first half of 2013), were partially offset by higher regulatory receivables in Portugal and Spain, by the payment of the 2012 annual dividend and by expansion of capital expenditure incurred in the nine months ended 30 September 2013.

In November 2013, EDP Finance B.V. issued a Eurobond in the total amount of €600,000,000 maturing in January 2021 with a coupon of 4.125%.

On 13 November 2013, Moody's Investors Service Limited affirmed the Issuer's rating as Ba1 with negative outlook.

On 13 December 2013, EDP Group, through a joint venture with Furnas (the Terra Nova Consortium), was awarded the concession for a new 700 MW hydro plant in Brazil – the São Manoel hydro plant. Additionally, EDP Renováveis, S.A. secured four 20-year Power Purchasing Agreements ("PPA") to sell electricity in the regulated market. These PPAs relate to the equivalent of renewable energy produced by four wind farms totaling 116 MW.

On 19 December 2013, EDP Group sold credit rights in a total amount of €299.4 million, consisting of: (i) credit rights in the amount of €149.6 million in respect of the right to recover the overcost relating to the acquisition of electricity from special regime generators for 2012 (including the adjustments for 2010 and 2011), which payment has been deferred for a 5 year period from 2012 to 2016; and (ii) credit rights in the amount of €149.8 million in respect of the right to recover the amount of the 2011 annual adjustment of the compensation due for the early termination of power purchase agreements, which payment has been deferred to 2014 and 2015.

In December 2013, following the exercise by Liberbank of a put option agreed in 2004 with EDP over the shares of Hidrocantábrico, EDP purchased from Liberbank a 3.00% stake in Hidrocantábrico for €106 million, increasing its stake to 99.87%. Liberbank still has a put option on the remaining 0.13% stake in Hidrocantábrico which can be exercised until 31 December 2017.

Also in December 2013, EDP Group reached agreements in relation to the progress of the EDP/CTG Strategic Partnership established in December 2011. In particular, Energias do Brasil, S.A. signed with CWE Investment Corporation ("CWEI"), a fully owned subsidiary of CTG, a Memorandum of Understanding that establishes the key guidelines of a partnership aiming at future co-investments between EDP Brasil and CWEI and governs the participation of the parties thereto in joint energy projects in Brazil. In this context, CWEI signed an agreement to: (i) acquire a 50% stake in the company holding the rights to develop the Cachoeira Caldeirão hydro power plant project (219 MW); and (ii) to acquire 50% in the company holding the rights to develop the Jari hydro power plant project (373 MW), for a value of R$490 million, assuming additional equity commitments estimated at R$81 million until the end of construction of the project. The conclusion of these transactions is subject to customary regulatory approvals with closing expected to occur in the first half of 2014.

In addition, EDP and EDP Renováveis, S.A. ("EDPR"), through its subsidiary EDP Renewables Europe, S.L. ("EDPR Europe"), also signed a Memorandum of Understanding with CTG and CWEI (Hongkong) Company Limited, a subsidiary of CTG, envisaging the sale of 49% of the equity and shareholder loans directly or indirectly owned by EDPR Europe in the ENEOP – Eólicas de Portugal, S.A. ("ENEOP") consortium. In light of the anticipated restructuring of ENEOP's assets, the agreed transaction is expected to occur in 2015.

THE OFFERING

The overview below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The "Terms and Conditions of the Notes" section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes, including definitions of certain terms used in this overview.

Issuer:	EDP Finance B.V.
Keep Well Provider:	The Notes will benefit from a Keep Well Agreement provided by EDP – Energias de Portugal, S.A.
Notes Offered:	US$750,000,000 aggregate principal amount of 5.250 per cent. Notes due 2021 (Notes).
Maturity Date:	14 January 2021.
Interest Rate:	5.250 per cent.
Interest Payment Dates:	14 January and 14 July of each year, beginning on 14 July 2014.
Interest Periods:	Semi-annual.
Day Count Fraction:	30/360.
Record Dates:	The fifteenth Luxembourg business day before the due date for any payment of amounts due in respect of the Notes. While represented by Global Notes, the Record Date shall mean the Clearing System Business Day before the relevant due date for any payment.
Redemption:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its principal amount on the Maturity Date.
Early Redemption for taxation reasons:	Early redemption will be permitted for taxation reasons as described in Condition 7.2.
Redemption at the option of the Issuer (Issuer Call):	The Notes will be redeemable at the option of the Issuer at any time, in whole or in part, at a redemption price equal to the greater of (i) 100 per cent. of the nominal amount of the Notes to be redeemed plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and all additional amounts, if any, then due or (ii) the sum of the present values of the remaining scheduled payments thereon discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 0.50 per cent. plus accrued and unpaid interest, if any, to (but excluding) the date of redemption and any additional amounts. See Condition 7.3.
Redemption at the option of the Holders (Investor Put):	If a Change of Control occurs and within the Change of Control Period a Rating Downgrade as a result of that Change of Control occurs, each Holder will have the option to require the Issuer to redeem or purchase each of the Notes held by such Holder on the Mandatory Redemption Date at its principal amount together with interest accrued to but excluding the Mandatory Redemption Date. See Condition 7.4.
Events of Default:	The Trustee at its discretion may, and if so requested in writing by the Holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders of the Notes shall (subject in each case to being indemnified to its satisfaction), give written notice to the Issuer that the Notes are, and that they shall accordingly thereupon immediately become, due and repayable at their principal amount, together with accrued interest (if any) as provided in the Trust Deed, if any one or more Events of Default shall occur and is continuing. See Condition 10.
Negative Pledge:	The Notes will have the benefit of a negative pledge as described in Condition 4.
Form of Notes:	The Notes will be issued in registered form. The Regulation S Notes and the Rule 144A Notes will be represented by one Regulation S Global Note and one or more Rule 144A Global Notes, respectively. The Global Notes will only be exchangeable for Definitive Notes in the limited circumstances described under "*Book Entry; Delivery and Form*".

Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Denominations:	Notes are issued in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof.
Taxation:	Payments in respect of Notes will be made without withholding or deduction for, or on account of, any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event (subject to customary exceptions), such additional amounts will be paid as will result in the Holders of Notes receiving such amounts as they would have received in respect of the Notes had no such withholding or deduction been required. See Condition 8.
Governing Law:	The Notes and all related contractual documentation will be governed by, and construed in accordance with, English law.
Listing and admission to trading:	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its Main Securities Market, which is a regulated market for the purposes of Directive 2004/39/EC.
Terms and Conditions:	The terms and conditions applicable to the Notes are set out herein under "*Terms and Conditions of the Notes*".
Ratings:	The Notes have been assigned preliminary ratings of Ba1 by Moody's Investors Service Limited ("Moody's"), BB+ by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies Inc. ("Standard & Poor's") and BBB- by Fitch Ratings Limited ("Fitch"). A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States, Portugal, the United Kingdom, the European Economic Area and Italy, see "*Plan of Distribution – Selling Restrictions*".
Use of Proceeds:	EDP intends to use the net proceeds from the offering for general corporate purposes.
Issue and Paying Agent:	Deutsche Bank AG, London Branch.
Paying Agent:	Deutsche Bank Luxembourg S.A.
Registrar:	Deutsche Bank Luxembourg S.A.
U.S. Paying Agent:	Deutsche Bank Trust Company Americas.
Trustee:	Deutsche Trustee Company Limited.
Timing and Delivery:	The Issuer currently expects delivery of the Notes to occur on 14 January 2014. The Rule 144A Global Notes will be deposited with a custodian for The Depository Trust Company, and the Regulation S Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. The Rule 144A Notes will be registered in the name of Cede & Co as nominee of The Depository Trust Company and the Regulation S Note will be registered in the name of BT Globenet Nominees Limited for Euroclear and Clearstream, Luxembourg.
Risk Factors:	**Investing in the Notes involves risks. See the "*Risk Factors*" section of this offering memorandum for a more complete description of risks that you should carefully consider before investing in the Notes.**
Securities Codes:	
Regulation S ISIN:	XS1014868779

Regulation S Common Code:	101486877
Rule 144A ISIN:	US26835PAD24
Rule 144A CUSIP:	26835PAD2

RISK FACTORS

An investment in the Notes involves risks. You should carefully consider all of the information in this offering memorandum, including the following risk factors, before deciding to invest in the Notes. The actual occurrence of any of the following events could have a material adverse effect on EDP's business, financial condition, prospects or results of operations which may adversely affect the Issuer's ability to make payments and fulfil its other obligations under the Notes and EDP's ability to fulfil its obligations to the Issuer under the Keep Well Agreement.

Most of these factors are contingencies that may or may not occur, and the Issuer and EDP are not in a position to express a view on the likelihood of any such contingency occurring. The risk factors described below are not exhaustive, and are those that EDP believes are material, but these may not be the only risks and uncertainties that EDP faces. Additional risks not currently known or which are currently deemed immaterial may also have a material adverse effect on EDP's business, financial condition, prospects or results of operations or result in other events that could lead to a diminution of the Issuer's ability to fulfil its obligations, and be harmful and affect your investment in the Notes.

You could therefore lose a substantial portion or all of your investment in the Notes. Consequently, an investment in the Notes should only be considered by persons who can assume such risk.

This offering memorandum also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this offering memorandum (see "Information Regarding Forward-Looking Statements"). Prospective investors should read the detailed information set out elsewhere in this offering memorandum (including the documents incorporated by reference herein) and reach their own views prior to making an investment decision.

RISKS RELATED TO EDP'S BUSINESS

EDP's operating results are highly affected by laws and regulations implemented by multiple public entities in the various jurisdictions in which it operates.

EDP's operations include the generation, distribution and supply of electricity (including the development, construction, licensing and operation of power plants and distribution grids), distribution and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's most extensive operations are in Portugal, Spain, Brazil, France, Belgium, Italy, Poland, Romania and the United States. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those unilaterally imposed by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions, that may make such laws and regulations more restrictive or in other ways less favourable to EDP. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups. Changes to these laws and regulations, or the enactment of additional laws and regulations, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Member States of the European Union, including the European countries in which EDP operates or has pipeline projects, and many states in the United States and the U.S. federal government have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in recent years and EDP has benefited from such support in the past. Both the European Union and various U.S. federal and state bodies have regularly reaffirmed their desire to continue and strengthen such support. However, EDP cannot guarantee that such support, policies or regulatory frameworks will be maintained. Changes to these could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's business is also affected by other general laws and regulations in the various jurisdictions in which it operates, including those regarding taxes, levies and other charges, which may be amended from time to time. EDP cannot guarantee that current laws and regulations will not be rapidly or significantly modified in the future, whether in response to public pressure or initiated by regulatory, judicial or legislative authorities. Any such modifications could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

A recent example is Royal Decree-Law no. 9/2013, of 13 July ("Royal Decree-Law no. 9/2013"), which has been recently enacted in Spain. Royal Decree-Law no. 9/2013 includes a set of regulatory modifications in the remuneration scheme applicable to the Spanish electricity sector that affect Distribution and Generation assets. Following such enactment, a set of modifications to regulations governing distribution and conventional generation activities have been implemented. Presently, the Spanish Government is still preparing the specific regulation to rule this new law with respect to renewables and cogeneration assets, which will be retrospectively applied since 14 July 2013. In the absence of such specific regulations, the potential effects on these activities are as yet unknown, and, when implemented, could have a material adverse effect on entities operating in the Spanish electricity sector, including EDP, and, consequently, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. Considering Spain's current economic and financial situation, additional measures affecting the electricity sector, namely, measures aiming to ease the consumers' burden regarding electricity prices, could be enacted. If any such measures are put in place, they may have a material adverse effect on entities operating in the Spanish electricity sector, including EDP, and, consequently, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Concessions, licences and permits might, in some cases, be granted for certain periods of time and might be subject to early termination under specified circumstances, including failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality, which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated loss and the loss of any of these assets may adversely affect EDP's business, financial condition, prospects or results of operations. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business in an entire jurisdiction and, consequently, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's business is subject to and constrained by environmental, health and safety laws and regulations.

EDP's businesses are subject to numerous environmental regulations that could have a material adverse effect on its business, financial condition, prospects or results of operations. These include national, regional and local laws and regulations of the different countries in which EDP operates, as well as supra-national laws, particularly EU regulations and directives and international environmental agreements. More restrictive or less favourable regulations, or the stricter interpretation of current regulations, such as an obligation to modify existing power plants and associated facilities or the implementation of additional inspection, monitoring, clean up or remediation procedures, could lead to changes in EDP's operating conditions that might require additional capital expenditures, increase its operating costs or otherwise hinder the development of its business. Environmental regulations affecting EDP's business primarily relate to air emissions, water pollution, waste disposal and electromagnetic fields.

EDP's thermal electricity generation operations, particularly coal-based power plants, are significantly affected limited and regulated by legislation aimed at reducing emissions of CO_2 and other greenhouse gases. Until the end of 2012, CO_2 emissions were allocated for free to the power sector. However, this changed substantially in 2013. From 2013 onwards, as dictated by the European Union Emissions Trading Scheme (''EU ETS''), there will be no free allowances for the power sector and all emission allowances are to be bought in the market or through auctions. The unused allowances available to the electric power generators until the end of 2012 do not expire and can still be banked and used after 2012. Therefore, in the generation process, power plants may use either their existing unused CO_2 allowances obtained until the end of 2012 or buy new allowances in the market. The annual amount of CO_2 licences to be supplied in the market is predetermined by the European Union and licenses are sold through CO_2 auctions conducted in a centralised way, with the auction revenues being subsequently allocated and passed on to each Member State. During 2013 there have been on average two to three CO_2 auctions a week according to the European Energy Exchange website.

EDP's thermal plants in Portugal, which are subject to the stranded costs compensation mechanism approved under Decree-Law no. 240/2004, of 27 December, subsequently amended by Decree-law no. 199/2007, of 18 May, Decree-Law no. 264/2007, of 24 July, and Decree-Law no. 32/2013, of 26 February, designated as CMEC ("CMEC"), have the right to allocate costs of CO_2 emissions into the system tariff until the original date of termination of the PPA concerning each plant, which will be at the end of 2017 in the case of EDP's main coal-based power plant at Sines.

Although EDP's past and planned future investments in new generation facilities assume that there will be no allocation of CO_2 emission allowances from 2013 onwards and that such emission allowances will be even more restricted over time, EDP continues to operate according to its current CO_2 risk management practices and according to the existing legislation and regulations regarding these emissions. There can be no assurance, however, that EDP will manage its CO_2 emissions to be less than or equal to the number of emission allowances it holds (or otherwise acquires) nor that the current relevant European or local laws, regulations and targets will not be subject to change. Such matters may adversely affect EDP's business, financial conditions, prospects or results of operations.

Apart from CO_2, the major waste products of electricity generation using fossil fuels are sulphur dioxide, nitrogen oxide, and particulate matter, such as dust and ash. A primary focus of the environmental regulations applicable to EDP's business is to reduce these emissions, and EDP may have to incur significant costs to comply with environmental regulations that require the implementation of preventative, mitigation or remediation measures. Environmental regulation may include emission limits, cap-and-trade mechanisms, taxes or remediation measures, among others, and may determine EDP's policies in ways that affect its business decisions and strategy, notably discouraging the use of certain fuels.

The EU Large Combustion Plant ("LCP") Directive (the "LCP Directive") regulates industrial pollution and aims to reduce emissions of acidifying pollutants, particles and ozone precursors. The LCP Directive entered into force on 27 November 2001 and replaced the old Directive on large combustion plants (Directive 88/609/EEC as amended by Directive 94/66/EC). The LCP Directive encourages the combined generation of heat and power and sets specific emission limit values for the use of biomass as fuel. It also includes certain gas turbines in its scope in order to regulate emissions of certain pollutants, and has set limits for sulphur dioxide ("SOx"), nitrogen oxide ("NOx") and dust emitted by combustion plants with a thermal input of greater or equal to 50 MW in effect since 1 January 2008. The nature of the limits depends on the age of the affected facilities, with plants licensed after 26 November 2002 subject to the strictest requirements. The main strategy adopted by EDP to comply with the LCP Directive and with applicable Portuguese law (notably with Decree-Law no. 178/2003, of 5 August, which implements into Portuguese law the said Directive) involved installing desulphurisation ("DeSOx") and denitrification ("DeNOx") systems in its most efficient coal plants.

After a two-year review process, the European Commission adopted on 21 December 2007 a proposal for a Directive on industrial emissions to minimise pollution from various industrial sources throughout the European Union (the "IPPC Directive"). The proposal recasts seven existing Directives related to industrial emissions into a single clear and coherent legislative instrument. The recast includes the then-existing Directive on integrated pollution prevention and control, the Large Combustion Plants Directive, the Waste Incineration Directive, the Solvents Emissions Directive and three Directives on Titanium Dioxide.

The new IPPC Directive was codified (Directive 2008/1/EC of the European Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control) and entered into force on 18 February 2008. Decree-Law no. 173/2008, of 26 August, implements the IPPC Directive into Portuguese law requiring EDP (and other market participants) to make additional investments in its thermal power plants or to reduce the operation of such thermal power plants. As part of EDP's response to such requirements, EDP invested in DeSOx and DeNOx facilities in some of its coal plants. Currently, EDP has DeSOX facilities in Sines (Portugal) and Aboño 1, Aboño 2 and Soto 3 (all in Spain). Additionally, EDP also has DeNOx facilities in its coal plant in Sines (Portugal). The remaining coal plants continue to operate with no active restriction stemming from these requirements. These (or future) investments or reductions in the operations could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Changes in health and safety regulations may affect the design of industrial equipment in the future or the manner in which EDP's power plants are constructed, including in ways that adversely affect their operational performance or EDP's profitability, which could have a material adverse effect on its business, financial condition, prospects or results of operations.

EDP has incurred, and will continue to incur, regular capital and operating expenditures and other costs in complying with safety and environmental laws and regulations in the jurisdictions in which it operates. Although EDP does not currently anticipate any significant capital expenditures in connection with environmental regulations outside of the ordinary course of business, EDP can provide no assurance that such significant capital expenditures will not be incurred or required in the future. Additionally, EDP may incur costs outside of the ordinary course of business to compensate for any environmental or other harm caused by its facilities or to repair damages resulting from any accident or act of sabotage. EDP's operational performance and profitability may also be adversely affected by changes in health and safety regulations in the future. The occurrence of any

of these events could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In certain jurisdictions, EDP may be under a legal or contractual obligation to dismantle its facilities and restore the related site to a specified standard at the end of its operating term. In some cases, EDP is required to provide collateral for these obligations. EDP generally includes a provision in its accounts for dismantling costs based on its estimates of the costs, but there is no guarantee that this will reflect the real costs incurred. Therefore, any significant increase in or unanticipated dismantling costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's cash flow is subject to possible changes in the amounts and timings of the recovery of the regulatory receivables from the energy systems.

EDP has annually recognised an amount of regulatory receivables in its statement of financial position that is related to its regulated business activities in Portugal and Spain. EDP's electricity distribution activities in Brazil are also subject to regulatory receivables that, however, are not recognised for accounting purposes under International Financial Reporting Standards (''IFRS''). These regulatory receivables are to be recovered/returned to the energy system within a pre-determined time period and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. As of 30 June 2013, the net amount of regulatory receivables and payables recognised on EDP's statement of financial position to be recovered from the Portuguese and Spanish energy systems amounts to a regulatory receivable of €2,653 million, which includes the tariff adjustments and the annual revision mechanism under the CMEC.

With respect to energy distribution and supply activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity tariffs for a certain year. This amount of tariff deficit/surplus is to be received/returned from/to the electricity system within a defined time period that is set by the relevant regulator. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal and Spain, meaning that revenues collected though electricity final tariffs were not sufficient to cover electricity system costs. In Portugal, EDP was able to sell a significant part of its credits for these amounts without recourse while the remaining amounts are still to be received. In Spain, the Spanish Goverment has created FADE, pursuant to which it securitises debts owed by the public electricity settlements system to the electricity industry's utilities, including EDP. There is no assurance that, in the future, new amounts of regulatory receivables will continue to be generated or that final amounts received will not be different from the amounts initially expected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Some of EDP's electricity generating power plants in Portugal are subject to the CMEC legislation, which was designed, following the early termination of the corresponding PPAs on 1 July 2007, to ensure parity between the revenues expected in a market regime based on the initial compensation value (calculated by reference to amounts expected to be received under the PPAs) and the revenues actually obtained in the market. The CMEC payment is subject to an annual revision during the first ten years of implementation, which is expected to involve financial compensation between EDP and the electricity system to be received or paid in the year after, ensuring that the company is compensated by receiving what it would have received or been paid if the power plants were still operating under PPAs. Finally, although the "true-up" system of the CMEC allows for recovery in the year following a year in which there was a failure of collections, the operation of the CMEC in any given year may also be affected by significant decreases in the level of contracted power or by a significant failure of the electricity system to collect tariffs from consumers. Since its implementation, annual revisions and the recovery periods have been broadly in line with the initial rules, with some exceptions in the last two years, when a one to two year deferral was imposed on the recovery of the outstanding revisions. Failure to recover any amounts under the CMEC could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The profitability of EDP's hydro power plants is affected by variable river flows at the sites of its operations, which are dependent on weather conditions.

As at 30 June 2013, hydro power plants represented approximately one third of EDP's total installed capacity of electricity generation, amounting to 7,498 MWs out of a total of 22,682 MWs. During the development phase and prior to the construction of any hydro power plant, EDP conducts a study to evaluate the potential river flows at the proposed site, which may vary as a result of seasonal fluctuations in river currents and, over the long term, as a result of more general climate changes and shifts. EDP bases its core assumptions and investment decisions on the findings of these studies. The expected levels of electricity generation output from EDP's hydro

power plants in operation, under construction and under development are based essentially on historical averages of river flows at the site of each power plant, which are highly dependent on weather conditions, particularly rain, which varies substantially across the different locations of the power plants, seasons and years. Moreover, the upstream use of river flows for other purposes, restrictions imposed by legislation or the impact of climate change may also result in a reduction in the water flow available for electricity generation purposes. EDP cannot guarantee that actual weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, it cannot guarantee that its hydro power plants will be able to meet their anticipated generation levels. Failure by EDP's hydro power plants to meet the anticipated generation levels could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

For example, in 2012, the weather was very dry, with hydro resources falling 52 per cent. below an average hydro year. As a result, output from the mini-hydro plants fell 42 per cent. and gross profit from mini-hydro plants declined by €17 million in 2012 when compared to 2011. As at 30 June 2013, 55 per cent. (approximately 4,094 MWs) of EDP's total installed capacity from hydro power plants was attributable to plants operated in Portugal and subject to the CMEC legislation. Under the CMEC legislation, the profitability of these plants is not impacted by the volatility in river flows at those plants until December 2013, December 2015 or June 2017 corresponding to the original termination date of a particular plant's PPA. Until those dates, positive or negative differences in the actual hydraulicity levels at these plants when compared to the levels established in 2007 by the CMEC initial assumptions are rebalanced by payments made to or by all Portuguese electricity consumers through the use of the electricity system tariff. In the last two years, there has been a one to two year deferral for the recovery of the outstanding revisions. After such dates, these plants will be fully operated in the liberalised market, in which it is expected that, in line with what has happened historically in the Iberian Peninsula, hydro power plants should obtain higher revenues per MWh in dry periods and lower revenues per MWh in humid periods, reducing volatility in operating revenues resulting from annual volatility in river flows. As at 30 June 2013, 24 per cent. (or 1,799 MWs) of EDP's total installed capacity of hydro power plants, was attributable to hydro plants in Brazil, mostly under PPAs. In Brazil, the hydraulicity risk is shared up to a specified level by all the hydro plants in the country, but the profitability of the plants can be affected in the event of a long dry period in those regions with higher contribution to the country's hydro power production. Accordingly, volatility in river flows could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The profitability of EDP's wind power plants is affected by variable wind speeds at the sites of its operations, which are dependent on weather conditions.

As at 30 June 2013, wind power plants represented 34 per cent. of EDP's installed capacity of electricity generation, amounting to 7,720 MWs of installed capacity. The expected levels of electricity generation output from EDP's wind power plants in operation, under construction and under development are based on historical averages of wind speeds at the power plants' sites, which are highly dependent on weather conditions, particularly wind levels, which vary materially across the different locations of the power plants, seasons and years. Variations in wind conditions at wind farm sites occur as a result of daily, monthly and seasonal fluctuations in wind currents and, over the longer term, as a result of more general climate changes and shifts. Because turbines will only operate when wind speeds fall within certain specific ranges that vary by turbine type and manufacturer, if wind speeds fall outside or towards the lower end of these ranges, energy output at EDP's wind farms declines. During the development phase and prior to the construction of any wind power plant, EDP conducts studies to evaluate the potential wind speeds of the site. EDP bases its core assumptions and investment decisions on the findings of these studies. EDP cannot guarantee that observed weather conditions at a project site will conform to the assumptions that were made during the project development phase on the basis of such studies and, therefore, EDP cannot guarantee that its wind power plants will be able to meet their anticipated production levels. In Portugal, France and Brazil, marginal prices of wind power are inversely related to total annual generation levels, which partly limits, but does not eliminate, the impact of less favourable wind conditions on EDP's profitability. Variations and/or decreases of electricity generation output from EDP's wind power plants, or the inability of EDP to generate electricity in its wind power plants due to the lack of wind, could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The profitability of EDP's thermal power plants and gas supply activities is dependent on the reliability of EDP's access to fossil fuels, namely coal and natural gas, in the appropriate quantities, at the appropriate times and under competitive pricing conditions.

EDP's thermal power plants, both those in operation and under construction, need to have ready access to fossil fuels, particularly coal and natural gas, in order to generate electricity. Although EDP has in place long-term

purchase agreements for fossil fuels and corresponding transportation agreements, EDP cannot be certain that there will be no disruptions in its supply of fossil fuels. The adequacy of this supply also depends on shipping and transportation services involving a variety of third parties. In the event of a failure in the supply chain of fossil fuels, EDP may not be able to generate electricity in some or all of its thermal power plants, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's thermal power plants in Portugal operating under the CMEC, and the Pecém coal plant in Brazil, which is now fully operational and operates under a long-term PPA, are all able to pass through their fossil fuel costs, in accordance, respectively, with the CMEC rules and the terms of the PPA. However, the profitability of these plants could be reduced if actual levels of availability are below contracted levels, for example, due to a shortage of fossil fuels. EDP's ordinary regime thermal power plants in the Iberian Peninsula's liberalised market, which are not subject to CMEC legislation or to PPAs, are fully exposed to changes in fossil fuel costs and, therefore, variations of the fossil fuel costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The gas that EDP buys for use in its CCGT power plants or to be supplied to its gas customers in Portugal and Spain, is currently furnished primarily through long-term contracts with Galp, Eni, Sonatrach, Gas Natural and Atlantic LNG, under which the gas is delivered both through liquefied natural gas ("LNG") terminals (principally originating in Nigeria) and international pipelines (mainly originating in Algeria). The supply chain of gas to the Iberian Peninsula through foreign countries involves gas production and treatment, transport through international pipelines and by ship, and processing in liquefaction terminals. This supply chain is subject to political and technical risks. Although these risks are often addressed in *force majeure* clauses in supply, transit and shipping contracts that may, to a certain extent, mitigate contractual risk by shifting it to the end-user market, contractual provisions do not mitigate other risks that might lead to diminished margins and loss of profits. In addition, any capacity, access or operational restrictions imposed by the transmission system operator on the use of LNG terminals, international grid connections or domestic grid connections may impair normal supply and sales activities, and such circumstances involve additional contractual risks that could lead to a reduction in profits. EDP's long-term gas procurement contracts have prices indexed largely to benchmark oil price related indices in Europe and the Middle East. Under the terms of these gas contracts, EDP commits to purchasing a minimum amount of gas for a certain period of time through "take-or-pay clauses". As a result, under certain circumstances, EDP may have to purchase more gas than it needs to operate its CCGTs or supply its gas customers. Disruptions in the supply chain of natural gas and/or the enforcement of "take-or-pay clauses" could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. The strategy adopted by EDP for coal and gas procurement is essentially based on establishing long-term contracts, with short-term consultation processes being launched to cover any additional needs that may arise. In 2012, roughly one-half of all coal purchased by EDP was bought directly from companies that produce the raw material and the other 50 per cent. was purchased from coal traders. In 2012, the main sources of coal were Colombia (67 per cent.) and the United States (18 per cent.), followed by Russia, Norway and South Africa.

EDP's Aboño thermal plant in Spain and a neighbouring steel plant have a large-volume supply contract for blast furnace gas with relatively favourable terms compared to current market prices, which significantly reduces EDP's generation costs at that plant. Nevertheless, the volume of blast furnace gas available for EDP to purchase depends on the steel plant's production levels, which can change significantly. Any gas shortage for the Aboño plant is replaced by coal purchases, and therefore changes in coal spot or forward prices could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's profitability may be affected by significant changes in energy demand in each of the countries in which it operates.

EDP's profitability from the distribution of electricity and natural gas in Portugal is primarily dependent on fixed parameters set by *Entidade Reguladora dos Serviços Energéticos* ("ERSE") for the regulatory period for electricity and on specific return levels defined for the applicable 40-year concession period for gas (starting 1 January 2008). Profitability of power plants subject to PPAs and the CMEC system are also not materially affected by changes in demand during the life of the CMEC system. However, significant changes in demand for electricity and natural gas in the markets in which EDP operates may have an impact on the profitability of EDP's other business activities, such as supply activities. EDP's investment decisions take into consideration the company's expectations regarding the evolution of demand for electricity and natural gas, which may be significantly affected by the economic conditions of the countries in which EDP sells and distributes electricity and natural gas, but also by a number of other factors including regulation, tariff levels, environmental and climate conditions and competition. Significant changes in any of these variables may affect levels of per capita

energy consumption, which could vary substantially from the company's expectations, and thus could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's electricity generation plants that are in operation and under development may be subject to increasing competition in their respective markets or regions.

In the Iberian Peninsula, electricity generation is subject to licensing by the competent authorities, which is carried out in a competitive environment. Consequently, new electricity generation power plants may be licensed to EDP's competitors in the markets in which it operates, affecting the profitability of its liberalised market power plants that are in operation, under construction or under development. Furthermore, EDP may be unsuccessful in obtaining licences for the construction or operation of new power plants, and it could therefore be unable to increase or maintain its generation capacity or market share.

EDP's electricity generation capacity in the Iberian Peninsula has grown significantly in recent years, particularly through the construction of new CCGTs and new wind power plants. In addition, there are still a significant number of already licensed CCGTs and wind power projects that are currently under construction or under development in the region by other companies outside the EDP Group. Conversely, demand in the Iberian Peninsula has been depressed for some years. Consumption in Portugal in 2012 was in line with 2006 consumption and is 6 per cent. below the peak consumption in 2010; consumption in Spain in 2012 is in line with 2009 consumption and is 3 per cent. below the peak consumption in 2008. The decline in electricity and gas demand in 2012 in the Iberian Peninsula, together with the increase of installed capacity described above, may lead to a situation of overcapacity in Spain, and to a lesser extent in Portugal, for an indeterminate period of time.

The improvement of electricity interconnections with markets or regions with excess capacity or lower energy prices than those in the markets or regions in which EDP operates power plants may also affect the profitability of EDP's plants. The electricity transmission grid operators in Portugal and Spain, REN—Rede Eléctrica Nacional, S.A. (''REN—Rede Eléctrica'', a subsidiary of REN—Redes Energéticas Nacionais, S.G.P.S., S.A. ("REN")) and Red Eléctrica de España, S.A. ("REE"), respectively, have been investing significantly in the improvement of transmission grid capacity in both countries and in the interconnection grid between the two countries. REE and the French electricity grid operator have also been planning to expand the electricity interconnection grid between Spain and France. Although the profitability of EDP's electricity generation capacity currently under the CMEC system in Portugal or under a special regime (including some wind, mini-hydro, cogeneration and biomass power) in the Iberian Peninsula is not exposed to the electricity pool price risk, in the long term, the end of the CMEC system, combined with improved electricity interconnections, could increase competition for EDP's power plants and could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. As of January 2014, three of EDP's power plants which were under the CMEC system have started to operate in the liberalised market. By December 2015, an additional eight hydro plants are expected to be operated in the liberalised market, and, from 2017 onwards, the operation of the remaining plants under the CMEC system will be subject to volume and price risk.

With respect to the development of wind power generation, EDP primarily faces competition in bidding for or acquiring available sites (particularly sites with favourable wind resources and existing or potential interconnection infrastructure), in bidding for or acquiring grid interconnection rights, and in setting prices for energy produced. In certain European countries, interconnection rights to electricity transmission and distribution grids, which are critical for the development of wind farms, may be granted through tender processes. Although EDP has generally been able to obtain a number of interconnection rights through tender processes in the past, there is no certainty that it will be able to obtain such rights in the future, particularly in light of an increasingly competitive environment. Failure to obtain these rights may cause delays to or prevent the development of EDP's projects. In addition, not all of EDP's existing or future interconnection rights will be sufficient to allow EDP to deliver electricity to a particular market or buyer. Wind farms can be negatively affected by transmission congestion when there is insufficient available transmission capacity, which could result in lower prices for wind farms selling power into locally priced markets, such as certain U.S. markets. Competition in the renewable energy sector could therefore have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

The selling price and gross profit per unit of energy sold by EDP may decline significantly due to a deterioration of market conditions.

A decline in gross profit per unit of electricity or natural gas sold may result from a number of different factors, including an adverse imbalance between supply and demand in the electricity and natural gas markets in which EDP operates or in other related energy markets, the performance of international and/or regional energy prices such as oil, natural gas, coal, CO_2 allowances and green certificates, below-average rainfall or wind speed levels

in the markets in which EDP operates, higher cost of power plant construction or a change in the technological mix of installed generation capacity. The gross profit per MWh of energy sold in liberalised energy markets can also be affected by administrative decisions imposed by legislative and regulatory authorities in the countries in which EDP operates.

The volatility of EDP's gross profit per unit of electricity and natural gas sold can be particularly significant in its activities in the liberalised electricity and natural gas markets of the Iberian Peninsula, which are fully exposed to market risk. If the difference between the electricity price in the market and the marginal generation cost (which depends primarily on fuel and CO_2 costs) available at its thermal plants is too low, EDP's thermal plants may not generate electricity or electricity generation may be limited, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operation.

Payments for electricity sold by certain of EDP's wind farms depend, at least in part, on market prices for electricity. In Spain, part of EDP's wind power revenues per MWh have a fixed component that is adjusted for inflation, while another part is linked to the Spanish pool price, with a cap and floor system. In the United States, EDP sells its wind power output mainly through long-term PPAs, which define the sale price of electricity for the duration of the contract. Nevertheless, where a PPA is not executed due to market conditions or as part of a commercial strategy, EDP sells its electricity output in wholesale markets, in which it is fully exposed to market risk volatility. In jurisdictions where combinations of regulated incentives, such as green certificates, and market pricing are used, the regulated incentive component may not compensate for fluctuations in the market price component, and thus total remuneration may be volatile. A decline in market prices for energy below levels expected by EDP could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In Brazil, the electricity generated by EDP's power plants is primarily sold through PPAs, while EDP's electricity distribution business, in accordance with certain regulatory rules, has the ability to pass its electricity procurement costs through to customers. Nevertheless, payments for electricity sold by EDP's electricity generation, distribution and supply activities in Brazil can be affected by significant changes in electricity market prices, particularly those due to extremely dry periods, large fluctuations in electricity demand and modifications of EDP's electricity distribution concession areas. Prices for new PPAs both for electricity generation plants under development or in operation are set through public tenders and can change significantly due to changes in competitive pressures and/or the regulatory environment.

EDP currently uses and may in the future continue to use various financial and commodity hedging instruments relating to electricity, carbon emissions, fuel (coal and natural gas) and foreign exchange, as well as bilateral PPAs and long-term fuel supply agreements, in order to mitigate market risks. However, EDP may not be successful in using hedging instruments or long-term agreements, or it may not effectively anticipate and hedge against such risks, which could have a material adverse effect on its business, financial condition, prospects or results of operations.

Increased competition in electricity and natural gas supply in liberalised markets in the Iberian Peninsula may reduce EDP's margins and its ability to sell electricity and natural gas to value-added final customers.

The implementation by Portugal and Spain of EU directives that are intended to create competitive electricity and natural gas supply markets (including, for instance, the limitation of certain large clients' access to last resort tariffs or increased competitiveness in such markets) could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. In July 2010, the Portuguese government announced that high-, medium- and special low-voltage clients will no longer be able to benefit from regulated electricity tariffs. These clients were transferred to the free market on 1 January 2011 in compliance with EU directives on electricity tariffs. Also, since 1 July 2012, pursuant to Portuguese legislation, last resort tariffs are no longer applicable to low-voltage consumers (mainly households and small businesses) with contracted power equal to or under 41.4 kVA, and, since 1 January 2013, last resort tariffs are no longer applicable to any consumers with contracted power under 10.35 kVA.

All electricity consumers in Portugal have been free to choose their electricity supplier since 2006. After 2008, the size of the liberalised markets increased considerably. As of 30 June 2013, accumulated electricity consumption in the liberalised market represented about 65 per cent. of total consumption. EDP operates as the "last resort" supplier in the Portuguese electricity supply business through EDP Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial—Comercialização de Energia S.A. (''EDP Comercial'').

All natural gas consumers in Portugal have been free to choose their gas supplier since the beginning of 2010. EDP operates as the "last resort" supplier in determined areas of Portugal through EDP Gás Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial. In Spain, retail tariffs for electricity were phased out in June 2009, and substituted by a last resort tariff system. Thus, since 1 July 2009, last resort consumers (low-voltage consumers whose contracted power is less than or equal to 10 kW) have been able to choose between their last resort supplier and several common suppliers in the liberalised market. All other consumers are supplied in the liberalised market. EDP's subsidiary HC Energia is the last resort supplier of electricity in the Asturias region. Gas retail tariffs no longer exist in Spain, meaning that gas customers are able to choose between their last resort supplier and several common suppliers in the liberalised market. EDP's subsidiary Naturgas is the last resort supplier of gas in the Asturias region. In the future, more competing suppliers are expected to enter the market and engage in electricity sales. The effects of this increased competition could materially and adversely affect EDP's sales of electricity and gas.

In addition, EDP cannot anticipate the various risks and opportunities that may arise from the ongoing liberalisation in the Iberian Peninsula's electricity and natural gas markets. The complete implementation of the liberalisation process, with the end of regulated retail tariffs, the eventual end of the role of last resort suppliers, and the resulting competition could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's renewable activities in the United States may be adversely affected by changes in current renewable support schemes or the failure of such support schemes to materialise due to adverse market conditions.

In the United States, the federal government currently supports renewable energy primarily through tax incentives and a grant programme to reimburse a portion of eligible capital costs. In addition, many state governments have implemented Renewable Portfolio Standards ("RPS") that typically require that, by a specified date, a certain percentage of a utility's electricity supplied to consumers within such state is to be from renewable sources. Historically, the main tax incentives have been the federal production tax credit ("PTC") and the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System ("MACRS"). In February 2009, a new U.S. federal law allowed renewable energy projects that forego PTCs to elect an investment tax credit ("ITC"), or a cash grant equal to 30 per cent. of the capital invested in the project (although the 2013 automatic spending cuts have reduced this amount by 8.7 per cent. for all grants awarded on or after 1 March 2013 through 30 September 2013, regardless of when the application was submitted). Under the new law, renewable energy projects placed in service before the credit termination date can choose among the PTC, ITC or cash grant, although only projects that began construction before the end of 2011 and applied for the credit before 1 October 2012 will be eligible for the cash grant. In January 2013, the PTC and ITC for wind projects were extended through 31 December 2013. In addition, the expiration date for qualified renewable energy facilities was modified such that qualified projects will be eligible for the PTC or ITC if the construction of such projects begins before 1 January 2014. The PTC legislation was first enacted in 1992 and has historically been extended by the U.S. Congress for one- to four-year periods. While in the past the PTC has consistently been extended, it has been allowed to expire three times before being subsequently extended, thereby creating a lapse period. In each case, the U.S. Congress applied the PTC retroactively to cover such lapse period; however the periodic expiration and uncertainty of the legislative process with respect to extensions affected industry participants. No comparable legislative history exists for the ITC or grant programme since they were not options for wind energy projects until 2009. There can be no assurance that the PTC, the ITC or the cash grant programme will be extended beyond their current expiration dates. With respect to asset depreciation under MACRS, in February 2008, a new U.S. federal law provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis that expired on 31 December 2013. This temporary bonus depreciation has been extended four times since 2008. However, there can be no assurance that the 50 per cent. bonus depreciation will be extended beyond its current expiration. While the underlying MACRS system has been in place since 1986, and EDP expects the system to remain unchanged going forward, there can be no assurance that MACRS treatment will not be discontinued in the future.

EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives (but not the cash grant programme) is based in part on the investment structures that EDP entered into with institutional investors in the United States (the "Partnership Structures"). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) EDP will otherwise be able to realise the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

At the state level, RPS provide support for EDP's business by mandating that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources by a specified date (such as between 15 per cent. and 25 per cent. by 2020 or 2025) and, in certain cases, make provision for various penalties for non-compliance. According to the Database of State Incentives for Renewables and Efficiency (''DSIRE'') as at March 2013, 37 U.S. states and the District of Columbia have RPS targets. While 29 states and the District of Columbia have mandatory RPS targets; eight states have voluntary, rather than mandatory, targets. Although additional states may consider the enactment of RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified. See "EDP Group—Regulatory Framework—United States'' for further information. In particular, a number of states currently are considering legislation that would pare back mandatory RPS targets.

EDP may encounter problems and delays in constructing or connecting its electricity generation facilities.

EDP faces risks relating to the construction of its electricity generation facilities, including risks relating to the availability of equipment from reliable suppliers, availability of building materials and key components, availability of key personnel, including qualified engineering personnel, delays in construction timetables and completion of the projects within budget and to required specifications. EDP may also encounter various setbacks such as adverse weather conditions, difficulties in connecting to electricity transmission grids, construction defects, delivery failures by suppliers, unexpected delays in obtaining zoning and other permits and authorisations or legal actions brought by third parties.

For example, EDP's 720 MW Pecém coal plant, in which we hold a 50 per cent. stake, was due to start operations in early 2012, but suffered several delays that resulted in significant losses in 2012. Any such setbacks may result in delays in the completion of a project and other unforeseen construction costs or budget overruns, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's revenues are heavily dependent on the effective performance of the equipment it uses in the operation of its power plants and electricity and natural gas distribution networks.

EDP's business and ability to generate revenue depend on the availability and operating performance of the equipment necessary to operate its power plants and electricity and natural gas distribution networks. Mechanical failures or other defects in equipment, or accidents that result in non-performance or under-performance of a power plant or electricity and natural gas distribution network may have a direct adverse impact on the revenues and profitability of EDP's activities. The cost to EDP of these failures or defects is reduced to the extent that EDP has the benefit of warranties or guarantees provided by equipment suppliers that cover the costs of repair or replacement of defective components or mechanical failures, or the losses resulting from such accidents can be partially recoverable by insurance policies in force. However, while EDP typically receives liquidated damages from suppliers for shortfalls in performance or availability (up to an agreed cap and for a limited period of time), there can be no assurance that such liquidated damages would fully compensate EDP for the shortfall and resulting decrease in revenues, or that such suppliers will be able or willing to fulfil such warranties and guaranties, which in some cases may result in costly and time-consuming litigation or other proceedings. Accordingly, any significant expenses incurred by failures, defects or accidents relating to EDP's operating equipment and infrastructure could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's assets could be damaged by natural and man-made disasters, and EDP could face civil liabilities or other losses as a result.

EDP's assets could be damaged by fire, earthquakes, acts of terrorism, and other natural or man-made disasters. While EDP seeks to take precautions against such disasters, maintain disaster recovery strategies and purchase levels of insurance coverage that it regards as commercially appropriate should any damage occur and be substantial, EDP could incur losses and damages not recoverable under insurance policies in force.

EDP's power plants are susceptible to industrial accidents, and employees or third parties may suffer bodily injury or death as a result of such accidents. In particular, while EDP believes that its equipment has been well designed and manufactured and is subject to rigorous quality control tests, quality assurance tests, and is in compliance with applicable health and safety standards and regulation, the design and manufacturing process is ultimately controlled by EDP's equipment suppliers or manufacturers rather than EDP, and there can be no assurance that accidents will not result during the installation or operation of this equipment. Additionally, EDP's power plants and employees may be susceptible to harm from events outside the ordinary course of business, including natural disasters, catastrophic accidents and acts of terrorism. Such accidents or events could cause severe damage to EDP's power plants and facilities, requiring extensive repair or the replacement of costly equipment and may limit EDP's ability to operate and generate income from such facilities for a period of time.

Such incidents could also cause significant damage to natural resources or property belonging to third parties, or personal injuries, which could lead to significant claims against EDP and its subsidiaries. The insurance coverage that EDP maintains for such natural disasters, catastrophic accidents and acts of terrorism may become unavailable or be insufficient to cover losses or liabilities related to certain of these risks.

Furthermore, the consequences of these events may create significant and long-lasting environmental or health hazards and pollution and may be harmful or a nuisance to neighbouring residents. EDP may be required to pay damages or fines, clean up environmental damage or dismantle power plants in order to comply with environmental or health and safety regulations. Environmental laws in certain jurisdictions in which EDP operates, including the United States, impose liability, and sometimes liability without regard to fault, for releases of hazardous substances into the environment. EDP could be liable under these laws and regulations at current and former facilities and third-party sites. Violations of environmental laws in certain jurisdictions may also result in criminal penalties, including in some cases with respect to certain violations of laws protecting migratory birds and endangered species.

EDP may also face civil liabilities or fines in the ordinary course of its business as a result of damages to third parties caused by the natural and man-made disasters mentioned above. These liabilities may result in EDP being required to make indemnification payments in accordance with applicable laws that may not be fully covered by its insurance policies.

EDP has an interest in a nuclear power plant through Hidrocantábrico, which holds a 15.5 per cent. interest in the Trillo nuclear power plant in Spain. As required by the international treaties ratified by Spain, Spanish law and regulations limit the liability of nuclear plant operators for nuclear accidents. Current Spanish law provides that the operator of each nuclear facility is liable for up to €700 million as a result of claims relating to a single nuclear accident. EDP would be liable for its proportional share of this €700 million amount. Trillo currently has insurance to cover potential liabilities related to third parties arising from a nuclear accident in Trillo up to €700 million, including environment liability up to the same limit. In the proportion of Hidrocantábrico's stake in Trillo, EDP could be subject to the risks arising from the operation of nuclear facilities and the storage and handling of low-level radioactive materials.

The occurrence of one or more of any of these natural and man-made disasters, and any resulting civil liabilities or other losses, could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP is exposed to counterparty risk in some of its businesses.

EDP's electricity and natural gas supply to final customers, its energy wholesale activities in the Iberian Peninsula and in international fuel markets, as well as its PPAs in the United States and Brazil, are all subject to counterparty risk.

While EDP seeks (in these and other areas of its activity) to mitigate counterparty risk by entering into transactions with creditworthy entities, by diversifying counterparties and by requiring credit support, there can be no assurance that EDP is sufficiently protected from counterparty risk. EDP primarily faces the risks that counterparties may not comply with their contractual obligations, they may become subject to insolvency or liquidation proceedings during the term of the relevant contracts or the credit support received from such counterparties will be inadequate to cover EDP's losses in the event of its counterparty's failure to perform. Any significant non-compliance, insolvency or liquidation of EDP's customers or counterparties could have a material adverse effect on its business, financial condition, prospects or results of operations.

EDP is unable to insure itself fully or against all potential risks and may become subject to higher insurance premiums.

EDP's business is exposed to the inherent risks in the construction and operation of power plants, electricity and natural gas distribution grids and other energy related facilities, such as mechanical breakdowns, manufacturing defects, natural disasters, terrorist attacks, sabotage, personal injury and other interruptions in service resulting from events outside of EDP's control. EDP is also exposed to environmental risks, including environmental conditions that may affect, destroy, damage or impair any of its facilities. These events may result in increased costs and other losses which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP has taken out insurance policies to cover certain risks associated with its business and it has put in place insurance coverage that it considers to be commensurate with its business structure and risk profile, in line with general market practice. EDP cannot be certain, however, that its current insurance policies will fully insure it against all risks and losses that may arise in the future. Malfunctions or interruptions of service at EDP's

facilities could also expose it to legal challenges and sanctions. Any such legal proceedings or sanctions could, in turn, have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

In addition, while EDP has not made any material claims to date under its insurance policies that would make any policy void or result in an increase to the premiums payable in respect of any policy, EDP's insurance policies are subject to annual review by its insurers and EDP cannot be certain that these policies will be renewed at all or on similar or favourable terms. If EDP were to incur a substantial uninsured loss or a loss that significantly exceeded the limits of its insurance policies, or if reviews of EDP's insurance policies led to less favourable terms, such additional costs could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP may not be able to sufficiently keep pace with technological changes in the rapidly evolving energy sector in order to maintain and increase its business operations' competitiveness.

The technologies used in the energy sector have changed and may change and evolve rapidly in the future, and techniques for generating electricity are constantly improving and becoming more complex. In order for EDP to maintain its competitiveness and to expand its business, it must effectively adjust to changes in technology. In particular, technologies related to power generation and electricity transmission are constantly updated and modified. If EDP is unable to modernise its technologies quickly and regularly and to take advantage of industry trends, it could face increased pressure from competitors and lose customers in the markets in which it operates. EDP could also lose valuable opportunities to expand its operations in existing and new markets on account of an insufficient integration of new technologies in its operations. As a result, EDP's failure to respond to current and future technological changes in the energy sector in an effective and timely manner could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's involvement in international activities subjects it to particular risks, namely foreign currency risks.

Investments in Brazil, the United States and other countries outside the Eurozone present a different or greater risk profile to EDP than those made in the energy business in the Eurozone. Risks associated with its investments outside of the Eurozone may include, but are not limited to: (1) economic volatility; (2) exchange rate fluctuations and exchange controls; (3) differing levels of inflationary pressures; (4) differing levels of government involvement in the domestic economy; (5) political uncertainty; and (6) unanticipated changes in regulatory or legal regimes. EDP can give no assurance that it will successfully manage its investments in Brazil, the United States and other international locations.

EDP is exposed to currency translation risk when the accounts of its Brazilian, U.S. and non-Eurozone (e.g. Poland and Romania) businesses, denominated in the respective local currencies, are translated into its consolidated accounts, denominated in Euros. For example, the Brazilian Real appreciated annually against the Euro on average by 0.3 per cent. and 19.4 per cent. in 2008 and 2010 respectively, but depreciated on average by 5.0 per cent., 0.2 per cent. and 7.8 per cent. in 2009 and 2011 and 2012 respectively. Fluctuations in the value of the Brazilian Real against the Euro could have an adverse impact on EDP's consolidated financial position or results of operations. EDP cannot predict movements in such non-Euro currencies, particularly the Brazilian Real and the U.S. dollar, and a major devaluation of such currencies could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

Certain of EDP's operating subsidiaries (particularly in the United States, Brazil, Romania and Poland) have in the past and may in the future enter into agreements or incur substantial capital expenditures denominated in a currency that is different from the currency in which they generate revenues. EDP attempts to hedge currency fluctuation risks by matching the currency of its costs and revenues as well as by using various financial instruments. There can be no assurance that EDP's efforts to mitigate the effects of currency exchange rate fluctuations will be successful, that EDP will continue to undertake hedging activities or that any current or future hedging activities EDP undertakes will adequately protect its financial condition and operating results from the effects of exchange rate fluctuations, that these activities will not result in additional losses or that EDP's other risk management procedures will operate successfully. The occurrence of any of these events could materially adversely affect EDP's business, financial condition, prospects or results of operations.

EDP is exposed to the uncertainty of the macroeconomic climate.

The global economy and the global financial system have experienced a period of significant turbulence and uncertainty, including a very severe dislocation of the financial markets and stress to the sovereign debt and economies of certain EU countries. In addition, recent downgrades of the sovereign debt of Greece, Portugal, Spain, France and Italy (among others) have caused further volatility in the capital markets. This market

dislocation has also been accompanied by recessionary conditions and trends in many economies throughout the EU, including Portugal.

EDP is not able to predict how the economic cycle is likely to develop in the short term or the coming years or whether there will be a further deterioration in this recessive phase of the global and Portuguese economic cycle. Any further deterioration or continuation of the current economic situation or financial condition in Portugal could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP operates in a capital-intensive business and a significant increase in capital costs could have a material adverse effect on its business, financial condition, prospects or results of operations.

EDP has significant construction and capital expenditure requirements, and the recovery of its capital investment occurs over a substantial period of time. The capital investment required to develop and construct a power plant generally varies based on the cost of the necessary fixed assets, such as equipment for the power plants and civil construction services. The price of such equipment or civil construction services may increase, or continue to increase, if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities and raw materials used to build such equipment increase. In addition, the volatility in commodity prices could increase the overall cost of constructing, developing and maintaining power plants in the future. Other factors affecting the amount of capital investment required include, among others, construction costs and interconnection costs. A significant increase in the costs of developing and constructing EDP's power plants or associated energy facilities could have a material adverse effect on EDP's ability to achieve its growth targets and its business, financial condition, prospects or results of operations.

EDP may not be able to finance its planned capital expenditures.

EDP's business activities require significant capital expenditures. EDP expects to finance a substantial part of these capital expenditures out of the cash flows from its operating activities. If these sources are not sufficient, however, EDP may have to finance certain of its planned capital expenditures from outside sources, including bank borrowing, sales of minority interests, offerings in the capital markets, institutional equity partnerships and state grants. No assurance can be given that EDP will be able to raise the financing required for its planned capital expenditures on acceptable terms or at all. If EDP is unable to raise such financing, it may have to reduce its planned capital expenditures. Any such reduction could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP's financial position may be adversely affected by a number of factors, including restrictions in borrowing and debt arrangements, changes to EDP's credit ratings and adverse changes and volatility in the global credit markets.

EDP's business is partly financed through debt, and the maturity and repayment profile of debt used to finance investments often does not correlate to cash flows from EDP's assets. Accordingly, EDP relies on access to short-term commercial paper and money markets and long-term bank and capital markets as sources of finance. For example, EDP's consolidated indebtedness increased by 16.0 per cent. in 2010 and 3.9 per cent. in 2011 and 8.0 per cent. in 2012. The global financial markets are currently experiencing extreme volatility and disruption. A shortage of liquidity, lack of funding, pressure on capital and extreme price volatility across a wide range of asset classes are putting financial institutions under considerable pressure and, in certain cases, placing downward pressure on share prices and credit availability for companies. The average cost of EDP's debt increased from 4.0 per cent. in the first half of 2012 to 4.2 per cent. in the first half of 2013, primarily as a result of fluctuations in the base rates for its floating rate debt. Ongoing adverse market conditions could increase EDP's cost of financing in the future, particularly as a result of its debt refinancing requirements as well as rising base rates on its floating rate debt. Approximately 55 per cent. of EDP's debt as at 30 June 2013 had floating interest rates. In addition, some of EDP's debt is rated by credit rating agencies, and changes to these ratings, namely as a result of changes or downgrading to sovereign ratings, may affect both its borrowing capacity and the cost of those borrowings, and its liquidity position.

EDP's sources of liquidity include short term deposits, revolving credit facilities and underwritten commercial paper programmes with a diversified group of creditworthy financial institutions. Should the creditworthiness of these financial institutions significantly change, EDP's liquidity position could be negatively affected.

If EDP is unable to access capital at competitive rates or at all, its ability to finance its operations and implement its strategy will be affected, which could have a material adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP may incur future costs with respect to its employee benefit plans.

EDP grants some of its employees a supplementary retirement and survival plan (the *"pension plan"*). The liabilities and corresponding annual costs of the pension plan are determined through annual actuarial calculations by independent actuaries. The most critical risks relating to employee benefit plans accounting often relate to the returns on pension plan assets and the discount rate used to assess the present value of future payments. Pension liabilities can place significant pressure on cash flows. In particular, if any of EDP's pension funds becomes underfunded according to local regulations, EDP or its relevant subsidiary may be required to make additional contributions to the fund, which could have an adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP may be exposed to additional risks if it performs M&A activities.

EDP may seek opportunities to expand its operations in the future through strategic acquisitions. EDP plans to assess each investment based on extensive financial and market analysis, which may include certain assumptions. Additional investments could have a material adverse effect on EDP's business, financial condition, prospects or results of operations, as a result of any of the following circumstances or other factors:

(i) EDP may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses;

(ii) EDP may not be able to identify, acquire or profitably manage additional businesses;

(iii) acquisitions may adversely affect EDP's operating results;

(iv) acquisitions may divert management's attention from the operation of EDP's existing businesses;

(v) EDP may not be able to retain key personnel of acquired businesses;

(vi) EDP may encounter unanticipated events, circumstances or legal liabilities; and

(vii) EDP may have difficulties in obtaining the required financing or the required financing may only be available on unfavourable terms.

EDP may also seek opportunities to divest non-core assets. There can be no assurance that such divestments will be done in a timely and efficient manner or that EDP will not incur in losses when disposing of such assets or that EDP's business, financial condition, prospects or results of operations will not be adversely affected by any such divestment.

EDP may have difficulty in hiring and retaining qualified personnel.

In order to maintain and expand its business, EDP needs to recruit, promote and maintain executive management and qualified technical personnel. The inability in the future to attract or retain sufficient technical and managerial personnel could limit or delay EDP's development efforts or negatively affect its operations, which could have an adverse effect on its business, financial condition, prospects or results of operations.

EDP may face labour disruptions that could interfere with its operations and business.

Although EDP believes that it maintains satisfactory working relationships with its employees, it is still subject to the risk of labour disputes and adverse employee relations and these disputes and adverse relations could disrupt EDP's business operations and adversely affect its business, financial condition, prospects or results of operations. Although EDP has not experienced any significant labour disputes or work stoppages to date, its existing labour agreements may not prevent a strike or work stoppage at any of EDP's facilities in the future. Any such strike or work stoppage could have a material and adverse effect on EDP's business, financial condition, prospects or results of operations.

EDP is a party in certain litigation proceedings.

EDP is, has been, and may be from time to time in the future, subject to a number of claims and disputes in connection with its business activities. EDP cannot ensure that it will prevail in any of these disputes or that it has adequately reserved or insured against any potential losses, and therefore an adverse decision could have a material adverse effect on EDP's reputation, business, financial condition, prospects or results of operations.

EDP's business and activities may be exposed to the potential impact of the IMF/Eurozone Stabilisation Programme.

In May 2011, the Portuguese government, with the support of the main Portuguese political parties, agreed to the IMF/Eurozone stabilisation programme (the "Stabilisation Programme"). The measures envisaged by the

Stabilisation Programme could have an impact on EDP and/or on EDP's businesses and activities directly (notably as a consequence of the measures regarding the ongoing process of liberalising the electricity and gas markets, the sustainability of the Portuguese electricity system, energy policy instruments and taxation) or indirectly through the impact on the Portuguese economy as a whole. The detailed terms and conditions of the remaining unimplemented measures of the Stabilisation Programme are as yet unknown, and when implemented, they could have a material adverse effect on the Portuguese economic and financial condition, which may, in turn, have a material adverse effect on the entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

In addition, the failure by the Portuguese government to implement the measures described above or other measures, even if unrelated to the energy sector, contained in the Memorandum of Understanding on Specific Economic Policy Conditionality may adversely affect the financial support agreed under the Stabilisation Programme and, as a consequence, could have an adverse impact on the Portuguese economic and financial condition, which may, in turn, have a material adverse effect on the entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

Considering the execution of the Stabilisation Programme and Portugal's current economic and financial situation, additional measures affecting the electricity sector, including measures aiming to lower the cost of electricity for consumers, could be enacted. If any such measures are enacted, they may have an adverse impact, either directly or indirectly through the impact on the Portuguese economy as a whole, on the entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

EDP B.V. is a funding vehicle for the EDP Group.

EDP B.V. is a funding vehicle for the EDP Group and its sole purpose is to raise finance in the international loan and capital markets and provide funds and investment services to the EDP Group, including by entering into intra-group loan agreements. EDP B.V. does not engage in any other activity and does not have any other sources of revenue. Therefore, given its sole purpose as a funding vehicle for the EDP Group, any risk factors affecting the ability of other companies in the EDP Group to meet their financial obligations also affect EDP B.V. and should be read accordingly.

RISKS RELATED TO THE NOTES

The Notes are issued by EDP B.V. and are not guaranteed by EDP S.A., and investors do not have any direct rights to enforce payment on the Notes against EDP S.A. in case of default by the Issuer under the Notes.

The Notes are obligations of the Issuer and not of EDP S.A. EDP S.A. has no obligation to pay any amounts due under the Notes. EDP S.A. has entered into a Keep Well Agreement with the Issuer, which is not a guarantee. Under the Keep Well Agreement, EDP S.A. has agreed that, for so long as the Issuer has any instruments outstanding under the Programme, it will make available to the Issuer funds sufficient to meet its payment obligations or repay borrowings then maturing to the extent that the Issuer's funds or other liquid assets are insufficient to meet its payment obligations or repay its borrowings. Although under the terms of the Keep Well Agreement the Trustee may, on behalf of holders of any instruments issued by EDP B.V. under the Programme, enforce the Issuer's rights under the Keep Well Agreement against EDP S.A., holders do not have any direct rights against EDP S.A. (See "*Keep-Well Agreement*" for more information on the Keep Well Agreement.)

Risks related to the Optional Redemption feature of the Notes.

The optional redemption feature of the Notes could limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks related to the terms of the Notes concerning modification, waivers and substitution.

The conditions of the Notes contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Holders and without regard to the interests of particular Holders, (i) agree to any modification of the Notes or the Trust Deed that is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; (ii) agree to any modification of the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law; or (iii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders, in the circumstances described in Condition 15 of "*Terms and Conditions of the Notes*".

Furthermore, the Trustee may, without the consent of the Holders, agree with the Issuer to the substitution of another company in place of the Issuer as the principal debtor under the Notes and the Trust Deed, so long as that company is a subsidiary of the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer or having the benefit of a Keep Well Agreement by EDP on the same basis as that on which they had such benefit immediately prior to the substitutions or the substitute Issuer being EDP itself, (b) the Trustee's confirmation that the interests of the Holders will not be materially prejudiced by the substitution and (c) compliance with certain other conditions set out in the Trust Deed. See Condition 15 of "*Terms and Conditions of the Notes*".

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

Withholding under the EU Savings Directive.

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entities established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The rate of withholding is 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. The Luxembourg government has announced that Luxembourg will elect out of the withholding system in favour of automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures to the Directive.

A proposal for amendments to the Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. Any Noteholders who are in any doubt as to their position under the Savings Directive should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

U.S. Foreign Account Tax Compliance Withholding

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the clearing systems (see "*Tax Considerations — Certain United States Federal Income Tax Consequences — Foreign Account Tax Compliance Act*"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or

consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the clearing systems (as registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

Risks related to the Notes generally.

Set out below is a brief description of certain risks relating to the Notes generally:

No established trading market.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Investors who purchase Notes in denominations that are not an integral multiple of the specified denomination may be adversely affected if definitive Notes are subsequently required to be issued.

The Notes have denominations consisting of a minimum specified denomination plus one or more higher integral multiples of another smaller amount. It is possible that the Notes may be traded in amounts that are not integral multiples of such minimum specified denomination. In such a case, a holder who holds an amount that is less than the minimum specified denomination in their account with the relevant clearing system at the relevant time may not receive a definitive instrument in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a specified denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

Interest rate risks.

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

Credit ratings assigned to the Notes may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

SUMMARY CONDENSED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The summary condensed consolidated financial information as of and for the fiscal years ended 31 December 2012, 31 December 2011, and 31 December 2010 has been derived from EDP's audited consolidated financial statements included in this offering memorandum. The consolidated financial statements as of and for the fiscal years ended 31 December 2012, 31 December 2011, and 31 December 2010 have been prepared in accordance with IFRS as adopted by the European Union and have been audited. The summary condensed consolidated financial information as of and for the six month periods ended 30 June 2013 and 30 June 2012 has been derived from EDP's unaudited consolidated financial statements included in this offering memorandum. The summary consolidated financial information for each of the periods described reflects changes to the consolidation perimeter resulting from acquisitions, disposals, and changes in the method of consolidation, as further described under "*Operating and Financial Review – Factors impacting EDP's business – Factors affecting the comparability of EDP's results of operations*" and in the notes to the financial statements included in this offering memorandum. The unaudited consolidated financial statements have been prepared on the same basis as EDP's audited consolidated financial statements. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore, the EDP Group has no margin in the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent. Following the application of this accounting policy, the EDP Group decided to present this effect separately in the Income Statement and restated the comparative financial information for the year ended 31 December 2010 as included in the audited consolidated financial statements of EDP for the year ended 31 December 2011, included in this offering memorandum.

In accordance with the accounting treatment permitted by IAS 19 for employee benefits, during 2011, EDP decided to change its accounting policy of registering the total net cost to benefit plans in employee benefit costs and began to present only the amount corresponding to the current service cost and the effect of early retirements in Personnel costs and employee benefits and the interest cost and the return on plan assets in Financial expenses. As a consequence, the EDP Group restated the comparative financial information for the year ended 31 December 2010 as included in the audited consolidated financial statements of EDP for the year ended 31 December 2011, included in this offering memorandum.

Additionally, during 2011, EDP changed the presentation of specific demand deposits of institutional partnerships in the United States, previously presented under "Other debtors and other assets – Current", and presented those deposits as "Cash and cash equivalents". For comparative purposes, EDP restated the comparative financial information of the Statement of Financial Position and Statement of Cash Flows for the year ended 31 December 2010, as included in the audited consolidated financial statements for the year ended 31 December 2011 included in this offering memorandum.

During 2012, EDP changed the presentation of deferred tax equity costs, previously disclosed under "Other debtors and other assets – Non-current", and presented those costs as a reduction of "Institutional partnerships in USA wind farms". For comparative purposes, EDP restated the comparative financial information for the year ended 31 December 2011, as included in the audited consolidated financial statements of EDP for the year ended 31 December 2012 included in this offering memorandum.

The summary condensed consolidated financial information for the periods described does not include any pro-forma financial information reflecting the impact of business acquisitions and disposals for any of the above mentioned periods as if they had occurred at dates other than their actual consummation dates.

The summary financial and operating information set forth below should be read in conjunction with "Operating and Financial Review" included elsewhere in this offering memorandum and EDP's financial statements and the notes to those financial statements included in this offering memorandum.

Summary Income Statement

	Unaudited					
	Six Months ended 30 June			Year ended 31 December		
	2013	2012	2012	2011	2010 *	2010
	(In thousands of Euro)			(In thousands of Euro)		
Turnover	8,120,755	8,213,532	16,339,854	15,120,851	14,170,742	14,170,742
Cost of electricity	-4,088,700	-4,172,342	-8,392,199	-7,320,373	-6,808,261	-6,808,261
Cost of gas	-659,898	-713,096	-1,375,841	-1,328,068	-945,270	-945,270
Changes in inventories and cost of raw materials and consumables used	-457,604	-538,852	-1,143,647	-1,035,935	-1,012,880	-1,012,880
	2,914,553	2,789,242	5,428,167	5,436,475	5,404,331	5,404,331
Revenue from assets assigned to concessions	167,436	178,853	433,661	440,546	392,017	-
Expenditure with assets assigned to concessions	- 167,436	- 178,853	-433,661	-440,546	-392,017	-
	-	-	-	-	-	-
Other operating income / (expenses)						
Other operating income	190,963	154,369	389,967	414,342	320,889	320,889
Supplies and services	-451,178	-445,589	-928,287	-901,048	-862,256	-862,256
Personnel costs and employee benefits	-337,747	-330,231	-671,536	-634,900	-643,468	-
Personnel costs	-	-	-	-	-	-575,408
Employee benefits	-	-	-	-	-	-153,362
Other operating expenses	-359,883	-282,683	-589,853	-559,281	-521,384	-521,384
	-957,845	-904,134	-1,799,709	-1,680,887	-1,706,219	-1,791,521
	1,956,708	1,885,108	3,628,458	3,755,588	3,698,112	3,612,810
Provisions	-36,850	-6,751	-16,055	-692	-103,578	-103,578
Depreciation, amortisation expense and impairment	-719,060	-717,107	-1,493,889	-1,517,160	-1,469,002	-1,469,002
Compensation of amortisation and depreciation	13,536	13,129	24,901	29,654	22,279	22,279
	1,214,334	1,174,379	2,143,415	2,267,390	2,147,811	2,062,509
Gains / (losses) on the sale of financial assets	12	2,857	2,766	20,877	60,821	60,821
Financial income	529,456	366,187	731,658	818,848	820,743	820,743
Financial expenses	-862,345	-719,228	-1,436,924	-1,534,235	-1,391,012	-1,305,710
Share of profit in associates	18,793	10,464	23,777	19,477	23,470	23,470
Profit before income tax	900,250	834,659	1,464,692	1,592,357	1,661,833	1,661,833
Income tax expense	-190,060	-158,940	-282,537	-260,378	-427,232	-427,232
Net profit for the period	710,190	675,719	1,182,155	1,331,979	1,234,601	1,234,601
Attributable to:						
Equity holders of EDP	603,219	581,768	1,012,483	1,124,663	1,078,925	1,078,925
Non-controlling Interests	106,971	93,951	169,672	207,316	155,676	155,676
Net profit for the period	710,190	675,719	1,182,155	1,331,979	1,234,601	1,234,601
Earnings per share (Basic and Diluted) - Euros	0.17	0.16	0.28	0.31	0.30	0.30

*Restated financial information for comparative purposes

Summary Statement of Financial Position

	Unaudited	Year ended 31 December				
	Six Months ended 30 June 2013	2012	2011*	2011	2010*	2010
	(In thousands of Euro)	(In thousands of Euro)				
Assets						
Property, plant and equipment	20,734,129	20,905,340	20,708,313	20,708,313	20,323,583	20,323,583
Intangible assets	6,281,525	6,541,862	6,800,478	6,800,478	6,614,139	6,614,139
Other non-current assets	8,060,218	7,788,071	6,789,318	6,802,266	6,269,506	6,269,506
Total non-current assets	35,075,872	35,235,273	34,298,109	34,311,057	33,207,228	33,207,228
Total current assets	6,589,096	7,392,571	6,969,520	6,969,520	7,281,625	7,281,625
Total assets	41,664,968	42,627,844	41,267,629	41,280,577	40,488,853	40,488,853
Equity						
Total Equity	11,401,233	11,431,668	11,386,779	11,386,779	10,784,959	10,784,959
Liabilities						
Non-current financial debt	14,735,344	16,715,725	15,786,411	15,786,411	14,887,195	14,887,195
Other non-current liabilities	6,716,895	6,554,250	6,695,849	6,708,797	7,087,060	7,087,060
Total non-current liabilities	21,452,239	23,269,975	22,482,260	22,495,208	21,974,255	21,974,255
Total current liabilities	8,811,496	7,926,201	7,398,590	7,398,590	7,729,639	7,729,639
Total liabilities	30,263,735	31,196,176	29,880,850	29,893,798	29,703,894	29,703,894
Total equity and liabilities	41,664,968	42,627,844	41,267,629	41,280,577	40,488,853	40,488,853

*Restated financial information for comparative purposes

Summary Statement of Cash Flows

	Unaudited					
	Six Months ended 30 June		Year ended 31 December			
	2013	2012	2012	2011	2010*	2010
	(In thousands of Euro)			(In thousands of Euro)		
Cash and cash equivalents at the beginning of the period	1,695,336	1,731,524	1,731,524	1,588,163	2,274,310	2,189,560
Cash Flows from Operating Activities						
Net cash from operating activities	2,086,697	1,072,510	1,996,535	2,946,805	1,842,144	1,842,144
Cash Flows from Investing Activities						
Net cash from investing activities	-934,354	-1,050,302	-2,124,829	-2,544,359	-2,845,367	-2,830,820
Cash Flow from Financing Activities						
Net cash from financing activities	-1,091,824	-298,741	104,721	-217,515	273,519	273,519
Changes in cash and cash equivalents	60,519	-276,533	-23,573	184,931	-729,704	-715,157
Effect of exchange rate fluctuations on cash held	-25,598	-13,102	-12,615	-41,570	43,557	36,821
Cash and cash equivalents at the end of the period	**1,730,257**	**1,441,889**	**1,695,336**	**1,731,524**	**1,588,163**	**1,511,224**

*Restated financial information for comparative purposes

Operating Data

	Year ended 31 December	
	2012	**2011**
Electricity:		
Installed Capacity (MW)	23,380	23,212
Generation (GWh)	54,658	58,393
Distribution (GWh)	78,581	80,569
Retail (GWh)	76,726	80,097
Customers (thousand)	9,867	9,901
Gas:		
Distribution (GWh)	63,109	55,585
Retail (GWh)	35,017	36,449
Customers (thousand)	1,091	1,059
Employees (Group)	12,275	12,168

Operating Data

	Six months ended 30 June	
	2013	**2012**
Electricity:		
Installed Capacity (MW)	22,682	22,515
Generation (GWh)	32,193	27,832
Distribution (GWh)	39,013	39,436
Retail (GWh)	36,677	38,333
Customers (thousand)	9,890	9,866
Gas:		
Distribution (GWh)	31,866	35,384
Retail (GWh)	18,348	19,400
Customers (thousand)	1,122	1,050
Employees (Group)	12,143	12,154

PRESENTATION OF FINANCIAL AND OTHER DATA

FINANCIAL DATA

The audited consolidated financial statements of EDP as of and for the fiscal years ended 31 December 2012, 31 December 2011 and 31 December 2010 and the unaudited interim financial statements as of and for the nine month period ended 30 September 2013 and the six month period ended 30 June 2013 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

INDUSTRY DATA

EDP has obtained the market data and information related to markets, market size, market share, growth rates and other industry data pertaining to its business and markets used in this offering memorandum under the captions "*Risk Factors*" and "*Business*" from internal surveys, industry sources, estimates based on management's knowledge of its sales and markets and its own and third-party research. This research includes private and publicly available surveys or studies conducted, or data and reports compiled by third parties, namely by ERSE, REN, DGEG, CNE, REE, OMEL, OMIP, ONS, MME, EPE, ANEEL, CCEE and EIA (please see "*Terms Used in this Offering Memorandum*" for definitions of these entities). Where information has been sourced from a third party, it has been accurately reproduced and so far as the Issuer and EDP are aware and able to ascertain from information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

The third-party studies and surveys from which information contained in this offering memorandum has been extracted, and EDP's internal estimates rely on the application of various assumptions. While the Issuer and EDP believe that these assumptions are reasonable, they cannot assure you that these assumptions are true, nor can they guarantee that an independent party applying different assumptions or using different methods to assemble, analyse or compute market or other industry data would obtain or generate the same results.

CURRENCY PRESENTATION

In this offering memorandum, references to "€", "EUR" or "Euro" are to the Euro, the single currency of the participating member states ("Member States") in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. References to "USD", "U.S. dollars", "US$" or "$" are to United States dollars and references to "cents" are to United States cents, each the lawful currency of the United States of America. References to "real", "BRL", "R$", or "reais" are to Brazilian reais, the lawful currency of Brazil.

OTHER INFORMATION

In this offering memorandum, unless stated otherwise or the context otherwise requires, references to "we", "our", "EDP Group", "the Group" and "EDP" refer to EDP – Energias de Portugal, S.A. (formerly known as EDP – Electricidade de Portugal, S.A.), and its consolidated subsidiaries, references to "EDP S.A." refer to EDP – Energias de Portugal, S.A. only, and references to "the Issuer" and "EDP B.V." refer to EDP Finance B.V.

Unless otherwise stated, installed capacity represents consolidated installed capacity, which is calculated by including (i) 100 per cent. of the installed capacity attributable to EDP's subsidiaries that are fully consolidated into its consolidated financial statements and (ii) the portion of installed capacity attributable to those subsidiaries that EDP consolidates by proportionate consolidation or to the associated companies accounted under the equity method. Installed capacity figures have not been verified by any third party.

Pipeline figures presented in this offering memorandum are calculated based on EDP's own criteria, and therefore, such figures may not be comparable with pipeline figures presented by other companies in the industry. Moreover, the basis and underlying assumptions used in the calculation of such figures may differ by business segment. Pipeline figures have not been verified by any third party.

In this offering memorandum, "Iberia" and the "Iberian Peninsula" refer to the mainland portions of the countries of Portugal and Spain together.

The language of this offering memorandum is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause EDP's actual results to differ materially from those projected in the forward-looking statements made in this offering memorandum. Any statements about EDP's expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "will likely result", "are expected to", "will continue", "believe", "anticipated", "estimated", "intends", "expects", "plans", "seek", "projection", "outlook" and similar expressions. These statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this offering memorandum. Among the key factors that have had and that EDP expects to continue to have a direct bearing on its results of operations are:

- the effect of, and changes in, legislation, regulation and government policy in countries in which EDP operates, including, in particular, European Union ("EU") directives and regulations, Portuguese, Spanish, Brazilian and U.S. legislation, regulation and government policy, government and municipal concessions and environmental, health and safety regulations;
- EDP's ability to maintain its concessions, licences and permits;
- changes in amounts and timings of the recovery of regulatory receivables from electricity systems;
- hydrological and wind conditions and the variability of fuel costs;
- changes in supply and demand of energy and deterioration of market conditions in countries in which EDP operates;
- increased competition in energy supply arising in connection with the liberalisation of the Iberian electricity market;
- the effect of, and changes in, the macroeconomic climate and the social and political conditions in countries in which EDP operates;
- changes in renewable support schemes or failure of such support to materialise;
- EDP's ability to manage risks associated with constructing and operating its electricity generation facilities;
- EDP's dependency on the effective performance of its operational equipment and its ability to manage risks associated with the failures of such equipment;
- EDP's ability to manage counterparty risk in its businesses;
- EDP's ability to respond to rapid technological changes and take advantage of industry trends;
- EDP's ability to manage its international operations in Brazil, the United States and other foreign jurisdictions and related foreign currency risks;
- EDP's ability to obtain financing on favourable terms and to finance its capital-intensive business;
- EDP's ability to manage future costs associated with employee benefit plans;
- EDP's ability to manage risks associated with acquisitions;
- EDP's ability to hire and retain quality personnel;
- EDP's ability to manage labour disruption and other litigation risks;
- EDP's ability to manage damage to its assets and service disruptions;
- the effect of the IMF/Eurozone stabilisation programme;
- EDP's success at managing the risks of the foregoing; and
- EDP's ability to identify other risks to its business.

These and other factors are discussed in the "*Risk Factors*" section of this offering memorandum.

Because the risk factors referred to in this offering memorandum could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made in this offering memorandum by the Issuer or EDP S.A. or on their behalf, you should not place undue reliance on any of these forward-looking statements. Furthermore, any forward-looking statement speaks only as of the date on which it is made, and neither the Issuer nor EDP S.A. undertakes any obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors will emerge in the future, and it is not possible to predict such factors. In addition, neither the Issuer nor EDP S.A. can assess the impact of each factor on EDP's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements.

TERMS USED IN THIS OFFERING MEMORANDUM

The following definitions apply throughout this document unless the context requires otherwise:

093X	093X—Telecomunicações Celulares, S.A.;
Agrupación Eólica	A group of companies that operates in the renewable energy sector in the French and Spanish markets;
ANEEL	Agência Nacional de Energia Elétrica, the Brazilian electricity regulator;
API2 CIF ARA	The largest market index for coal derivatives, and the name refers to All Published Index Number 2 (API2), including costs of insurance and freight (CIF) to different locations and is traded on the Amsterdam, Rotterdam and Antwerp market (ARA);
AWEA	American Wind Energy Association, a national trade association representing wind power project developers, equipment suppliers, services providers, parts manufacturers, utilities, researchers, and others involved in the wind industry;
BCP	Banco Comercial Português, S.A.;
Bandeirante	Bandeirante Energia, S.A.;
CCEE	Câmara de Comercialização de Energia Elétrica, the entity that conducts electricity auctions in the regulated market of Brazil;
CCGT	Combined Cycle Gas Turbine plant;
CER	Certified Emission Reduction;
CMEC	The mechanism of compensation for the early termination of the PPAs;
CMVM	Portuguese Securities Exchange Commission ("Comissão do Mercado de Valores Mobiliários");
CNE	Comisión Nacional de Energía, the Spanish Energy Regulator;
CO_2	Carbon dioxide;
CTG	China Three Gorges International;
Dark Spread	The theoretical difference between the sales price of a unit of electricity generated by a coal-fired plant and the cost of the coal used to produce that unit of electricity. All other costs of the plant must be covered from the dark spread;
DeNOx	Denitrification;
DeSOx	Desulphurisation;
DGE, or DGEG	The Portuguese Department of Energy ("Direcção Geral de Energia e Geologia");
DSIRE	Database of State Incentives for Renewables and Efficiency
DTC	The Depository Trust Company;

EDP B.V. or The Issuer	EDP Finance B.V.;
EDP Bioeléctrica	EDP Produção—Bioeléctrica, S.A.;
EDP Brasil	EDP Energias do Brasil, S.A.;
EDP Comercial	EDP Comercial—Comercialização de Energia, S.A.;
EDP Comercializadora	EDP Comercialização e Serviços de Energia, S.A.;
EDP Distribuição	EDP Distribuição—Energia, S.A.;
EDP Gás	EDP Gás S.G.P.S., S.A.;
EDP Group	EDP S.A. and its consolidated subsidiaries;
EDP Lajeado	EDP Lajeado Energia, S.A.;
EDP Produção	EDP—Gestão da Produção de Energia, S.A. (formerly known as CPPE—Companhia Portuguesa de Produção de Electricidade, S.A.);
EDP Renováveis	EDP Renováveis, S.A.;
EDP S.A.	EDP—Energias de Portugal, S.A.;
EDP SU	EDP Serviço Universal, S.A.;
EDPR Brasil	EDP Renováveis Brasil, S.A. and its subsidiaries;
EDPR Canada	EDP Renewables Canada, Ltd. and its subsidiaries;
EDPR Europe	EDP Renewables Europe, S.L. and its subsidiaries;
EDPR North America	EDP Renewables North America LLC and its subsidiaries;
EDPR PT	EDP Renováveis Portugal, S.A.;
EIA	U.S. Energy Information Administration;
Energest	Energest, S.A.;
Enerpeixe	Enerpeixe, S.A.;
ERSE	Entidade Reguladora dos Serviços Energéticos, the primary regulator of the power industry in Portugal;
Escelsa	Escelsa—Espírito Santo Centrais Eléctricas, S.A.;
EWEA	European Wind Energy Association;
FERC	Federal Energy Regulatory Commission, the primary regulatory authority in the United States with jurisdiction over, among other things, regulation of wholesales of electricity, transmission of electricity in interstate commerce and oversight of mandatory reliability standards for the bulk power system;
FSMA	The U.K. Financial Services and Markets Act 2000;
GW / GWh	Gigawatt / Gigawatt hour;

HRRP	Human Resources Restructuring Plan;
Hidrocantábrico	HC Energía—Hidroelétrica del Cantábrico, S.A.;
IFRS	International Financial Reporting Standards as adopted by the European Union;
Investco	Investco, S.A.;
ITC	U.S. federal investment tax credit;
KW	Kilowatt;
LRS	Last Resort Supplier for the Iberian electricity market;
MACRS	Modified Accelerated Cost Recovery System;
MIBEL	Mercado Ibérico de Electricidade;
MME	Ministério de Minas e Energia, the primary regulator of the power industry in Brazil;
MW / MWh	Megawatt / Megawatt hour;
Naturgas	Naturgas Energía Grupo, S.A.;
NERC	North American Electric Reliability Corporation, the electricity reliability organisation certified by FERC to establish and enforce mandatory reliability standards for the bulk power system in North America;
NO_X	Nitrogen Oxide;
NYSE	New York Stock Exchange
OMEL	Operador del Mercado Ibérico de Energia—Polo Español, S.A., the Spanish entity operating MIBEL;
OMI	The Iberian Market Operator;
OMIClear	Sociedade de Compensação de Mercados de Energia, S.A., the entity responsible for the settlement and clearing of the derivative transactions of MIBEL;
OMIP	Operador do Mercado Ibérico de Energia (Polo Português), S.A. the Portuguese entity operating MIBEL;
ONI	ONI—SGPS, S.A.;
ONS	Operador Nacional do Sistema Elétrico;
Operating Results	The sum of Turnover, Cost of electricity, Cost of gas, Changes in inventories and cost of raw materials and consumables used, Other operating income/(expenses), Provisions, Depreciation and amortisation and Compensation of amortisation and depreciation;
Ordinary regime	Ordinary regime refers to generation of electricity through hydroelectric facilities, fuel oil and natural gas facilities and coal-fired facilities;

Overcost	The difference between the price at which EDP SU has to acquire electricity from special regime generators and the price at which EDP SU sells such electricity to its customers, which gives rise to the right owned by EDP SU, as last recourse supplier, legally established in article 73-A of Decree-law no. 29/2006, of 15 February, as amended and complemented from time to time and republished by Decree-law no. 215-A/2012, of 8 October, and in article 77 of the Commercial Relations Regulation (*Regulamento de Relações Comerciais*) currently in force as approved by ERSE, to receive, through the electricity tariffs, the amount of the additional cost incurred by EDP SU with respect to regulated activity as a result of such price difference.
Pecém	Porto do Pecém Geração de Energia, S.A.;
PPAs	Power Purchase Agreements;
Portgás	Portgás—Sociedade de Produção e Distribuição de Gás, S.A.
PTC	U.S. federal production tax credit;
PV	Photovoltaic;
QCT	Voltage Quality and Reliability;
RAB	Regulatory Asset Base
REE	Red Eléctrica de España, S.A.;
REN	REN—Redes Energéticas Nacionais, S.G.P.S., S.A.;
REN Rede Eléctrica	REN—Rede Eléctrica Nacional, S.A.;
RPS	Renewable Portfolio Standards;
RQS	Service Quality Regulations;
SEN	The National Electricity System of Portugal;
SO_2	Sulphur dioxide;
Special regime	Special regime refers to generation of electricity through mini hydroelectric facilities as well as facilities fuelled by biomass, waste, combined heat and water and wind;
TIEPI	Interruption Time Equivalent to Installed Capacity, the indicator for quality of electricity supplied from the distribution network;
TSO	Transmission System Operator;
TW / TWh	Terawatt / Terawatt hour; and
UGS Tariff	Global Use of the System Tariff.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents for EDP Finance B.V., which have previously been filed with the Central Bank of Ireland, shall be incorporated in, and form part of, this offering memorandum:

(a) the auditors report and audited annual financial statements for the financial year ended 31 December 2010, which appear on pages 26 to 27 and pages 6 to 25 respectively, of the annual report for the year ended 31 December 2010, which is available at *http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/2010/*Annual%20Report%202010/EDP%20Finance%20BV%20Report%202010.pdf ;

(b) the auditors report and audited annual financial statements for the financial year ended 31 December 2011, which appear on page 30 to 31 and pages 7 to 29 respectively, of the annual report for the year ended 31 December 2011, which is available at *http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/2011/*Annual%20Report%202011/EDP%20Finance%20BV%20Report%202011.pdf ;

(c) the auditors report and audited annual financial statements for the financial year ended 31 December 2012, which appear on pages 30 to 31 and pages 7 to 29 respectively, of the annual report for the year ended 31 December 2012, which is available at *http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/2012/Annual%20Report%202012/RC_EDPFinanceBV2012_17jun13.pdf* ; and

(d) the unaudited financial statements for the six month period ended 30 June 2013, which are available at *http://www.edp.pt/en/Investidores/publicacoes/relatorioecontas/2013/Annual%20Report%202013/EDP%20Finance%20BV%20Interim%20Report%201H13.pdf* .

Physical copies of documents incorporated by reference in this offering memorandum can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London. Portions of the EDP Finance B.V. annual reports for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 not specifically incorporated by reference in this section are not incorporated by reference in this offering memorandum Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this offering memorandum.

KPMG Accountants N.V., who have audited EDP Finance B.V.'s financial statements as of and for the year ended 31 December 2012, as of and for the year ended 31 December 2011, and as of and for the year ended 31 December 2010, have consented to the inclusion of the audit reports for 2012, 2011 and 2010, each incorporated by reference in this document.

USE OF PROCEEDS

EDP intends to use the net proceeds from the offering for general corporate purposes.

CAPITALISATION

The table below presents EDP's consolidated capitalisation as at 30 June 2013 on an actual basis. You should read this table together with EDP's financial statements and the notes to those financial statements, "*Operating and Financial Review – Liquidity and Capital Resources*", and "*Terms and Conditions of the Notes*". Other than the issuance of the Notes and the transactions described in the footnotes below, there have been no material changes to EDP's capitalisation since 30 June 2013.

	At 30 June 2013
	(in millions of Euros)
Creditors due within one year	
Commercial paper	89
Loans	2,996
Bonds issued	1,814
Interest payable	291
Other creditors	29
Total	5,219
Creditors due after more than one year[(1)]	
Commercial paper	198
Loans[(2)]	5,794
Bonds issued	8,662
Other creditors	63
Interest payable	18
Total	14,735
Shareholders' equity	
Share capital	3,657
Share premium	504
Treasury stock	-91
Reserves and retained earnings	3,545
Net profit attributable to equity holders of EDP	603
Total	8,218
Non-controlling interests	3,183
Total capitalisation	31,355

(1) The figure is accurate as at 30 June 2013. In September 2013, EDP Finance B.V. issued a Eurobond in the total amount of €750,000,000 maturing in September 2020 with a coupon of 4.875%. In October 2013, EDP S.A. issued a bond in the total amount of €150,000,000 maturing in October 2018. In November 2013, EDP Finance B.V. issued a Eurobond in the total amount of €600,000,000 maturing in January 2021 with a coupon of 4.125%. In December 2013, EDP Finance B.V. repaid a €350,000,000 bond maturing in December 2013 with a €200,000,000 bond issued in December 2013 maturing in December 2014 and the remaining €150,000,000 from its available cash. We expect that the offering of the Notes will increase "Bonds issued" by US$750,000,000 and "Creditors due after more than one year" by US$750,000,000.

(2) On 6 November 2013, EDP Finance B.V. repaid a revolving credit facility in the total amount of €1,100,000,000 using €645,000,000 from a €1,600,000,000 5 year term loan facility and the remaining amount from its available cash.

SELECTED FINANCIAL INFORMATION

The selected consolidated financial information as of and for the fiscal years ended 31 December 2012, 31 December 2011, and 31 December 2010 has been derived from EDP's audited consolidated financial statements included in this offering memorandum. The consolidated financial statements as of and for the fiscal years ended 31 December 2012, 31 December 2011, and 31 December 2010 have been prepared in accordance with IFRS as adopted by the European Union and have been audited. The selected consolidated financial information as of and for the six month periods ended 30 June 2013 and 30 June 2012 has been derived from EDP's unaudited consolidated financial statements included in this offering memorandum. The selected consolidated financial information for each of the periods described reflects changes to the consolidation perimeter resulting from acquisitions, disposals, and changes in the method of consolidation, as further described under "*Operating and Financial Review – Factors impacting EDP's business – Factors affecting the comparability of EDP's results of operations*" and in the notes to the financial statements included in this offering memorandum. The unaudited consolidated financial statements have been prepared on the same basis as EDP's audited consolidated financial statements. The results for any interim period are not necessarily indicative of the results that may be expected for a full year.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore, the EDP Group has no margin in the construction of assets assigned to concessions. Therefore the revenue and the expenditure from the acquisition of these assets are equivalent. Following the application of this accounting policy, the EDP Group decided to present this effect separately in the Income Statement and restated the comparative financial information for the year ended 31 December 2010 as included in the audited consolidated financial statements of EDP for the year ended 31 December 2011, included in this offering memorandum.

In accordance with the accounting treatment permitted by IAS 19 for employee benefits, during 2011, EDP decided to change its accounting policy of registering the total net cost to benefit plans in employee benefit costs and began to present only the amount corresponding to the current service cost and the effect of early retirements in Personnel Costs and employee benefits and the interest cost and the return on plan assets in Financial expenses. As a consequence, the EDP Group restated the comparative financial information for the year ended 31 December 2010 as included in the audited consolidated financial statements of EDP for the year ended 31 December 2011, included in this offering memorandum.

Additionally, during 2011, EDP changed the presentation of specific demand deposits of institutional partnerships in the United States, previously presented under "Other debtors and other assets - Current", and presented those deposits as "Cash and cash equivalents". For comparative purposes, EDP restated the comparative financial information of the Statement of Financial Position and Statement of Cash Flows for the year ended 31 December 2010, as included in the audited consolidated financial statements for the year ended 31 December 2011 included in this offering memorandum.

During 2012, EDP changed the presentation of deferred tax equity costs, previously disclosed under "Other debtors and other assets - Non-current", and presented those costs as reduction of "Institutional partnerships in USA wind farms". For comparative purposes, EDP restated the comparative financial information for the year ended 31 December 2011, as included in the audited consolidated financial statements of EDP for the year ended 31 December 2012 included in this offering memorandum.

The selected consolidated financial information for the periods described does not include any pro-forma financial information reflecting the impact of business acquisitions and disposals for any of the above mentioned periods as if they had occurred at dates other than their actual consummation dates.

The selected financial and operating information set forth below should be read in conjunction with "*Operating and Financial Review*" included elsewhere in this offering memorandum and EDP's financial statements and the notes to those financial statements included in this offering memorandum.

Selected Income Statement

	Unaudited					
	Six Months ended 30 June			Year ended 31 December		
	2013	2012	2012	2011	2010*	2010
	(In thousands of Euros)			(In thousands of Euros)		
Turnover	8,120,755	8,213,532	16,339,854	15,120,851	14,170,742	14,170,742
Cost of electricity	-4,088,700	-4,172,342	-8,392,199	-7,320,373	-6,808,261	-6,808,261
Cost of gas	-659,898	-713,096	-1,375,841	-1,328,068	-945,270	-945,270
Changes in inventories and cost of raw materials and consumables used	-457,604	-538,852	-1,143,647	-1,035,935	-1,012,880	-1,012,880
	2,914,553	2,789,242	5,428,167	5,436,475	5,404,331	5,404,331
Revenue from assets assigned to concessions	167,436	178,853	433,661	440,546	392,017	-
Expenditure with assets assigned to concessions	-167,436	-178,853	-433,661	-440,546	-392,017	-
	-	-	-	-	-	-
Other operating income / (expenses)						
Other operating income	190,963	154,369	389,967	414,342	320,889	320,889
Supplies and services	-451,178	-445,589	-928,287	-901,048	-862,256	-862,256
Personnel costs and employee benefits	-337,747	-330,231	-671,536	-634,900	-643,468	-
Personnel costs	-	-	-	-	-	-575,408
Employee benefits	-	-	-	-	-	-153,362
Other operating expenses	-359,883	-282,683	-589,853	-559,281	-521,384	-521,384
	-957,845	-904,134	-1,799,709	-1,680,887	-1,706,219	-1,791,521
	1,956,708	1,885,108	3,628,458	3,755,588	3,698,112	3,612,810
Provisions	-36,850	-6,751	-16,055	-692	-103,578	-103,578
Depreciation, amortisation expense and impairment	-719,060	-717,107	-1,493,889	-1,517,160	-1,469,002	-1,469,002
Compensation of amortisation and depreciation	13,536	13,129	24,901	29,654	22,279	22,279
	1,214,334	1,174,379	2,143,415	2,267,390	2,147,811	2,062,509
Gains / (losses) on the sale of financial assets	12	2,857	2,766	20,877	60,821	60,821
Financial income	529,456	366,187	731,658	818,848	820,743	820,743
Financial expenses	-862,345	-719,228	-1,436,924	-1,534,235	-1,391,012	-1,305,710
Share of profit in associates	18,793	10,464	23,777	19,477	23,470	23,470
Profit before income tax	900,250	834,659	1,464,692	1,592,357	1,661,833	1,661,833
Income tax expense	-190,060	-158,940	-282,537	-260,378	-427,232	-427,232
Net profit for the period	710,190	675,719	1,182,155	1,331,979	1,234,601	1,234,601
Attributable to:						
Equity holders of EDP	603,219	581,768	1,012,483	1,124,663	1,078,925	1,078,925
Non-controlling Interests	106,971	93,951	169,672	207,316	155,676	155,676
Net profit for the period	710,190	675,719	1,182,155	1,331,979	1,234,601	1,234,601
Earnings per share (Basic and Diluted) - Euros	0.17	0.16	0.28	0.31	0.30	0.30

* Restated financial information for comparative purposes

Selected Statement of Financial Position

	Unaudited Six Months ended 30 June 2013	Year ended 31 December 2012	2011*	2011	2010*	2010
	(In thousands of Euros)	(In thousands of Euros)				
Assets						
Property, plant and equipment	20,734,129	20,905,340	20,708,313	20,708,313	20,323,583	20,323,583
Intangible assets	6,281,525	6,541,862	6,800,478	6,800,478	6,614,139	6,614,139
Goodwill	3,313,255	3,318,457	3,327,257	3,327,257	3,349,179	3,349,179
Investments in associates	177,864	163,881	160,306	160,306	146,871	146,871
Available for sale investments	185,178	181,298	171,313	171,313	443,965	443,965
Deferred tax assets	421,467	340,816	511,414	511,414	515,332	515,332
Trade receivables	99,859	97,099	108,610	108,610	117,442	117,442
Debtors and other assets from commercial activities	2,915,360	2,736,902	2,108,393	2,108,393	1,438,199	-
Other debtors and other assets	482,199	534,573	333,653	414,973	258,518	-
Collateral deposits associated to financial debt	465,036	415,045	68,372	-	-	-
Debtors and other assets	-	-	-	-	-	1,696,717
Total Non-Current Assets	35,075,872	35,235,273	34,298,109	34,311,057	33,207,228	33,207,228
Inventories	282,791	377,618	346,060	346,060	356,978	356,978
Trade receivables	1,893,267	2,280,104	2,043,671	2,043,671	2,069,676	2,069,676
Debtors and other assets from commercial activities	2,027,537	2,051,519	1,495,616	1,495,616	2,045,017	-
Other debtors and other assets	262,181	296,674	505,694	505,694	514,609	-
Debtors and other assets	-	-	-	-	-	2,636,565
Current tax assets	363,792	435,628	644,819	644,819	640,485	640,485
Financial assets at fair value through profit or loss	5,514	390	212	212	35,745	35,745
Collateral deposits associated to financial debt	23,757	13,451	-	-	-	-
Cash and cash equivalents	1,730,257	1,695,336	1,731,524	1,731,524	1,588,163	1,511,224
Assets classified as held for sale	-	241,851	201,924	201,924	30,952	30,952
Total Current Assets	6,589,096	7,392,571	6,969,520	6,969,520	7,281,625	7,281,625
Total Assets	41,664,968	42,627,844	41,267,629	41,280,577	40,488,853	40,488,853
Equity						
Share Capital	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538	3,656,538
Treasury stock	-90,709	-103,706	-111,430	-111,430	-115,731	-115,731
Share premium	503,923	503,923	503,923	503,923	503,923	503,923
Reserves and retained earnings	3,544,903	3,123,116	2,935,840	2,935,840	2,730,903	2,730,903
Consolidated net profit attributable to equity holders of EDP	603,219	1,012,483	1,124,663	1,124,663	1,078,925	1,078,925
Total Equity attributable to equity holders of EDP	8,217,874	8,192,354	8,109,534	8,109,534	7,854,558	7,854,558
Non-controlling Interests	3,183,359	3,239,314	3,277,245	3,277,245	2,930,401	2,930,401
Total Equity	11,401,233	11,431,668	11,386,779	11,386,779	10,784,959	10,784,959
Liabilities						
Financial debt	14,735,344	16,715,725	15,786,411	15,786,411	14,887,195	14,887,195
Employee benefits	1,866,480	1,933,425	1,823,158	1,823,158	1,904,879	1,904,879
Provisions	401,606	382,866	415,149	415,149	431,194	431,194
Hydrological correction account	34,745	33,644	69,142	69,142	75,098	75,098
Deferred tax liabilities	862,046	852,054	954,002	954,002	856,072	856,072
Institutional partnerships in USA wind farms	1,632,741	1,679,753	1,783,861	1,796,809	1,644,048	-
Trade and other payables from commercial activities	1,430,284	1,262,771	1,289,436	1,289,436	1,416,047	-
Other liabilities and other payables	488,993	409,737	361,101	361,101	759,722	-
Trade and other payables	-	-	-	-	-	3,819,817
Total Non-Current Liabilities	21,452,239	23,269,975	22,482,260	22,495,208	21,974,255	21,974,255
Financial debt	5,218,904	3,807,503	2,998,698	2,998,698	3,004,451	3,004,451
Hydrological correction account	11,416	22,832	-	-	-	-

	Unaudited					
	Six Months ended 30 June	Year ended 31 December				
	2013	2012	2011*	2011	2010*	2010
	(In thousands of Euros)	(In thousands of Euros)				
Trade and other payables from commercial activities	2,550,509	3,220,599	3,296,680	3,296,680	3,489,294	-
Other liabilities and other payables	371,862	368,143	535,077	535,077	683,538	-
Trade and other payables	-	-	-	-	-	4,172,832
Current tax liabilities	658,805	467,738	546,806	546,806	552,356	552,356
Liabilities classified as held for sale	-	39,386	21,329	21,329	-	-
Total Current Liabilities	8,811,496	7,926,201	7,398,590	7,398,590	7,729,639	7,729,639
Total Liabilities	30,263,735	31,196,176	29,880,850	29,893,798	29,703,894	29,703,894
Total Equity and Liabilities	41,664,968	42,627,844	41,267,629	41,280,577	40,488,853	40,488,853

* Restated financial information for comparative purposes

Selected Statement of Cash Flows

	Unaudited					
	Six Months ended 30 June		Year ended 31 December			
	2013	2012	2012	2011	2010*	2010
	(In thousands of Euros)			(In thousands of Euros)		
Operating activities						
Cash receipts from customers	7,580,020	7,501,403	14,709,734	14,337,258	13,153,511	13,153,511
Proceeds from tariff adjustments securitisation	1,007,823	167,936	442,340	684,651	-	-
Payments to suppliers	-5,690,709	-5,913,298	-11,665,153	-10,588,153	-9,415,651	-9,415,651
Payments to personnel	-423,028	-487,917	-654,672	-817,903	-654,063	-654,063
Concession rents paid	-142,784	-124,020	-266,570	-226,115	-236,440	-236,440
Other receipts / (payments) relating to operating activities	-171,951	-38,435	-441,352	-251,123	-321,258	-321,258
Net cash from operations	2,159,371	1,105,669	2,124,327	3,138,615	2,526,099	2,526,099
Income tax received / (paid)	-72,674	-33,159	-127,792	-191,810	-683,955	-683,955
Net cash from operating activities	2,086,697	1,072,510	1,996,535	2,946,805	1,842,144	1,842,144
Investing activities						
Cash receipts relating to:						
Sale of assets / subsidiaries with loss of control	255,556	4,770	-	-	-	-
Other financial assets and investments	349	4,236	-	-	-	-
Financial assets and investments	-	-	31,227	152,822	155,286	169,833
Property, plant and equipment and intangible assets	27,053	4,702	6,718	48,964	65,292	65,292
Investment grants	2,569	17,421	42,057	44,881	31,313	31,313
Interest and similar income	30,622	45,333	91,321	115,820	127,218	127,218
Dividends	11,648	10,712	22,932	19,560	37,387	37,387
	327,797	87,174	194,255	382,047	416,496	431,043
Cash payments relating to:						
Acquisition of assets / subsidiaries	-134,265	-50,176	-	-	-	-
Other financial assets and investments	-5,672	-1,509	-	-	-	-
Financial assets and investments	-	-	-201,109	-614,704	-283,708	-283,708
Changes in cash resulting from consolidation perimeter variations	-	5	1,023	-659	5,440	5,440
Property, plant and equipment and intangible assets	-1,122,214	-1,085,796	-2,118,998	-2,311,043	-2,983,595	-2,983,595
	-1,262,151	-1,137,476	-2,319,084	-2,926,406	-3,261,863	-3,261,863
Net cash from investing activities	-934,354	-1,050,302	-2,124,829	-2,544,359	-2,845,367	-2,830,820
Financing activities						
Receipts / (payments) relating to loans	-312,575	868,727	1,530,649	732,952	1,104,831	1,104,831
Interest and similar costs including hedge derivatives	-396,421	-390,475	-706,962	-637,962	-540,095	-540,095
Governmental grants received	91,549	3,206	4,817	2,587	169,304	169,304
Share capital increases / (decreases) by non-controlling interests	-15,869	-	-	4,503	2,514	2,514
Receipts / (payments) relating to derivative financial instruments	16,350	-934	-57,967	-63,980	-42,670	-42,670
Dividends paid to equity holders of EDP	-670,932	-670,829	-670,829	-616,581	-561,819	-561,819
Dividends paid to non-controlling interests	-44,586	-99,641	-154,656	-137,565	-87,274	-87,274
Treasury stock sold / (purchased)	5,911	-2,125	-859	1,077	369	369
Sale of assets / subsidiaries without loss of control	257,371	-	175,687	356,343	-	-
Receipts / (payments) from wind activity institutional	-22,622	-6,670	-15,159	141,111	228,359	228,359

	Unaudited					
	Six Months ended 30 June		Year ended 31 December			
	2013	2012	2012	2011	2010*	2010
	(In thousands of Euros)		(In thousands of Euros)			
partnerships - USA						
Net cash from financing activities	-1,091,824	-298,741	104,721	-217,515	273,519	273,519
Changes in cash and cash equivalents	60,519	-276,533	-23,573	184,931	-729,704	-715,157
Effect of exchange rate fluctuations on cash held	-25,598	-13,102	-12,615	-41,570	43,557	36,821
Cash and cash equivalents at the beginning of the period	1,695,336	1,731,524	1,731,524	1,588,163	2,274,310	2,189,560
Cash and cash equivalents at the end of the period	**1,730,257**	**1,441,889**	**1,695,336**	**1,731,524**	**1,588,163**	**1,511,224**

* Restated financial information for comparative purposes

Operating Data	Year ended 31 December 2012	2011
Electricity:		
Installed Capacity (MW)	23,380	23,212
Generation (GWh)	54,658	58,393
Distribution (GWh)	78,581	80,569
Retail (GWh)	76,726	80,097
Customers (thousand)	9,867	9,901
Gas:		
Distribution (GWh)	63,109	55,585
Retail (GWh)	35,017	36,449
Customers (thousand)	1,091	1,059
Employees (Group)	12,275	12,168

Operating Data	Six months ended 30 June 2013	2012
Electricity:		
Installed Capacity (MW)	22,682	22,515
Generation (GWh)	32,193	27,832
Distribution (GWh)	39,013	39,436
Retail (GWh)	36,677	38,333
Customers (thousand)	9,890	9,866
Gas:		
Distribution (GWh)	31,866	35,384
Retail (GWh)	18,348	19,400
Customers (thousand)	1,122	1,050
Employees (Group)	12,143	12,154

OPERATING AND FINANCIAL REVIEW

This review of EDP's financial condition and results of operations for the periods indicated below contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but rather are based on EDP's current expectations, estimates, assumptions and projections about its industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in the sections of this offering memorandum entitled "Risk Factors", "Information Regarding Forward-Looking Statements" and other sections of this offering memorandum.

COMPANY OVERVIEW

EDP is a vertically integrated utility company that has electricity, gas and renewable energy operations primarily in Portugal, Spain, United States, Brazil, France, Belgium, Italy, Poland and Romania. EDP believes it is the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied, respectively, the third largest electricity generation company in the Iberian Peninsula in terms of installed capacity and one of the largest gas distributors in the Iberian Peninsula in terms of both amount of energy distributed and network size. EDP also believes it is the third largest wind power operator worldwide in terms of electricity generation (TWh). Additionally, EDP has electricity generation, distribution and supply activities in Brazil and generates solar photovoltaic energy in Romania.

EDP conducts business in 13 countries, with more than 9.8 million electricity customers, 1.3 million gas supply points and over 12,000 employees around the world. On 31 December 2012, EDP had an installed capacity of 23.4GW, generating 54.7TWh, of which approximately 60 per cent. comes from wind and hydro plants.

CRITICAL ACCOUNTING POLICIES

EDP's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of EDP's consolidated financial statements. EDP's critical accounting policies, the judgments and other uncertainties that affect the application of those policies, and the sensitivity of reported results to changes in conditions, assumptions or estimates are important factors that should be considered in reviewing EDP's consolidated financial statements and the discussions above in "*—Results of Operations*".

A critical accounting policy is one that is both important to results of operations and financial condition and require management to make critical accounting estimates. An accounting estimate is an approximation made by management of a financial statement component or account. Accounting estimates reflected in EDP's financial statements measure the effects of past business transactions or events, or the present status of an asset or liability. Accounting estimates included in the accounting policies presented in the consolidated financial statements require management to make assumptions and judgments about matters that are highly uncertain at the time the estimate is made. Additionally, different estimates that could have been used, or changes in an accounting estimate that are reasonably likely to occur, could have a material impact on the financial statements. The inherent uncertainty of some matters makes judgments subjective and complex. The effects of estimates and assumptions related to future events cannot be made with certainty. EDP's estimates are based upon historical experience and on assumptions that management believes to be reasonable under the circumstances. These estimates may change with changes in events, information, experience or EDP's operating environment. The following critical accounting policies and estimates are those management considers most important for understanding EDP's audited consolidated financial statements.

Impairment of Long-Term Assets and Goodwill

Impairment tests are performed whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets. On an annual basis the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The goodwill in associates is reviewed when circumstances indicate the existence of impairment. Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available at a point in time, 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, clients' 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, thereby affecting the Group's reported results.

Pension and Other Employee Benefits

Under the A.C.T., a collective labour agreement in Portugal, EDP has a commitment to provide retirement benefits to certain of its retired employees and their survivors, to the extent that they are not covered by the government's social security plans (See "—*Pensions and Benefits*"). Those employees have the option of taking early retirement, subject to certain conditions relating to pre-defined age and length of service requirements. Retired employees retain the right to medical assistance on similar conditions as employees on the active payroll. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using valuations made by qualified independent actuaries. The pension plans are generally funded by payments from the EDP Group companies, taking into account the actuarial assumptions agreed with the qualified independent actuaries.

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 pension plans, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

<u>Pensions</u>

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

Defined benefit plans

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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on 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 operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognised as financial results.

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.

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 additional retirement pension complementary benefits, 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 that are segregated from those of its sponsors. Escelsa has a defined benefit plan that grants additional complementary benefits for retirement due to age, disability and survival pensions. Escelsa also has a special additional complementary benefit plan for retired employees who served in the Brazilian army.

Defined contribution plans

In Portugal, Spain and Brazil, some companies have additional defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. 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.

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 could result in a different level of income taxes, current and deferred, recognised in the year.

In Portugal, the tax authorities are entitled to review EDP S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period can be five years for annual periods starting from 2012, four years for the annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is four years, and in Brazil it is five years, which means 2008 is the last year currently considered settled by the tax administration in Brazil. In the United States, the general statute of limitations for the IRS to issue additional income tax assessments for an entity is three years from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, the EDP Group and its subsidiaries do not anticipate any significant changes to the income tax booked in the financial statements.

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 also relates to items recognised directly in equity, in which case it is recognised in equity as well.

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 consumed up to the balance sheet date, but not yet measured or invoiced, is booked based on estimates that 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.

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

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

Tariff Adjustments

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustment is recovered or returned through electricity tariffs to customers in subsequent periods.

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 Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law no. 165/2008, of 21 August, recognised the unconditional right of the regulated operators of the electricity sector to recover tariff adjustments under a regime identical to the one used for tariff deficits (see "—*Tariff Deficits*" below). Consequently, the EDP Group booked under the income statement caption "Turnover of Electricity and network accesses" the effects resulting from the recognition of tariff adjustments against "Debtors and other assets". According to Decree-Law no. 165/2008, tariff adjustments, which are determined annually, will be recovered by the regulated operators even in the case of insolvency or cessation of operations. ERSE is

the entity responsible for establishing the method of ensuring that the entity entitled to these rights continues to recover the tariff adjustments until their payment is complete. Decree-Law no. 165/2008 also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

Decree-Law no. 87/2011, approved on 14 April and published in Diário da República on 18 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover tariff adjustments. Consequently, the EDP Group booked under the income statement caption "Turnover of Gas and network accesses" the effects resulting from the recognition of tariff adjustments against "Debtors and other assets" and "Trade and other payables", on the same terms defined for the electricity sector as mentioned above.

Tariff Deficits

In Portugal, Decree-Law no. 237-B/2006, of 18 December, recognised an unconditional right of the operators to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency or cessation of operations. Decree-Law no. 237-B/2006 also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally its right to the tariff deficit of 2006 and part of its right to the tariff deficit of 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 special regime production for 2009. In September 2011, the EDP Group sold unconditionally its tariff adjustment for the additional cost of cogeneration for the period 2009-2011. In December 2012, in accordance with the terms of Decree-Law no. 109/2011, of 18 November, EDP Distribuição sold without recourse the right to recover the 2010 annual adjustment of the compensation due for early termination of the power purchase agreements. In April and May 2013, the EDP Group sold without recourse part of the credit rights in respect of the right to recover the overcosts relating to the acquisition of electricity from special regime generators for 2012 (including the adjustments for 2010 and 2011), which payment has been deferred for a 5 year period, from 2012 to 2016.

In Spain, Royal Decree-Law no. 6/2009, endorsed on 7 May, establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electricity sector companies using a State guarantee through the tariff deficit amortisation fund (in the terms foreseen in Royal Decree-Law 437/2010, of 9 April); (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be sufficient to cover the costs of regulated activities without the creation of ex-ante tariff deficits, and, in order to ease this gradual elimination, Royal Decree-Law no. 6/2009 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 no. 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 costs in market 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 associated with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree-Law no. 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

Royal Decree-Law no. 14/2010, endorsed in 2010, addressed the correction of the tariff deficit of the electricity sector. Under this decree, the settlement of 2010 tariff deficits came to be considered as a revenue deficit of the electricity system and a set of measures was established so that the various industry players contribute to the reduction of the tariff deficit. These measures included the establishment of generation rates, energy-efficiency financing plans, savings by the generation companies and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, two decrees were adopted to reduce the tariff deficit to reach the limit provided for by Royal Decree-Law no. 14/2010: (i) Royal Decree-Law no. 1/2012, which temporarily suspended the inclusion of new facilities in the "*pre-asignación*" register maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime; and (ii) Royal Decree-Law no. 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

The EDP Group considers, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement have been satisfied.

Investments in other financial assets

The Group classifies its other financial assets at acquisition date, considering their underlying purpose, 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 that: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available for sale on initial recognition.

Initial Recognition, Measurement and Derecognition

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

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value and gains and losses arising from changes in their fair value are included in the income statement in the period in which they arise. Available for sale investments are also subsequently carried at fair value. However, gains and losses arising from changes in their fair value are recognised directly in equity until the financial assets are derecognised or impaired. When this occurs, the cumulative gains or losses previously recognised in equity are immediately recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received, are recognised in the income statement.

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

Financial assets whose fair value cannot be reliably measured are stated at cost, with any subsequent impairment loss being booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of fair value through profit or loss. A determination of the appropriate category for a financial instrument is made at the moment of its initial recognition and variations in the value of financial instruments in the fair value category are 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, including any impairment resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets.

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 its or 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 an event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed to the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, impairment losses cannot be reversed and any subsequent event that results in a fair value increase is recognised in equity under fair value reserves.

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 per cent. in listed shares. In addition, valuations are generally obtained through market prices or determined by external entities, or through valuation models that require assumptions or 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.

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, with the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, if available, or is determined by external entities through the use of 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 hedge accounting under IAS 39 are accounted for as trading instruments.

Hedging derivatives are recorded at fair value, and the gains and losses are recognised in accordance with the hedge accounting model applied by the Group. A hedge relationship exists when:

(i) At the inception of the hedge, there is formal documentation of the hedge;

(ii) The hedge is expected to be highly effective;

(iii) The effectiveness of the hedge can be reliably measured;

(iv) The hedge is revalued on an ongoing basis and is considered to be highly effective over the reporting period; and

(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 of the hedged item.

Cash Flow Hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedge related to a future transaction is discontinued, the changes in the fair value of derivatives recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net Investment Hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

For a hedge relationship to be classified as such, in accordance with IAS 39, its effectiveness must be demonstrated. Therefore, the Group performs prospective tests at the inception date of the hedge and prospective and retrospective tests at each balance sheet date, to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement in the period in which it occurs.

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 is determined by external entities, or by pricing models based on net present value of estimated future cash flow 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 produce different financial results from those reported.

Purchases of Non-Controlling Interests and Dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid was accounted against goodwill. The acquisitions of non-controlling interests through written put options related to investments in subsidiaries held by non-controlling interests were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability was recorded as goodwill. The fair value of the liability was determined based on the contractual price, which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the

financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment was maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in a share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid is accounted against reserves. The acquisitions of non-controlling interests through written put options related to investments in subsidiaries held by non-controlling interests are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price, which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability.

CO_2 Licences and Greenhouse Effect Gas Emissions

The Group holds CO_2 licences in respect of gas emissions resulting from its operational activity and licences acquired for trading. The CO_2 and gas emissions licences held for its own use are booked as intangible assets and are valued at the quoted price in the market on the date of transaction.

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 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.

Group Concession Activities

The International Financial Reporting Commitee ("IFRIC") issued IFRIC 12 - Service Concession Arrangements in July 2007. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date was 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. IFRIC 12 was applied prospectively since it was impracticable to apply it retrospectively. If applied retrospectively, the effect would have been similar to the effect when applied prospectively.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services, and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract.

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructure within the concession and results in the recognition of a financial asset, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk), and results in the recognition of an intangible asset.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of the EDP Group to which IFRIC 12 is applicable, construction activities are outsourced to external specialised entities, and therefore, the EDP Group has no margin in the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent.

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances indicate that the book value of an asset exceeds its recoverable amount, with any impairment recognised in the income statement.

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

Early Termination of PPAs

On 15 June 2007, EDP and REN - Rede Eléctrica Nacional, S.A. ("REN Rede Eléctrica") agreed to the early termination of the long-term PPAs, with effect from 1 July 2007. In connection with the early termination of the PPAs, the CMEC mechanism was put in place by Decree-Law no. 240/2004, of December 27, as amended from time to time ("Decree-Law no. 240/2004"), to compensate generators for the early termination of their respective PPAs and to preserve the net present value of the PPAs, based on real pre-tax return on assets and a stable contracted gross profit over the 10 years following termination (See "*Contractual Stability Compensation*" below).

Contractual Stability Compensation (CMEC)

Following a Portuguese government decision to extinguish the PPA, EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the termination of the PPAs, and in accordance with the applicable legislation, a contractual stability compensation (through the CMEC) was granted to the EDP Group. The mechanism for granting the compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation. See "*—Contractual Stability Compensation – Revisable Mechanism*" below.

Initial compensation was recognised when the PPAs terminated as an account receivable of €833.5 million, 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, securitisation 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 10-year revision mechanism period. 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 CMEC payment is subject to an annual revision during the first ten years of implementation, which is expected to involve financial compensation between EDP and the electricity system to be received or paid in the year after, ensuring that the company is compensated by receiving what it would have received or paid if the power plants were still operating under PPAs. 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 used model, could give rise to different financial results from those considered.

Review of the Useful Life of Energy Generation Assets

In 2010 EDP Produção reviewed the useful lives of the hydroelectric and thermoelectric generating assets. This consequently led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the future maintenance plan. Based on this information, the remaining useful lives were identified for each asset, with the maximum term established at the corresponding final date of the public hydric domain associated with each hydroelectric power plant. Estimates and judgements were required in order to determine the useful lives of these assets.

In the second quarter of 2011, EDP Renováveis changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity that considered the technical availability for an additional period of five years of useful life of these assets. The study covered 95 per cent. of wind installed capacity of EDP Renováveis, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

The regulatory authority of Brazil, ANEEL, issued Normative Resolution 474 on 7 February 2012, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during their estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements. This includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by ANEEL, the respective contractual residual indemnisation values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnisation values at the end of the concessions may be influenced by any changes in the regulatory legal framework in Brazil.

Provisions for Dismantling and Decommissioning

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The provisions are calculated at the present amount of the 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 lives of those assets. These 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.

The use of different assumptions in the estimates and judgement from those referred to could lead to different financial results than those considered.

FACTORS AFFECTING EDP’S BUSINESS

EDP’s businesses, financial condition and operating performance have been and will continue to be primarily affected by:

- the macroeconomic conditions in the countries in which it operates, which influence the overall level of demand for electricity and gas;

- changes in the regulatory frameworks in the countries in which it operates, which can affect the prices that it is permitted to charge for electricity and gas;

- its level of operating costs, which consist primarily of depreciation and amortisation, fuel costs and costs of purchased electricity and gas, wages and salaries and external supplies and services; and

- the volatility of the Brazilian real against the Euro, the U.S. dollar against the Euro, the Polish zloty against the Euro and the Romanian leu against the Euro, which influence EDP's reported results and the value of its consolidated assets and liabilities.

Economic Growth Rates

The level of demand for electricity in countries in which EDP operates is, among other factors, directly related to the general level of economic activity in those countries.

Portugal's economy experienced a vigorous expansion over the second half of the 1990s, peaking at 4.9 per cent. real GDP growth in 1998, but slowed down after 2001. From a 0.8 per cent. growth rate in real GDP in 2005, there was a partial recovery in 2006 (to 1.4 per cent.) and 2007 (to 2.4 per cent.), fuelled by an increase in export growth that was, in turn, led by stronger world trade and a slight recovery in the Eurozone. However, as a result of the global slowdown in 2008, Portugal experienced zero growth in 2008, which was below the Eurozone average real GDP growth rate of 0.9 per cent. From 2009 onwards, only in 2010 was GDP growth positive (an increase of 1.9 per cent.), with 2011 and 2012 showing decreases of 1.6 per cent. and 3.2 per cent., respectively, driven by a strong decline in the gross fixed capital formation and by private and public consumption, but partially offset by an increase in net exports. In terms of breakdown by economic sector, Portugal's economy is primarily comprised of the service sector, although other high "value-added" sectors (in terms of contribution to real GDP), such as manufacturing, have gained relative importance compared to lower "value-added" sectors such as agriculture.

In Spain, where EDP currently owns 99.9 per cent. of Hidrocantabrico, real GDP growth in the period between 2010 and 2012 was always below the Eurozone average. Real GDP contracted by 0.3 per cent. in 2010, recovering in 2011 by 0.4 per cent. and again contracting in 2012 by 1.4 per cent. Spain's economy is comprised of a large agricultural sector and a diversified industrial base, although the service sector is becoming an increasingly important part of the Spanish economy.

In Brazil, where EDP owns 51.1 per cent. of EDP – Energias do Brasil S.A., real GDP grew 7.5 per cent. in 2010, 2.7 per cent. in 2011 and only 0.9 per cent. in 2012, driven by a decrease in industrial production. In recent years, growth has been driven especially by private and public consumption. In addition to the direct impact of economic activity, EDP's results are also significantly impacted by foreign exchange movements as further described in "*Risk Factors – EDP's involvement in international activities subjects it to particular risks, namely foreign currency risks, which could have a material adverse effect on its profitability*".

With the 2007 acquisition of EDPR North America, the United States has become a strategic market for EDP. Real GDP growth in the United States has averaged 1.7 per cent. annually in the last decade. The GDP growth rate was 2.4 per cent., 1.8 per cent. and 2.2 per cent. in 2010, 2011 and 2012 respectively, backed by private consumption and gross private investment.

EDP has also been investing in renewables in emerging eastern European markets such as Poland and Romania. For the past decade, both economies have experienced, on average, levels of GDP growth above the European Union average.

The Polish economy is one of the largest in Europe and has a strong industrial sector, namely petrochemicals, machinery, electronics, car manufacture and shipbuilding. Real GDP growth in Poland was 3.9 per cent. in 2010, 4.3 per cent. in 2011 and 2 per cent. in 2012, fueled by gross fixed capital formation, private consumption and net exports.

Industry is also an important contributor to GDP in Romania, especially car manufacture, machinery and chemicals, but agriculture still contributes to the economy above the European average. Real GDP contracted 1.2 per cent. in 2010 but grew by 2.2 per cent. in 2011 and 0.7 per cent. in 2012. Growth in 2011 and 2012 was driven essentially by private consumption and net exports.

Regulatory Factors

Changes in laws and regulations

EDP's operations include the generation, distribution and supply of electricity (including the development, construction, licensing and operation of power plants and distribution grids) and distribution and supply of natural gas in several jurisdictions pursuant to concessions, licences and other legal or regulatory permits, as applicable, granted by the governments, municipalities and regulatory entities in such jurisdictions. EDP's most extensive operations are in Portugal, Spain, Brazil, France, Belgium, Poland, Romania and the United States. The laws and regulations affecting EDP's activities in these countries may vary by jurisdiction and may be subject to modifications, including those unilaterally imposed by regulators and legislative authorities or as a result of judicial or administrative proceedings or actions, that may make such laws and regulations more restrictive or in other ways less favourable to EDP. Furthermore, additional laws and regulations may be implemented, including those enacted as a result of actions filed by third parties or lobbying by special interest groups.

The development and profitability of renewable energy projects is significantly dependent on policies and regulatory frameworks that support such development. Member States of the European Union, including the European countries in which EDP operates or has pipeline projects, and many states in the United States and the U.S. federal government, have adopted policies and measures that actively support renewable energy projects. Support for renewable energy sources has been strong in recent years and EDP has benefited from such support in the past. Both the European Union and various U.S. federal and state bodies have repeatedly reaffirmed their desire to continue and strengthen such support.

Concessions, licences and permits might, in some cases, be granted for fixed periods of time and might be subject to early termination under specified circumstances, including failure to comply with the terms of the relevant concession, licence or permit. Upon termination of a concession or the expiration of a licence or permit, the fixed assets associated with such concessions, licences or permits, in general, revert to the government or municipality, which granted the relevant concession, licence or permit. Under these circumstances, although specified compensatory amounts might be payable to EDP with respect to these assets, such amounts, if any, may not be sufficient to compensate EDP for its actual or anticipated loss. Moreover, the expiration or termination of concessions, licences or permits might limit EDP's ability to conduct its business in an entire jurisdiction.

Recovery of the regulatory receivables from the electricity systems

EDP has annually recognised an amount of regulatory receivables in its statement of financial position that is related to its regulated business activities, namely electricity distribution, generation and supply activities in Portugal, gas distribution activities in Portugal, and integrated electricity activities in Spain. EDP's electricity distribution activities in Brazil are also subject to regulatory receivables that, however, are not recognised for accounting purposes under IFRS. These regulatory receivables are to be recovered/returned to the electricity system within a pre-determined time period and any changes in the amount and timings of the recovery of such receivables may have an impact on EDP's cash flow. As at December 2012, the net amount of regulatory receivables and payables recognised on EDP's statement of financial position to be recovered from the Portuguese and Spanish electricity systems amounts to a regulatory receivable of €2,621 million.

With respect to distribution and supply activities in Portugal and Brazil, as well as the generation activities in Spain, a tariff deficit/surplus is generated whenever market conditions are different from the regulator's assumptions when setting electricity tariffs for a certain year. This amount of tariff deficit/surplus is to be received/returned from/to the electricity system within a defined time period that is set by the relevant regulator. In the past, significant amounts of regulatory receivables were generated, mostly in Portugal and Spain, meaning that revenues collected though electricity final tariffs were not sufficient to cover electricity system costs. In Portugal, EDP was able to sell a significant part of its credits for these amounts without recourse, while the remaining part is still to be received. In Spain, the Spanish Goverment has created FADE, pursuant to which it securitises debt owed by the public electricity settlements system to the electricity industry's utilities, including EDP.

Some of EDP's electricity generating activity power plants in Portugal are subject to the CMEC legislation, which was designed, following the early termination of the corresponding PPAs on 1 July 2007, to ensure parity between the revenues expected in a market regime based on the initial compensation value (calculated by reference to amounts expected to be received under the PPAs) and the revenues actually obtained in the market. The CMEC payment is subject to an annual revision during the first ten years of implementation, which is expected to involve financial compensation between EDP and the electricity system to be received or paid in the year after, ensuring that the company is compensated by receiving what it would have received or paid if the power plants were still operating under PPAs. In 2011 the CMEC compensation amounted to €238.9 million paid on a monthly basis over the course of 2012 and 2013. In 2012 this compensation amounted to €493.3 million and

will be paid in 2013 and 2014. Finally, although the "true-up" system of the CMEC allows for recovery in the year following a year in which there was a failure of collections, the operation of the CMEC in any given year may also be affected by significant decreases in the level of contracted power or by a significant failure of the electricity system to collect tariffs from consumers.

Market liberalisation

All electricity consumers in Portugal have been free to choose their electricity supplier since 2006. After 2008, the size of the liberalised markets increased considerably. In December 2012, accumulated electricity consumption in the liberalised market represented about 60 per cent. of total consumption. EDP maintained its leading position in the liberalised market, with a cumulative total consumption representing 42 per cent. of the total liberalised market. EDP operates as the "last resort" supplier in the Portuguese electricity supply business through EDP Serviço Universal, S.A. and acts as a common supplier in the liberalised market through EDP Comercial – Comercialização de Energia, S.A.

All natural gas consumers in Portugal have been free to choose their gas supplier since the beginning of 2010. EDP operates as the "last resort" supplier in determined areas of Portugal through EDP Gás Servico Universal. S.A. and acts as a common supplier in the liberalised market through EDP Gás. Com-Comércio de Gás Natural S.A. In Spain, retail tariffs for electricity were phased out in June 2009, and substituted by a last resort tariff system. Thus, since 1 July 2009, last resort consumers (low-voltage consumers whose contracted power is less than or equal to 10 kW) have been able to choose between their last resort supplier and several common suppliers in the liberalised market. All other consumers are supplied in the liberalised market. EDP's subsidiary HC Energia is the last resort supplier of electricity in the Asturias region. Gas retail tariffs no longer exist in Spain, meaning that gas customers are able to choose between their last resort supplier and several common suppliers in the liberalised market. EDP's subsidiary Naturgas is the last resort supplier of gas in the Basque Country and Asturias region. In the future, more competing suppliers are expected to enter the market and engage in electricity sales.

The implementation by Portugal and Spain of EU directives that are intended to create competitive electricity and natural gas supply markets, including, for instance, the limitation of certain large clients' access to last resort tariffs or the increase of competitiveness in such markets could have a material adverse effect on EDP's business, financial condition, prospects or results of operations. In July 2010, the Portuguese government announced that high-, medium- and special low-voltage clients will no longer be able to benefit from electricity regulated tariffs. These clients were transferred to the free market on 1 January 2011 in compliance with EU directives on electricity tariffs. Also, since 1 July 2012, pursuant to Portuguese legislation, last resort tariffs are no longer applicable to low voltage consumers (mainly households and small businesses) with contracted power equal to or under 41.4 kVA, and, after 1 January 2013, last resort tariffs will not be applicable to any consumers with contracted power under 10.35 kVA.

United States

EDP's management believes that the United States is one of the most attractive markets globally for wind energy generation in terms of total installed wind capacity and year on year growth. The U.S. wind industry is second in cumulative wind capacity behind China, and has nearly twice as much cumulative wind capacity as the third largest country, Germany. The marked growth in the U.S. wind energy industry has been driven largely by federal and state government policies designed to promote the growth of renewable energy, including wind power. The primary U.S. federal renewable energy incentive programs are the PTCs, the ITC and the cash grant programme in lieu of tax credits. In addition, most renewable energy projects qualify for the MACRS, which allows the accelerated depreciation of certain major equipment components over a five-year period. The principle way in which states have encouraged renewable generation development is through the implementation of RPS programs, under which a utility must demonstrate that a certain percentage of its energy supplied to consumers within the applicable state comes from renewable sources.

Federal, state and local energy statutes regulate the development, ownership, business organisation and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale electric energy sales and the transmission of electric energy in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), and most of EDP's projects in the United States are regulated by FERC. Construction and operation of wind generation facilities and the generation and transport of renewable energy is also subject to environmental regulation by U.S. federal, state and local authorities, which typically require licences, permits and approvals prior to construction, operation or modification of a project or generating facility.

Currency Exchange Rates

The results of operations and financial position of EDP in Brazil and in the United States are reported in Brazilian real and U.S. dollars, respectively. That financial information is then converted into Euros at the applicable exchange rates for inclusion in EDP's consolidated financial statements. In 2012, approximately 15.4 per cent. of EDP's turnover was generated in Brazilian real and 2.2 per cent. in U.S. dollars.

Factors Affecting the Comparability of EDP's Results of Operations

In January 2010, EDP Renováveis, a subsidiary 77.5 per cent. controlled by EDP, acquired 85 per cent. 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 in different stages of maturity and in various locations.

In July 2010, within the scope of the privatisation process of Naturgas, which occurred in 2003, Hidrocantábrico (99.9 per cent. owned by EDP) acquired a controlling stake in Naturgas and entered into a shareholder agreement with EVE valid until 30 July 2010, which included a put option for part or all of EVE's stake in Naturgas, to be exercised at market value until 30 July 2010. Following EVE's decision to exercise the put option, an agreement was signed between EVE and Hidrocantábrico that provided the following terms: (i) Hidrocantábrico purchased from EVE 29.43 per cent. of the share capital of Naturgas for €617 million, with this acquisition and the payment being phased in three tranches: a first tranche of 9.43 per cent. to be paid by the time of completion of the required approvals for the execution of the transaction and two tranches of 10 per cent. each plus interest to be paid at the end of the first half of 2012 and the first half of 2013, respectively; (ii) Hidrocantábrico will have a call option to buy from EVE the remaining 5 per cent. stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) the Hidrocantábrico/EVE shareholder agreement was amended, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position.

In July 2010, in accordance with Law 17/2007 of 4 July, which modifies Law 54/97 of the Spanish Electricity Sector and obliges distribution companies to sell their transmission assets to REE, HC Distribución, EDP Group's subsidiary for the electricity distribution business in Spain, signed an agreement for the sale of its transmission assets to REE for €58 million. This transaction was subject to approval by the competent authorities and complied with the European Directive for the electricity market, which defines the existence of a single transmission network manager for each country and was concluded in February 2011.

In October 2010, EDP entered into a Stock Purchase Agreement with Empresas Públicas de Medellín, a Colombian public utility ("Empresas"), for the sale of its 21 per cent. stake in the share capital of Distribución Eléctrica CentroAmérica Dos ("DECA II"), along with the remaining shareholders of the company, Iberdrola and TECO. DECA II is a Guatemalan holding company that operates, through its subsidiary companies, distribution, transmission and commercialisation of electricity in that country.

In March 2011, EDP Renováveis, a subsidiary 77.5 per cent. controlled by EDP, took full control of Generaciones Especiales I, SL ("Genesa"), following the decision of Sociedad de Promoción y Participación Empresarial Caja de Madrid, SA ("Caja Madrid") to exercise its put option over its 20 per cent. stake in Genesa, in accordance with the provisions under the shareholders' agreement.

In June 2011, EDP – Energias do Brasil, S.A. announced the acquisition, by its controlled company Ipueiras Energia S.A., of ECE Participações S.A., from CS and Participa Groups. The acquired company holds a 90 per cent. stake in Consórcio Amapá Energia (Amapá Energia Consortium), which holds Santo Antônio do Jari HPP operation rights. The remaining 10 per cent. stake of Amapá Energia Consortium is owned by Jari Energética S.A. (JESA), owner of the original public concession, which also has the right to sell its stake to Ipueiras Energia S.A. for the same price and terms of payment. The deadline to exercise this right expired on 15 July 2011. The installed capacity of Santo Antônio do Jari HPP will be 300 MW, which corresponds to 196.1 average MW of assured energy (load factor of 65 per cent.), already approved by ANEEL, of which 190 average MW has been sold at the energy A-5 auction of December 2010 for 30 years until 31 December 2044, which corresponds to the end of the concession.

In July 2011, EDP had set at R$37.0 (thirty seven reais) per share the final price for the secondary offering of EDP Brasil's ordinary shares (comprising notably a public offer in Brazil and a private placement to institutional investors outside Brazil, which were launched on 27 June 2011, at R$37.0 (thirty seven reais) per share). With the completion of this offering, including full exercise of the greenshoe, EDP received a gross amount of approximately R$810.7 million (corresponding to approximately €363 million) and decreased its shareholding in EDP Brasil from 64.8 per cent. to 51.1 per cent.

In August 2011, EDP entered into a Share Purchase Agreement with Endesa Latinoamerica, S.A. for the sale of EDP's (i) 7.7 per cent. stake in the share capital of Ampla Investimentos e Serviços, S.A. ("Ampla Investimentos") and (ii) its 7.7 per cent. stake in the share capital of Ampla Energia e Serviços, S.A. ("Ampla Energia"). Ampla Investimentos and Ampla Energia, both listed on the Brazilian Stock Exchange, hold direct and indirect stakes in electricity distribution companies operating in Brazil.

In May 2012, EDP, through its subsidiary EDP Energias do Brasil, S.A., signed a sale and purchase agreement to sell its financial investment in Evrecy Participações, Ltda. (owner of electricity transmission assets) to Companhia de Transmissão de Energia Elétrica Paulista - CTEEP for €25 million (BRL 63 million). The disposal process was completed on 21 December 2012 following ANEEL's approval.

In July 2012, EDP, through its gas sector subsidiary in Spain, Naturgas, reached an agreement with Enagás, S.A. ("Enagás"), the Spanish gas transmission system operator, for the sale of the gas transmission business owned by EDP Group in Spain. The necessary agreement from EVE was also obtained. The transaction was structured through the sale of the gas transmission business of Naturgas in which, as a result of this transaction, Enagás and the Basque Government, through EVE, will own 90 per cent. and 10 per cent., respectively. This transaction closed in February 2013.

In November 2012, EDP Renováveis, a subsidiary 77.5 per cent. controlled by EDP, reached an agreement with Borealis Infrastructure ("Borealis") for the sale of a 49 per cent. equity shareholding in a portfolio of wind farm assets in the US. The portfolio is comprised of four wind farms totalling 599 MW, installed between 2007 and 2008 (4.5 years of average age), and all of which have long-term Power Purchase Agreements in place. The transaction was concluded in June 2013.

In December 2012, EDP Renováveis entered into an agreement with China Three Gorges International (Hong Kong) Company Limited ("CTGI HK"), a wholly owned subsidiary of CTG, to sell a 49 per cent. equity shareholding and 25 per cent. of the outstanding shareholders' loans in EDP Renováveis Portugal, S.A. ("EDPR PT") for a total consideration of €368 million. The transaction scope covers 615 MW of generation capacity already in operation, with an average age of 6 years, as well as 29 MW of ready-to-build generation capacity. This transaction was agreed pursuant to the EDP/CTG strategic partnership established in December 2011 and that came into effect on May 2012. The transaction was concluded in June 2013.

In January 2013, EDP Produção sold all of its interests in Soporgen S.A. ("Soporgen"), a 67MW cogeneration plant, to Soporcel S.A. for €5 million.

Change in Reporting Segments

At the General Meeting of 20 February 2012, the shareholders of EDP S.A. elected the members of the General and Supervisory Board and the Executive Board of Directors of EDP S.A. for the three year period from 2012 to 2014. In 2012, EDP changed its reporting segments, as well as the information disclosed in the Segmental Reporting, to reflect information and measures that management believes are important and are used to make key decisions.

The Group's segments for the years ended 31 December 2012 and 2011 were as follows:

- **Long Term Contracted Generation in Iberia**: The Long Term Contracted Generation in Iberia segment includes the electricity generation of plants generating electricity in respect of CMEC and Special Regime Production in Portugal and Spain.

- **Liberalised Activities in Iberia**: The Liberalised Activities in Iberia segment includes unregulated generation and supply of electricity and gas in Portugal and Spain.

- **Regulated Networks in Iberia**: The Regulated Networks in Iberia segment includes regulated electricity and gas distribution in Portugal and Spain and EDP's activity as last resort supplier in Portugal and Spain.

- **EDP Renováveis**: The EDP Renováveis segment includes the power generation activity through renewable energy resources and includes all the companies within EDPR Europe, EDPR North America, EDPR Canada and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A. and all the adjustments for the companies composing this segment, including consolidation adjustments.

- **EDP Brasil**: The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the holding company, EDP Energias do Brasil, S.A., and 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 between the companies composing this segment, including consolidation adjustments.

Prior to the Group's change in segments, the Group's segments, including for the year ended 31 December 2010, were as follows:

- **Iberian Generation**: The Iberian Generation segment included all electricity generation in Portugal and Spain.

- **Iberian Distribution**: The Iberian Distribution segment included electricity distribution in Portugal and Spain and EDP's activity as last resort supplier in Portugal and Spain.

- **Iberian Supply**: The Iberian Supply segment included unregulated electricity supply in Portugal and Spain.

- **EDP Renováveis**: The EDP Renováveis segment was not changed and encompassed the scope of activity described above.

- **EDP Brasil**: The EDP Brasil segment was not changed and encompassed the scope of activity described above.

- **Iberian Gas**: The Iberian Gas segment included gas distribution and supply activities in the regulated and liberalised market in Portugal and Spain.

EDP's main goal in re-aligning its segments with the 2012 and 2011 segmental reporting was to better reflect the risk profile and volatility of the Group by combining within one segment all generation based on PPA with no volume or price risk or regulated tariffs, within another segment all business areas related to regulated networks, and within a separate segment all activities in liberalised markets that are subject to market volatility. EDP Renováveis and EDP Brasil are operating segments that EDP continues to report separately due to differences in business and geographical factors. As a result, the segment data described in "—Results of Operations—Year ended 31 December 2012 compared with year ended 31 December 2011" is not directly comparable to the segment data described in "—Results of Operations—Year ended 31 December 2011 compared with year ended 31 December 2010".

RESULTS OF OPERATIONS

SIX MONTHS ENDED 30 JUNE 2013 COMPARED WITH SIX MONTHS ENDED 30 JUNE 2012

Turnover

EDP's consolidated turnover for the six months ended 30 June 2013 decreased 1.1 per cent. to €8,120.8 million from €8,213.5 million in the six months ended 30 June 2012. This performance was mainly due to: (i) the termination of the PPA for the Setúbal fuel oil power plant in December 2012, which resulted in a decrease in long term contracted generation in Iberian Peninsula and (ii) the decrease in the spot pool price of electricity, which affected the result in liberalised activities.

Turnover in long-term contracted generation in Iberian Peninsula decreased by 11.1 per cent. to €679.0 million in the six months ended 30 June 2013 from €764.0 million in the six months ended 30 June 2012. This decrease reflects the end of Setúbal PPA in December 2012. The annual deviation equivalent to the difference between CMEC's initial assumptions made in 2007 (outputs, market prices, fuel and CO_2 costs) and real market data ("revisibility") totalled €116 million in the six months ended 30 June 2013, primarily reflecting the low spot prices in the first half of 2013. Revisibility is recovered by EDP, through regulated tariffs charged to electricity customers, on a recovery timeline that can take up to 24 months after the annual deviation has occurred. Deviation at hydro plants amounted to €69 million in the first half of 2013, since the effect of a production 9 per cent. above CMEC's reference was more than offset by the effect of an average realised price 30 per cent. below CMEC's reference. Deviation at thermal plants accounted for €47 million due to the combined effect of volumes 15 per cent. below CMEC's reference and an average Clean Dark Spread 19 per cent. less than CMEC's reference. Turnover from the special regime in the six months ended 30 June 2013 was negatively impacted by

the sale of Soporgen's 67MW cogeneration power plant in January 2013, which was partially offset by an increase in mini-hydro output.

Turnover in Iberian Peninsula liberalised activities decreased by 2.0 per cent. to €4,045.6 million in the six months ended 30 June 2013 from €4,129.9 million in the six months ended 30 June 2012. Turnover in Iberian Peninsula liberalised activities was impacted by a 6.7 per cent. decrease in liberalised generation in Iberian Peninsula and an 8.5 per cent. decrease in supply activity in Spain. Turnover in liberalised generation in Iberian Peninsula amounted to €1,837.6 million and was affected by: (i) a 28 per cent. and 23 per cent. decrease in the spot pool price of electricity in Portugal and Spain, respectively, and (ii) the suspension of the CCGT capacity payments mechanism from 1 June 2012 until the date of termination of the Economic Adjustment Programme agreed with the European Commission, International Monetary Fund, European Central Bank and Portuguese government (€19 million in the first half of 2012), which was partially offset by an output from EDP's hydro plants that almost tripled in the six months ended 30 June 2013 as compared to the six months ended 30 June 2012 and was supported by the combined impact of wet weather conditions and the impact of commissioning new hydro capacity in Portugal (Alqueva II). Turnover in Iberian Peninsula supply activities amounted to €2,651.4 million, supported by an increase of 8.9 per cent. of electricity supply business in Portugal. Volumes supplied to EDP clients in the free market climbed 31 per cent. period-on-period to 6.0TWh in the six months ended 30 June 2013, supported by a strong increase in our base of electricity clients (an increase of 3.4 times). EDP's market share in the free market rose 5 per cent. from 38 per cent. in the first half of 2012 to 43 per cent. in the six months ended 30 June 2013, in line with EDP's strategy to focus on the more attractive residential/SME segments. Turnover in Spain supply activity decreased by 8.5 per cent. to €1,669.9 million since volumes supplied to EDP's clients in the free market decreased 13 per cent. period-on-period to 8.8TWh, whereas there was a 16 per cent. increase in the number of clients supplied, reflecting EDP's strategy to focus on the most attractive segments. Market share in Spanish supply activity decreased by 2 per cent. to 10 per cent. in the six months ended 30 June 2013.

Turnover in Iberian Peninsula regulated networks decreased by 0.9 per cent. to €3,245.4 million in the six months ended 30 June 2013 from €3,275.4 million in the six months ended 30 June 2012. Turnover in electricity distribution and last resort supply in Portugal decreased by 0.3 per cent. to €2,979.7 million in the six months ended 30 June 2013 as a result of: (i) a decrease in distribution grid regulated revenues in the six months ended 30 June 2013 due to a lower estimated regulated rate of return on assets (a decrease of €27 million, primarily due to a return on assets of 8.5 per cent. in the six months ended 30 June 2013 compared to 10.3 per cent. in the six months ended 30 June 2012) following the decline in the Portuguese Republic 5-year credit default swap upon which the regulated rate of return on assets is based and (ii) a decrease in last resort supplier regulated revenues to €44 million in the six months ended 30 June 2013, reflecting the fast pace at which consumers are switching to the free market. The volume of electricity supplied by the last resort supplier decreased 26 per cent. period-on-period, to 7.6TWh in the six months ended 30 June 2013, reflecting a faster than expected pace of clients switching to the free market. Total clients supplied declined from 5,031,000 as of 31 December 2012 to 4,298,000 as of 30 June 2013. Turnover in electricity distribution in Spain increased by 4.8 per cent. to €85.9 million in the six months ended 30 June 2013 due to higher regulated revenues (an increase of €4 million). Turnover in Iberian Peninsula gas distribution networks decreased by 12.3 per cent. to €179.9 million in the six months ended 30 June 2013, supported by a decline in regulated revenues in the six months ended 30 June 2013 due to the disposal of transmission operations in the first quarter of 2013 (a decrease of €17 million), lower volume distributed and a slight increase in the number of supply points.

Turnover in EDP Renováveis increased by 13.3 per cent. to €692.4 million in the six months ended 30 June 2013 from €611.3 million in the six months ended 30 June 2012. Installed capacity rose 8 per cent. period-on-period (an increase of 589MW) to 7.8 GW by 30 June 2013. Average load factor increased from 32 per cent. in the six months ended 30 June 2012 to 33 per cent. in the six months ended 30 June 2013 and the average selling price went up 5 per cent. period-on-period to €64.3/MWh, reflecting a different production mix. Europe represented 47 per cent. of EDP's wind production in the six months ended 30 June 2013 (versus 43 per cent. in the six months ended 30 June 2012) and the United States represented 52 per cent. (versus 57 per cent. in the six months ended 30 June 2012).

Turnover in Brazil increased by 11.5 per cent. to €1,321.5 million in the six months ended 30 June 2013 from €1,185.5 million in the six months ended 30 June 2012. In generation activity, turnover increased by 36.7 per cent. to €344.1 million, reflecting a 36 per cent. increase in electricity volumes sold due to a 20 per cent. increase of installed capacity to 2,159 MW and a 12 per cent. increase of average selling price supported by inflation-linked price increases. Turnover from supply activity increased by 49.1 per cent. to €348.1 million in the six months ended 30 June 2013 supported by a 16 per cent. volume increase in volume of electricity sales (an increase of 821GWh) and benefiting from higher electricity spot prices.

Cost of electricity

EDP's total consolidated cost of electricity decreased by 2.0 per cent. to €4,088.7 million from €4,172.3 million due to a 9.2 per cent. decrease in Iberian Peninsula liberalised generation activity, driven by a 35 per cent. decrease in generation costs and higher volumes of special regime production, which offset a 14.7 per cent. increase in costs in EDP Brasil, mainly driven by a negative impact from energy purchases at higher market prices, which were driven by the poor hydro conditions.

Cost of electricity in Iberian Peninsula liberalised activities decreased by 2.4 per cent. to €2,515.0 million from €2,575.6 million primarily due to a 21 per cent. decline of average sourcing cost following the combined effects of lower generation costs (a decrease of 35 per cent.) on higher hydro volumes and cheaper electricity purchases (a decrease of 17 per cent.), which offset a 1 per cent. increase in generation output as the strong increase in hydro output (an increase of 1.9TWh) more than offset the fall in CCGT (a decrease of 1.1TWh) and coal (a decrease of 0.7TWh).

Cost of electricity in Iberian Peninsula regulated networks increased by 0.7 per cent. to €2,318.6 million from €2,301.9 million due to higher volumes of special regime production, which must be bought by EDP as the last resort supplier.

Cost of electricity in Brazil increased by 14.7 per cent. to €833 million from €726.3 million due to the negative contribution, in generation activity, of Pecém's coal plant, prompted by the delay in its commercial operation, which obligated EDP to purchase energy in the spot market where the prices faced a huge increase due to the extremely dry weather. In supply activity, cost of electricity increased by 46 per cent. to €324.7 million, supported by the 16 per cent. increase of volumes sold.

Cost of gas

Cost of gas decreased by 7.5 per cent. to €659.9 million in the six months ended 30 June 2013 from €713.1 million in the six months ended 30 June 2012, mainly due to a 5.7 per cent. decrease in Iberian Peninsula liberalised activities. In Portugal, cost of consumed gas in supply activity decreased by 22.3 per cent. to €118.7 million, supported by a reduction of 4 per cent. in the volumes supplied, reflecting lower demand and a competitive market, primarily in the business to business ("B2B") segment, which withstood the increase of volumes in the B2C segment following the gas market liberalisation. In Spain, cost of gas in supply activity decreased by 3.3 per cent. compared to the same period in the previous year to €717.0 million due to the decline of 5 per cent. of gas volumes to 14.7TWh in the six months ended 30 June 2013, despite a 3 per cent. increase in the number of clients supplied in the same period, which reflects EDP's selective contracting policy.

Changes in inventories and cost of raw materials and consumables used

Changes in inventories and cost of raw materials and consumables used increased by 15.1 per cent. to €457.6 million in the six months ended 30 June 2013 from €538.9 million in the six months ended 30 June 2012, mainly as a result of: (i) a decrease in long-term contracted generation in Iberian Peninsula, due to a 20 per cent. decline in EDP's Sines coal plant output (3,474 GWh in the six months ended 30 June 3013 versus 4,330 GWh in the six months ended 30 June 2012) and (ii) a decrease in liberalised activities due to lower generation output from EDP's CCGT power plants (a decrease of 71 per cent.) and coal power plants (a decrease of 24 per cent.) in the six months ended 30 June 2013 compared to the same period in the previous year.

Other Operating Income/(Expenses)

EDP's total consolidated other operating income/(expenses) decreased by 5.9 per cent. to (€957.8 million) in the six months ended 30 June 2013 from (€904.1 million) in the six months ended 30 June 2012, primarily due to an increase in other operating expenses.

Other operating income

Other operating income increased by 23.7 per cent. to €191.0 million in the six months ended 30 June 2013 from €154.4 million in the six months ended 30 June 2012.

Other operating income in Iberian Peninsula regulated networks increased by 82.8 per cent. to €78.5 million due to a €55.8 million gain related to the sale of the assets of the gas transmission business to Enagas (the Spanish gas transmission system operator) in the first quarter of 2013.

Other operating income in EDP Renováveis increased by 13.0 per cent. to €96.3 million in the six months ended 30 June 2013 due to an indemnity in the amount of €13.9 million received following an amendment to a power purchase agreement between a subsidiary of EDPR North America and its client.

Other operating income in EDP Brasil decreased by 42.0 per cent. to €10.4 million in the six months ended 30 June 2013, due to the R$16 million gain in 2012 from the sale of buildings in distribution activity.

Supplies and services

These costs consist of supplies and services provided to EDP by external suppliers, including external maintenance and repairs, specialized services, communication, rentals, insurance and other services. External maintenance and repairs consist of work on EDP's power plants, substations and transmission and distribution networks that it subcontracts. Other specialized services include technical services such as auditing, legal, consulting and revenue collection services. Communication services include telecommunications, post, delivery and courier services. Total consolidated supplies and services increased 1.3 per cent. to €451.2 million in the six months ended 30 June 2013 from €445.6 million in the six months ended 30 June 2012.

Supplies and services in Iberian Peninsula long term contracted generation decreased by 6.4 per cent. to €36.8 million in the six months ended 30 June 2013 from €39.3 million in the six months ended 30 June 2012, reflecting mostly lower Operating and Maintenance (O&M) expenses as a result of the Setúbal power plant decommissioning and the sale of Soporgen.

Supplies and services in Iberian Peninsula liberalised activities increased by 3.5 per cent. to €137.5 million in the six months ended 30 June 2013 from €132.8 million in the six months ended 30 June 2012, driven by higher costs with respect to client services (call center, billing, etc), in line with the growth of EDP's client base and with the on-going liberalisation process.

Supplies and services in Iberian Peninsula regulated networks increased by 0.4 per cent. to €210.4 million in the six months ended 30 June 2013 due to adverse weather conditions in the first quarter of 2013 in Portugal.

Supplies and services in EDP Renováveis increased by 5.2 per cent. to €125.8 million in the six months ended 30 June 2013. O&M expenses increased as a result of higher average capacity in operation.

Supplies and services in Brazil increased by 1.0 per cent. to €88.2 million in the six months ended 30 June 2013. In local currency, supplies and services rose 12 per cent. due to higher O&M expenses.

Personnel costs and employee benefits

Total consolidated personnel costs and employee benefits, which consist mainly of wages, salaries, social security and employee benefits expenses, increased by 2.3 per cent. to €337.7 million in the six months ended 30 June 2013 from €330.2 million in the six months ended 30 June 2012.

Personnel costs and employee benefits in long-term contracted generation in Iberian Peninsula decreased by 11.1 per cent. to €32.5 million associated to the decommissioning of the Setúbal power plant.

Personnel costs and employee benefits in regulated networks in Iberian Peninsula decreased by 3.6 per cent. to €87.7 million due to a 4 per cent. headcount reduction, namely in electricity distribution in Portugal.

Personnel costs and employee benefits in EDP Renováveis increased by 20.1 per cent. to €35.2 million due to higher average capacity in operation and a decrease in capitalization of personnel costs as a result of lower full-time equivalent employees ("FTEs") allocated to construction and development activities.

Personnel costs and employee benefits in Brazil increased 2.0 per cent. to €64.7 million in the six months ended 30 June 2013. In local currency, personnel costs increased 21.1 per cent. period-on-period, reflecting the increase of annual salary update (an increase of 6.3 per cent.), average headcount, indemnities and overtime expenses.

Other operating expenses

This item primarily includes taxes other than income taxes, impairment losses on doubtful debts and other assets and other operating expenses. Total other operating expense increased by 27.3 per cent. to €359.9 million in the six months ended 30 June 2013 from €282.7 million in the six months ended 30 June 2012.

Other operating expenses from liberalised activities in Iberian Peninsula increased by 91.4 per cent. to €68.7 million in the six months ended 30 June 2013 from €35.9 million in the six months ended 30 June 2012. The publication of Law 15/2012, 27 December, led to a new tax rate of 7 per cent. on revenues from electricity generation in Spain from 1 January 2013, resulting in expenses of €29 million in the first half of 2013.

Other operating expenses from our distribution activities in Iberian Peninsula decreased by 2.0 per cent. to €153.5 million in the six months ended 30 June 2013 from €156.7 million in the six months ended 30 June 2013, mainly due to the concession rents paid by EDP Distribuição to the local authorities under the terms of the low tension electricity distribution concession contracts, as well as the rents paid to city councils where the power plants are located.

Other operating expenses in EDP Renováveis increased by 70.5 per cent. to €60.0 million in the six months ended 30 June 2013, driven by the new generation tax rate in Spain (as described above) which came into effect from 1 January 2013 (€18.5 million) and write-offs related to pipeline rationalisation.

Other operating expenses in EDP Brasil increased by 85.9 per cent. to €52.9 million in the six months ended 30 June 2013, mostly impacted by €25 million related to fines and penalties for the delay in the start of commercial activity at the Pecém power plant.

Provisions, depreciation and amortisation expenses

Provisions

Total consolidated provisions increased to €36.9 million as of 30 June 2013 from €6.8 million in 30 June 2012, mostly as a result of labour, legal and other contingencies in Brazil (€15.5 million) and contractual, legal and other contingencies in Spain (€22.1 million). During the second quarter of 2013, EDP reversed provisions of €5.3 million as a result of the termination of lawsuits with municipal councils in Portugal.

Depreciation and amortisation expense

Total consolidated depreciation and amortisation expense was virtually flat at €719.1 million in the six months ended 30 June 2013. The effect of the commissioning of new capacity addition at EDP Renováveis level, a new hydro power plant in Portugal (Alqueva II) and a new thermoelectric power plant in Brazil (Pécem I) were partially offset by the effect of the decommissioning of Setubal's power plant and the sale of Soporgen's cogeneration power plant and lower working hours at EDP's coal power plants in Spain (€13 million).

Compensation for depreciation and amortisation expense

This income is primarily related to new electricity connections made in prior years that were financed largely with customer payments, which are recorded as deferred income and, as these assets are depreciated, a portion of the amount is recorded as income and offset by a corresponding depreciation charge. The compensation of depreciation and amortisation expense increased slightly to €13.5 million in the six months ended 30 June 2013 from €13.1 million in the six months ended 30 June 2012.

Operating Results

As a result of the factors discussed above, EDP's consolidated operating results increased by €39.9 million to €1,214.3 million in the six months ended 30 June 2013 from €1,174.4 million in the six months ended 30 June 2012.

Gains and losses from the sale of financial assets

Gains and losses from the sale of financial assets decreased from €2.9 million in the six months ended 30 June 2012 to almost zero in the six months ended 30 June 2013, reflecting the sale of mini-hydro power plants in the first half of 2012 by EDP Renováveis.

Financial income

Financial income rose to €529.5 million in the first half of 2013 from €366.2 million in the first half of 2012. The increase reflected the positive impact of higher fair value of derivative financial instruments, such as gains obtained from the securitisation of tariff adjustments and also an increase in the interest income from tariff adjustments and tariff deficits, which more than offset the decrease in interest of the initial CMEC and lower foreign exchange gains.

Financial expenses

Financial expenses rose to €862.3 million in the first half of 2013 from €719.2 million in the first half of 2012. The increase reflected the negative impact of higher fair value of derivative financial instruments and an increase of interest expense on financial debt as a result of a higher average cost of debt and the increase in nominal financial debt.

Share of profit in associates

Share of profit of associates increased by €8.3 million to €18.8 million in the first half of 2013 from €10.5 million in the first half of 2012 due to results from EDP Renováveis subsidiaries, including EDP's equity stake in ENEOP Portugal (an increase of €6 million in the first half of 2013 versus the first half of 2012).

Income tax expense

In Spain, Law 16/2012, of 28 December ("Law 16/2012"), introduced a set of tax measures aimed at the reduction of the public deficit and the expansion of economic activity in Spain. The main measures that impact the Group subsidiaries located in Spain are the following:

- Limit of 70 per cent. on taxes deductible for amortisation and depreciation of intangible and tangible assets and investment properties for tax years 2013 and 2014. Therefore, the amortisation and depreciation that is not deductible for tax purposes in 2013 and 2014 may be deducted on a straightline basis over a 10-year period or over the remaining useful life of the corresponding assets from tax year 2015 onwards; and

- Enabling companies to re-evaluate their tangible assets and investment properties based on pre-defined coefficients. According to the law, the effect of the re-evaluation will be taxable in 2013 at a single rate of 5 per cent. over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (re-evaluation) will be tax deductible for the re-evaluated assets' remaining useful lives.

The fiscal re-evaluation of the assets held by EDP in Spain in accordance with Law 16/2012, does not have any accounting impact but led to an increase of the assets' tax basis of €542 million. Therefore, the Group recognized deferred tax assets of €160 million, which will be recovered through the tax deduction of the assets' increased depreciation starting on 1 January 2015 and continuing for the assets' remaining useful lives. The effect of the re-evaluation will be taxed in 2013 at a 5 per cent. flat rate, which was recognized in the first half of 2013 under current income tax in the total amount of €27 million. Consequently, the net effect of this re-evaluation on net income for the first half of 2013 was approximately €133 million.

Income tax expense includes current and deferred tax. EDP's income taxes provision is determined on the basis of the estimated taxable income for the period.

Current income 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. Current income taxes provided in the first half of 2013 were €289.6 million, which compares with €44.6 million in the first half of 2012, mostly as a result of tariff deficit securitisations in Portugal in first half of 2013 (implying a rise in current income tax and a decrease in deferred tax in the same amount) and also the mentioned fiscal re-evaluation of EDP assets held in Spain.

Deferred tax is 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 are expected to be applied when the temporary difference is reversed. Deferred tax liabilities are recognized for all taxable temporary differences except for goodwill, which is 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 they will probably not reverse in the foreseeable future. Deferred tax assets are recognized to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes. Deferred tax in the first half of 2013 was -€99.6 million compared with €114.3 million in the first half of 2012 due to the impact of the fiscal re-evaluation of EDP assets held in Spain as a result of Law 16/2012 and the tariff deficit securitisation in the first half of 2013, which resulted in a decrease in deferred tax and an increase in current income tax in the same amount.

EDP's effective tax rate is different from the nominal tax rate each year, due to non-deductible provisions and amortisations for tax purposes, tax credits, tax exempt dividends, tax benefits, financial investments in associates and subsidiaries, other adjustments and changes in estimates, state surcharge and fair value of financial instruments and financial investments. EDP's effective tax rate was 21.1 per cent. in the first half of 2013 compared to 19.0 per cent. in the first half of 2012 primarily due to the impact of the accounting re-evaluations due to changes in Spanish tax law in the first half of 2013, which more than offset higher tax losses and tax credits and a higher tax differential, including state surcharge.

Consolidated net income

As a result of the factors described above, EDP's consolidated net income in the six months ended 30 June 2013 increased 3.7 per cent. to €603.2 million from €581.8 million in the six months ended 30 June 2012.

YEAR ENDED 31 DECEMBER 2012 COMPARED WITH YEAR ENDED 31 DECEMBER 2011

Turnover

EDP's total turnover in 2012 increased 8.1 per cent. to €16,339.9 million from €15,120.9 million in 2011. This was mainly due to increases in turnover from: (i) regulated networks, reflecting an increase in the rate of return on our Portuguese regulatory asset base ("RAB") from 8.56 per cent. in 2011 to 10.05 per cent. in 2012; and (ii) EDP Renováveis, reflecting a 6 per cent. increase in installed capacity, stable average load factor in 2012 (at 29 per cent.) and a higher average selling price (an increase of 10 per cent. year-on-year to €63/MWh in 2011, following the ongoing positive performance in all of the regions where EDP Renováveis operates).

Turnover in long-term contracted generation in the Iberian Peninsula increased by 5.6 per cent. to €1,553.8 million in 2012 from €1,470.8 million in 2011. This increase reflects an increase of 5.0 per cent. of PPA/CMEC turnover due to a positive impact from inflation adjustments, higher-than-contracted availability at our CMEC plants, and the commissioning of Sines DeNOx facilities. The PPA/CMEC is based on real pre-tax return on assets of 8.5 per cent. and is divided into three components: (i) revenues in the market, resulting from the sale of electricity in the Iberian wholesale market and including both ancillary services and capacity payments; (ii) annual deviation equivalent to the difference between CMEC's initial assumptions made in 2007 (outputs, market prices, fuel and CO_2 costs) and real market data–this annual deviation is recovered by EDP, through regulated tariffs charged to electricity customers, on a recovery timeline that can take up to two years after the deviation has occurred; and (iii) PPA/CMEC accrued income, reflecting the differences in the period, in terms of cash flow profile, between PPA and CMEC assumed at the beginning of the system in July 2007. The annual deviation between gross profit under CMECs assumptions and gross profit under actual market conditions increased by 109 per cent. to €491 million in 2012, propelled by very dry weather (hydro production factor fell 52 per cent. short of an average year). The deviation at our hydro plants amounted to €272 million in 2012, driven by an output 54 per cent. below the CMEC's reference, an average realised price in line with the CMEC's reference and availability rates at our plants 4 per cent. above contracted level. The deviation at thermal plants in 2012 amounted to €219 million and derived from an average clean dark spread 48 per cent. short of CMEC's reference, while availability rates and output levels exceeded the CMEC reference by 7 per cent. and 2 per cent. respectively.

Turnover in the Iberian Peninsula from liberalised activities increased by 0.5 per cent. to €8,269.4 million in 2012 from €8,226.0 million in 2011. Turnover in Iberian Peninsula liberalised activities benefited from an increase of 7.5 per cent. in Iberian Peninsula supply activities, which offset a 6.8 per cent. decrease in liberalised

electricity generation in the Iberian Peninsula market. Turnover in Iberian Peninsula supply activities amounted to €5,256.4 million as a result of an increase of 9.2 per cent. in the average selling price to retail clients from €56.6/MWh to €61.8/MWh and a rise of 8 per cent. year-on-year to 9.9TWh in 2012 in volumes supplied to electricity clients in the liberalised market in Portugal, which was attributable to some large industrial clients contracting in mid-2011 and a strong increase (3.1x) in our B2C electricity client base attributable to the current liberalisation process. This volume increase offset a 5 per cent. decrease to 19.5TWh in volumes supplied to electricity clients in the liberalised market in Spain. Overall, the number of clients supplied increased by 10 per cent. year-on-year, which is consistent with EDP's strategy to focus on the most attractive clients, even at lower volumes, therefore reducing the risk of the company's client portfolio.

Turnover in Iberian Peninsula regulated networks increased by 13.9 per cent. to €6,376.5 million in 2012 from €5,598.9 million in 2011. Turnover in electricity distribution and last resort supply in Portugal increased by 15.4 per cent. to €5,804.7 million in 2012. This increase was a result of: (i) sale by the last resort supplier of all special regime volumes in the spot market, (ii) a positive impact of €44 million due to an increase of return on RAB (from 8.56 per cent. in 2011 to 10.05 per cent. for 2012) and (iii) an increase in regulatory receivables recognised in Portugal in 2012, which were €1,543.2 million, 109 per cent. higher than 2011 (due to extreme dry weather in 2011, 48 per cent. of a normal hydro year in Portugal). Following the switching of clients to liberalised suppliers, these factors were offset by a 13 per cent. decrease of last resort supplier regulated revenues to €93 million in 2012 following the switching of clients to liberalised suppliers, in line with the increasing liberalisation of the Portuguese electricity supply market. Volume of electricity supplied by our last resort supplier fell 20 per cent. year-on-year to 19.8TWh and, as a result, market share in electricity supply dropped from 53 per cent. in 2011 to 44 per cent. in 2012. Turnover in electricity distribution in Spain decreased by 9.4 per cent. to €164 million in 2012 due to the negative impact from Royal Decree-Law no. 13/2012, which caused a decrease in regulated revenues in Spain in 2012. Turnover in Iberian Peninsula gas distribution networks increased by 4.7 per cent. to €407.8 million in 2012, supported by a 15 per cent. increase in the volume of gas distributed in Spain through the distribution network to 55.8 GWh, which was mostly driven by the connection to our network of a new Repsol refinery in Cartagena (Murcia region), a 1 per cent. increase in the number of supply points and a 2 per cent. increase of our network's extension. In Portugal, gas volumes distributed increased 3 per cent. year-on-year, supported by the 7 per cent. year-on-year increase in the number of supply points justified by a systematic effort to achieve client connection to existing grids in the region operated by EDP.

Turnover in EDP Renováveis increased by 19.2 per cent. to €1,182.3 million in 2012 from €991.8 million in 2011. Installed capacity rose 6 per cent. year-on-year (an increase of 440MW from 2011) to 7.6 GW by December 2012. Average load factor was stable at 29 per cent. and average selling prices increased 10 per cent. year-on-year to €63/MWh, with all of the regions where EDP Renováveis operates showing positive contributions (in local currency: Europe, an increase of 7 per cent., United States, an increase of 3 per cent. and Brazil, an increase of 3 per cent.).

Turnover in Brazil increased by 8.7 per cent. to €2,514.3 million in 2012 from €2,312.9 million in 2011. In generation activity, turnover increased by 15.4 per cent. to €542 million in 2012 due to a 13 per cent. increase in electricity volumes sold, reflecting the increase in the installed capacity, and a 6 per cent. increase in the average selling price in 2012, which was helped by the update of prices for inflation. Almost all of EDP Brasil's installed capacity is contracted under PPA long term contracts. In distribution activity, turnover decreased by 0.2 per cent. to €1,681.3 million, primarily due to a 7.3 per cent. negative foreign exchange impact. In local currency, turnover increased by 7.6 per cent. to R$4,217.4 million due to a 3.2 per cent. increase of volume of electricity sold year-on-year, reflecting an increase in the residential, commercial and other segments of 6 per cent., as a result of the 3.6 per cent. increase in the number of clients and also increased consumption of electricity *per capita*. The industrial segment partially offset these increases with a 4.8 per cent. decline due to lower industrial activity in Bandeirante, as well as migration of clients to the free market. Electricity distributed rose 1.5 per cent. in 2012, primarily due to lower volumes of energy distributed to clients in the free market. Bandeirante's regulatory review for the period 2011-15 was approved in October 2012 by ANEEL and included a 7.29 per cent. increase in Bandeirante's tariff for the period from October 2012 to October 2013, which already included the impact of regulatory review. Regarding Escelsa, in August 2012, ANEEL set a 14.29 per cent. tariff increase for the period from August 2012 to August 2013 following the annual tariff readjustment process. In supply activity, turnover increased by 36.4 per cent. to €536 million due to a 14 per cent. increase in volumes supplied.

Cost of electricity

EDP's total consolidated cost of electricity increased by 14.6 per cent. to €8,392.2 million from €7,320.4 million due to: (i) a 19 per cent. increase in electricity distribution and last resort supply in Portugal driven by higher

volumes of special regime production and (ii) a 33 per cent. increase in Brazil due to higher energy, transmission and sector costs.

Cost of electricity in Iberian Peninsula liberalised activities decreased by 2.0 per cent. to €5,104.6 million in 2012 from €5,207.6 million in 2011 primarily due to lower output and a flat average sourcing cost in 2012. Volumes sold totalled 44TWh in 2012 (a decrease of 7.8 per cent. from 2011), reflecting a lower contribution from the wholesale market (a decrease of 17 per cent. from 2011) and lower sales to retail clients (a decrease of 1.5 per cent. from 2011). Generation output met 29 per cent. of total electricity needs, following a 15 per cent. decline in net output prompted by CCGT plants (a decrease of 55 per cent. from 2011). Conversely, output from our coal plants rose by 25 per cent., mainly driven by the competitive cost of our plants (backed by lower coal and CO_2 costs, the use of blast furnace gases and increased efficiency). The average sourcing cost was almost flat in 2012, as higher generation costs (an increase of 4.4 per cent. from 2011, prompted by more intense hydro pumping activity) were offset by higher contribution from cheaper electricity purchases.

Cost of electricity in Iberian Peninsula regulated networks increased by 19 per cent. to €4,435.7 million in 2012 from €3,727.4 million in 2011 due to higher volumes of special regime production that must be bought by the last resort supplier and 6.9 per cent. higher cost of special regime production in 2012 (€112.4/MWh versus €105.2/MWh).

Cost of electricity in Brazil increased by 33 per cent. to €1,704.6 million in 2012 from €1,284.9 million in 2011 due to the negative contribution in generation activity of Pecém's coal plant prompted by the delay in its commercial operation, which obliged us to purchase energy in the spot market where the prices increased due to the extremely dry weather. Distribution activity faced higher energy, transmission and sector costs that were impacted by higher electricity spot prices on the back of dry weather. In supply activity, cost of electricity increased by 40 per cent. to €527.7 million due to the 14 per cent. increase in volumes sold.

Cost of gas

Cost of gas increased by 3.6 per cent. to €1,375.8 million in 2012 from €1,328.1 million in 2011, mainly due to a 3.2 per cent. increase in Iberian Peninsula liberalised activities. In Portugal, cost of gas in supply activity decreased by 38 per cent. to €307.7 million due to a 10 per cent. decrease in volumes supplied, reflecting lower demand and a competitive market, namely in the B2B segment. In Spain, cost of gas in supply activity increased by 11.5 per cent. to €1,436.0 million due to a 14 per cent. increase in the price of gas.

Changes in inventories and cost of raw materials and consumables used

Changes in inventories and cost of raw materials and consumables used increased by 10.4 per cent. to €1,143.6 million in 2012 from €1,035.9 million in 2011, primarily due to an increase in long-term contracted generation in Iberian Peninsula resulting from a 26 per cent. increase in our Sines coal plant output (8,647 GWh in 2012 versus 6,879 GWh in 2011).

Other Operating Income/(Expenses)

EDP's total consolidated other operating income/(expenses) increased by 7.1 per cent. to €1,799.7 million in 2012 from €1,680.9 million in 2011, due to increases in personnel costs and employee benefits, supplies and services and other operating expenses and a decrease in other operating income.

Other operating income

Total other operating income decreased by 5.9 per cent. to €390.0 million in 2012 from €414.3 million in 2011.

Other operating income in Iberian Peninsula regulated networks decreased by 48.9 per cent. to €91.0 million in 2012, primarily due to a €21 million intra-group real estate gain in Portugal in the second quarter of 2011 (no impact at consolidated level) and a €27 million gain from the sale of Spanish electricity transmission assets to REE in the first quarter of 2011. Other operating income in 2011 was also positively impacted by higher income related to the application of IFRIC 18, which recognised the assets received from customers ensuring their direct access to the energy distribution network as assets at fair value against operating income and amortised through their useful lives, to electricity distribution in Spain (€37.3 million in 2012 compared to €47.7 million in 2011).

Other operating income in Brazil increased by €73.0 million to €90.8 million in 2012, reflecting a gain from the remeasurement of IFRIC 12 indemnification payable to distribution concessions in respect of assets that were not

fully amortised at the end of the concession period, namely Bandeirante and Escelsa (an increase of R$102 million in 2012 from 2011), and the gain generated by the sale of Evrecy's electricity transmission assets (an increase of R$31 million in 2012 from 2011).

Supplies and services

These costs consist of supplies and services provided to us by external suppliers, including external maintenance and repairs, specialised services, communication, rentals, insurance and other services. External maintenance and repairs consist of work on our power plants, substations and transmission and distribution networks that we subcontract. Other specialised services include technical services such as auditing, legal, consulting and revenue collection services. Communication services include telecommunications, post, delivery and courier services. Total consolidated supplies and services increased 3 per cent. to €928.3 million in 2012 from €901.0 million in 2011.

Supplies and services in Iberian Peninsula liberalised activities increased by 3.9 per cent. to €272.8 million in 2012 from €262.6 million in 2011, driven by higher costs of client services (call centre and billing, among others), in line with the increase of our client base and with the growing liberalisation process.

Supplies and services in Iberian Peninsula regulated networks decreased by 1.1 per cent. to €421.7 million in 2012, due to a decrease in needs for maintenance and repair works reflecting favourable dry weather in the Iberian Peninsula in 2012. In 2011, insurance compensation had a higher impact in electricity distribution in Portugal due to bad weather.

Supplies and services in EDP Renováveis increased by 16.3 per cent. to €261.8 million in 2012 from €225.1 million in 2011 due to higher operation and maintenance expenses as a result of a stronger U.S. dollar and higher average capacity in operation.

Supplies and services in Brazil decreased by 4 per cent. to €177.1 million in 2012. In local currency terms, supplies and services rose 4 per cent., below inflation of 7.8 per cent. as a result of the replacement of external services by internal staff.

Personnel costs and employee benefits

Total consolidated personnel costs and employee benefits, which consist mainly of wages, salaries, social security and employee benefits expenses, increased by 5.8 per cent. to €671.5 million in 2012 from €634.9 million in 2011.

Personnel costs and employee benefits in long-term contracted generation in Iberian Peninsula increased by 14.2 per cent. to €90.4 million in 2012 from €79.1 million in 2011 due to restructuring costs associated with the decommissioning of the Setubal power plant.

Personnel costs and employee benefits in Brazil increased 4.2 per cent. to €126.6 million in 2012. In local currency terms, personnel costs increased by 8 per cent., reflecting mostly the annual salary update increase of 7.3 per cent. by November 2011 and an additional 1.0 per cent. by January 2012, as well as higher average headcount. Costs for social benefits increased, impacted by HR restructuring costs.

Other operating expenses

This item primarily includes taxes other than income taxes, impairment losses on doubtful debts and other assets and other operating expenses. Total other operating expenses increased by 5.5 per cent. to €589.9 million in 2012 from €559.3 million in 2011.

Other operating expenses from our regulated networks in the Iberian Peninsula increased by 6.4 per cent. to €313.3 million in 2012 from €294.4 million in 2011, primarily due to the concession rents paid by EDP Distribuição to the local authorities under the terms of the low tension electricity distribution concession contracts, as well as the rents paid to city councils where the power plants are located.

Other operating expenses in EDP Renováveis increased by 29.2 per cent. to €86.2 million in 2012, driven by positive foreign exchange impacts due to the stronger U.S. dollar, higher taxes (Spain and France) and grid access fees (Spain), and further write-offs related to pipeline rationalisation.

Provisions, depreciation and amortisation expenses

Provisions

Total consolidated provisions increased to €16.1 million in 2012 from €0.7 million in 2011, primarily due to the positive impacts in 2011 of the reduction of provisions for the financial stake in Elcogás and provisions for accrued contingencies being larger than the fines that were ultimately imposed by the competition authority in resolution of various investigations.

Depreciation, amortisation expense and impairment

Total consolidated depreciation and amortisation expense decreased by 1.5 per cent. to €1,493.9 million from €1,517.2 million as a result of the extension of the useful life of the wind farms (from 20 to 25 years, from April 2011), which more than offset the impact from: (i) €53 million of impairments at EDP Renováveis' level (versus €41 million in 2011) and (ii) the comissioning of several new wind farms, two new hydro plants in Portugal in the fourth quarter of 2011 and the DeNOx facilities at Sines' coal plant in Portugal from January 2012.

Compensation for depreciation and amortisation expense

This income is primarily related to new electricity connections made in prior years that were financed largely with customer payments. These are recorded as deferred income and, as these assets are depreciated, a portion of the amount is recorded as income and offset by a corresponding depreciation charge. The compensation of depreciation and amortisation expense decreased to €24.9 million in 2012 from €29.7 million in 2011.

Operating Results

As a result of the factors discussed above, EDP's consolidated operating results decreased €124.0 million to €2,143.4 million in 2012.

Gains and losses on sale of financial assets

Gains and losses on the sale of financial assets decreased by €18.1 million to €2.8 million in 2012 from €20.9 million in 2011. The 2011 gains reflected the sale by EDP Renováveis of a 16.7 per cent. stake in SEASA (wind farms in Spain) in the first half of 2011 and the sale of 7.7 per cent. of Ampla Energia e Serviços and Ampla Investimentos e Serviços in Brazil to Endesa in the second half of 2011.

Financial income

Financial income decreased to €731.7 million in 2012 from €818.8 million in 2011. The decrease reflected the negative impact of a lower fair value of derivative financial instruments, lower interest income from bank deposits and investments, lower foreign exchange gains and a decrease in interest of the initial CMEC.

Financial expenses

Financial expenses decreased by 6.3 per cent. to €1,436.9 million in 2012 from €1,534.2 million in 2011, reflecting lower impairment losses in our financial stake in BCP (€5 million in 2012 versus €58 million in 2011) and lower foreign exchange losses. These impacts more than offset the 4 per cent. increase in interest expense on financial debt prompted mostly by the increase in nominal financial debt.

Share of profit in associates

Share of profit in associates increased €4.3 million to €23.8 million in 2012 from €19.5 million in 2011 following a 37 per cent. increase in the results of CEM (China/Macao) to €12.6 million. Results from EDP Renováveis subsidiaries include our equity stake in ENEOP Portugal (€4.1 million in 2012 vs. €2.2 million in 2011) and in the Spanish wind farm Sierra del Madero (€2.0 million in 2012 vs €1.4 million in 2011).

Income tax expense

Income tax expense includes current and deferred tax. Our income tax provision is determined on the basis of the estimated taxable income for the period.

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

provided in 2012 were €154.0 million compared with €187.5 million in 2011. Law 12-A/2010 of 30 June 2010, approved additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact, namely the introduction of a state surcharge, corresponding to 2.5 per cent. of the taxable income exceeding €2.0 million. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount was increased to 29 per cent.

In Portugal, Law no. 64-A/2011, of 30 December, modified the state surcharge referred to above as follows: (i) at a rate of 3 per cent. over taxable income in the range of €1.5 million to €10 million, and (ii) at a rate of 5 per cent. over taxable income exceeding €10 million. Law no. 66-B/2012, of 31 December, adjusted the state surcharge, which now applies: (i) at a rate of 3 per cent. over taxable income in the range of €1.5 to €7.5 million, and (ii) at a rate of 5 per cent. over taxable income exceeding €7.5 million. In accordance with no. 4 of Article 116º of Law 64-B/2011, such modification applies for a two year period starting 1 January 2012. Accordingly, during 2012 and 2013, the corporate income tax rate in Portugal applicable to entities with taxable income exceeding €7.5 million will be 31.5 per cent.

In Spain in August 2011, Royal Decree-Law no. 9/2011 was approved, introducing a set of amendments to Spanish income tax legislation. From 1 January 2012, the period for offsetting prior years' tax loss carry forwards was extended from 15 to 18 years. Royal Decree-Law no. 12/2012, published on 31 March, provides for the implementation of a set of measures aimed to reduce the public deficit. These measures include a general limitation on the deduction of net financial expenses to 30 per cent. of adjusted operational profit. The amount of financial expenses that exceed this 30 per cent. limitation may be deducted, along with interest incurred thereon, in the following 18 years, provided that the 30 per cent. limit is not exceeded in any such year. Additionally, the maximum annual rate of goodwill amortisation is established at 1 per cent. of adjusted operating profit for the tax years of 2012 and 2013.

Royal Decree-Law no. 20/2012, which was approved in July, introduced a new set of temporary measures regarding Spanish corporate income tax legislation. The main measures are the change of the method for the calculation of payments on account due from large-sized companies in the years 2012 and 2013 and the amendment of the limits to the deductibility of tax loss carry forwards for the years 2012 and 2013:

- Companies whose previous year income was between €20 million and €60 million can only deduct tax losses up to the limit of 50 per cent. of their taxable income, whereas the limit for such companies was previously 75 per cent. of taxable income; and,

- Companies whose previous year income exceeded €60 million can only deduct tax losses up to the limit of 25 per cent. of their taxable income, whereas the limit for such companies was previously 50 per cent. of taxable income.

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 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. Deferred taxes in 2012 were €128.5 million compared with €72.9 million in 2011.

EDP's effective income tax rate is different from the nominal tax rate each year, due to non-deductible provisions and amortisations for tax purposes, tax credits, tax exempt dividends, tax benefits, financial investments in associates and subsidiaries, other adjustments and changes in estimates, differences between tax and accounting gains/losses, autonomous taxation and tax benefits, state surcharge and fair value of financial instruments and financial investments. EDP's effective tax rate was 19.3 per cent. in 2012, compared to 16.4 per cent. in 2011, primarily as a result of lower tax losses, tax credits and tax benefits in 2012, and also from a higher state surcharge in 2012.

Consolidated net profit

As a result of the factors discussed above, EDP's consolidated net profit in 2012 decreased to €1,182.2 million in 2012 from €1,332.0 million in 2011.

YEAR ENDED 31 DECEMBER 2011 COMPARED WITH YEAR ENDED 31 DECEMBER 2010

Turnover

EDP's total turnover in 2011 increased 7 per cent. to €15,120.9 million from €14,170.7 million in 2010. This performance was mainly due to the increase in electricity sold in electricity generation in Iberian Peninsula and gas sold in Spanish gas activity.

Turnover in the Iberian Peninsula generation business increased 16 per cent. due to a 17 per cent. increase in the average selling price to €57.5/MWh, which offset the 2.3 per cent. decrease in electricity volumes. In addition, from 2011 onwards, the power plants in the liberalised market in Portugal started receiving a capacity payment in the amount of €20/kW/year, as was the case in Spain. In January 2011, we commissioned the DeNox facilities in half of the Sines coal plant groups.

Turnover in the Iberian Peninsula distribution segment decreased by 1 per cent.. In Portugal, turnover of electricity distribution decreased by 1 per cent. due to the decrease in the volumes of electricity distributed by 2.8 per cent. The decreased volumes reflected a lower level of demand in the residential and SME segment. In Spain, turnover of electricity distributed decreased by 2 per cent. impacted by the loss of transmission revenues, an activity sold in first quarter of 2011 to REE. This reduction was partially offset by the 2.2 per cent. increase in the volumes of electricity distributed in the Asturias region, supported by a higher number of clients (an increase of 1 per cent. from 2010) and also by strong growth in electricity demand in the industrial segment (an increase of 6 per cent. from 2010).

Turnover in Iberian Peninsula supply activities reflects the increase in volumes sold in Portugal (an increase of 4 per cent. from 2010) and in the average selling price (an increase of 7.1 per cent. from 2010). In Spain, volumes supplied grew 1 per cent. and the average selling price rose 13 per cent. due to higher fuel costs and drier weather in 2011 compared to 2010.

Turnover in Iberian Peninsula gas activities increased 28 per cent. This growth reflected the increase in network connection fees in Spain and also the recovery of tariff deviation from previous years and the beginning of the accounting of tariff deviation in the period in Portugal. In Spain, the increase in revenues reflected the update on the tariff parameters of the price index. The increase in revenues in distribution was due to growth of 6 per cent. in distributed gas volumes, an increase of 1 per cent. in the number of supply points and also reflected a 2 per cent. increase in area covered by our network. Revenues in regulated gas transmission increased as a result of inflation adjustments and also due to an increase in the size of our network, including a new gas pipeline from Corbera-Tamon. In Portugal, revenues rose 14 per cent. due to 10 per cent. growth in the number of supply points as a result of the 8 per cent. extension in the distribution network and a 4 per cent. increase in the volumes of gas distributed.

Turnover in the wind generation business grew 17 per cent., reflecting an 11 per cent. increase in installed capacity to 7,157MW at December 2011, which led to the 17 per cent. increase in the electricity generated. The average selling price of energy fell 1.3 per cent. to €57.7/MWh.

Turnover in the Brazilian business increased by 8 per cent. due to a 2.8 per cent. increase in the volume of electricity sold. Electricity distributed rose 3.3 per cent. in 2011. In the generation business, the installed capacity increased 55MW, resulting in a 1 per cent. increase in the volumes of energy sold. The average selling price rose 8 per cent., primarily reflecting contract prices being updated for inflation.

Cost of electricity

Total costs of electricity increased by 8 per cent. in 2011 to €7,320.4 million from €6,808.3 million in 2010 as a result of the cost increase in Iberian Peninsula and Brazilian electricity generation.

Cost of electricity in the Iberian Peninsula generation business rose 30 per cent., reflecting a 26 per cent. increase in the average cost of electricity sold, and was driven by higher generation costs (an increase of 12 per cent. from 2010), which were the result of a more expensive generation mix (owing to scarcer hydro resources), higher fuel costs and a higher cost of electricity purchases (an increase of 31 per cent. from 2010). The higher cost of electricity purchases was driven by higher pool prices.

Cost of electricity in Iberian Peninsula distribution activities decreased 1 per cent. due to a reduction in the volumes of distributed electricity in Portugal.

Cost of electricity in Brazil increased by 9 per cent. as a consequence of the increase in the electricity distributed volumes and the increase of 20 per cent. in the volumes sold in supply activity.

Cost of gas

Total cost of gas rose 40.5 per cent. in 2011 to €1,328.1 million from €945.3 million in 2010, due to the increase of 5.9 per cent. in the volume of gas distributed, which offset the 5 per cent. drop in the gas volumes supplied. On the other hand, the increase in the cost of gas reflects foreign exchange impacts and the 40 per cent. increase in the cost of Brent crude oil in 2011.

Changes in inventories and cost of raw materials and consumables used

Changes in inventories and cost of raw materials and consumables used went up by 2 per cent. to €1,035.9 million in 2011 from €1,012.9 million in 2010, reflecting the 12 per cent. increase in the average production cost to €39/MWh. Despite the 11 per cent. decrease in the electricity generated in the liberalised market due to the 27 per cent. decrease in electricity generated from the CCGT plants (a decrease of 2,516GWh from 2010), the coal plants' generation increased by 26 per cent. (an increase of 1,110GWh from 2010), causing the average production cost from these power plants to increase by 17 per cent.

Other operating income/(expenses)

The total consolidated other operating income/(expenses) declined 1 per cent. in 2011 to €1,680.9 million from €1,706.2 million.

Other operating income

Total other operating income increased by 29 per cent. in 2011 to €414.3 million from €320.9 million in 2010. The increase was primarily the result of a gain related to the sale of transmission assets to REE of €27 million, the increase of the income related to the application of IFRIC 18 and the revaluation of assets and liabilities from EDP Renewables Itália, which gave rise to a gain related to the reduction in the estimated amount payable to the minority shareholder in respect of their put option and consideration contingent on the successful implementation of projects underway.

Supplies and services

These costs consist of supplies and services provided to us by external suppliers, including external maintenance and repairs, specialised services, communication, rentals, insurance and other services. External maintenance and repairs consist of work on our power plants, substations and transmission and distribution networks that we subcontract. Other specialised services include technical services such as auditing, legal, consulting and revenue collection services. Communication services include telecommunications, post, delivery and courier services. Total consolidated supplies and services increased 4 per cent. in 2011 to €901.0 million from €862.3 million in 2010 mainly due to the increase in wind generation operations.

Supplies and services in the Iberian Peninsula generation business increased by 2.6 per cent. to €158 million in 2011 from €154 million in 2010 as a consequence of the launch of operations in the repowering hydro plants of Picote II (246MW) and Bemposta (191MW).

Supplies and services in the Iberian Peninsula distribution segment decreased by 2.3 per cent. to €367.5 million in 2011 from €376.0 million in 2010 mainly due to a decrease in operation and maintenance costs.

Supplies and services of the Iberian Peninsula supply business rose by 6.4 per cent. to €172.5 million in 2011 from €162.1 million in 2010 due to increased competition, which required an increase in client services and marketing costs.

Supplies and services in Iberian Peninsula gas activities dropped by 6 per cent. to €64.8 million in 2011 from €69.2 million in 2010 due to a reduction in information technology costs.

Supplies and services in the wind generation segment rose 15 per cent. to €225.1 million in 2011 from €196.2 million in 2010 due to an 11 per cent. increase in installed capacity, which resulted in an increase in operation and maintenance expenses.

Supplies and services in Brazil grew 7.5 per cent. to €184.5 million in 2011 from €171.7 million in 2010 due to the increase of network maintenance costs related to additional grid loss reduction and improvement in the

quality of service programs, with Bandeirante assuming particular importance due to the third cycle tariff revision in 2012.

Personnel costs and employee benefits

Total consolidated personnel costs and employee benefits declined 1 per cent. in 2011 to €634.9 million from €643.5 million in 2010, primarily due to the 22 per cent. decrease in Iberian Peninsula distribution costs, mirroring the reduction of the number of employees by 124 and also due to an increase in capitalised costs. This decrease was offset in part by increased costs in Iberian Peninsula supply and wind generation activity related to the expansion of its operations and by the restructuring costs related mainly to the decommissioning process of the Carregado power plant.

Other operating expenses

This item primarily includes taxes other than income taxes, impairment losses on doubtful debts and other assets and losses on fixed assets. Other operating expenses increased by 7 per cent. in 2011 to €559.3 million from €521.4 million in 2010 due to the cost increases in Iberian Peninsula generation, wind generation and Brazilian distribution businesses.

Other operating expenses in the Iberian Peninsula generation segment increased by 41 per cent. to €58.1 million in 2011 from €41.2 million in 2010 due to the effect of the implementation of Royal Decree-Law no. 14/2010 (measures to reduce the tariff deficit) in Spain.

Other operating expenses in wind generation activity increased 17.2 per cent. to €66.7 million in 2011 from €56.9 million in 2010 as a result of write-offs related to pipeline rationalisation.

Other operating expenses in Brazil increased by 49.3 per cent. to €59.7 million in 2011 from €40.0 million in 2010 mainly in electricity distribution as a result of write-offs on metering equipment and also due to the reclassification in 2011 of the recovery of fiscal credits related to depreciation costs to net depreciation and amortisation.

Provisions, depreciation and amortisation expenses

Provisions

Total consolidated provisions decreased by 99 per cent. in 2011 to €0.7 million from €103.6 million in 2010, reflecting write-backs primarily related to favourable resolutions of legal disputes in Spain, which offset the increase of provisions in Brazil arising out of a pending litigation with a client related to alleged reflections of tariff increases during the Cruzado plan period in the 1980s. The total consolidated provisions in 2010 also included €85 million related to unfavourable contracts with clients in Portugal and Spain.

Depreciation, amortisation expense and impairment

Total consolidated depreciation and amortisation expense increased by 3 per cent. in 2011 to €1,517.2 million from €1,469.0 million in 2010, reflecting a 6 per cent. increase in the installed capacity in the Iberian generation and wind generation segments and the re-valuation of some assets and liabilities at EDP Renováveis in Europe, which offset the extension of the useful life of the wind farms from 20 to 25 years in April 2011 and of several other plants in Portugal in the fourth quarter of 2010 and the impact resulting from fiscal benefits regarding depreciation costs in the generation and distribution businesses in Brazil. In 2011, there was an impairment loss of EDP Renewables Itália Group of €34.7 million resulting from the assessment of the recoverability of these assets based on the update of the assumptions in the estimates of MW to install and future energy prices.

Compensation from depreciation and amortisation expense

This income is primarily related to new electricity connections made in previous years that were financed largely with customer payments, which are recorded as deferred income and, as these assets are depreciated, a portion of the amount is recorded as income and offset by a corresponding depreciation charge. The compensation of depreciation and amortisation expense increased in 2011 to €29.7 million from €22.3 million in 2010.

Operating Results

As a result of the factors discussed above, our consolidated operating results increased by €119.6 million to €2,267.4 million in 2011.

Gains and losses on the sale of financial assets

Gains and losses on the sale of financial assets declined 66 per cent. in 2011 to €20.9 million from €60.8 million in 2010. In April 2011, EDP Renováveis sold its 16.7 per cent. stake in Sociedade Eólica de Andalucia, S.A., which owns a 74MW wind farm operating in Spain, which generated a capital gain of €9 million and, in October 2011, EDP completed the sale of a 7.7 per cent. stake in Ampla Energia e Serviços and Ampla Investimentos e Serviços, S.A. in Brazil to Endesa, which generated a capital gain of €10 million. In October 2010, EDP sold its 21 per cent. stake in Distribución Eléctrica CentroAmérica Dos – DECA II (Guatemala) to Empresas Públicas de Medellín, generating a gain of €57 million, among other investments sold.

Financial income

Financial income decreased by 0.2 per cent. in 2011 to €818.8 million from €820.7 million in 2010 due to lower gains in derivatives related to hedging in the energy markets, which offset a 3 per cent. increase in interest income due in part to the 9 per cent. increase in cash and equivalents and higher interest rates on bank deposits.

Financial expenses

Financial expenses increased 10.3 per cent. in 2011 to €1,534.2 million from €1,391.0 million in 2010, primarily due to a 13 per cent. increase in interest expense from financial debt due to the increase in the average cost of debt following the increase in short term interest rates, higher financial debt, an impairment in the BCP investment and foreign exchange losses, which offset the decreased costs attributable to derivative financial instruments.

Share of profit in associates

Share of profit in associates declined 17 per cent. in 2011 to €19.5 million from €23.5 million in 2010 since EDP sold its stake in DECA II (Guatemala) in October 2010 to Empresas Públicas de Medellín.

Income tax expense

Income tax expense includes current and deferred tax. Our income taxes provision is determined on the basis of the estimated taxable income for the period.

Current income taxes provided in 2011 were €187.5 million compared with €186.3 million in 2010.

Deferred tax in 2011 was €72.9 million compared with €240.9 million in 2010.

Our effective income tax rate is different from the nominal tax rate in 2011 due mostly to tax losses, tax credits and tax benefits, differences between tax and accounting gains and losses, fair value of financial instruments, state surcharge and financial investments and other adjustments, tax differencial and changes in estimates. In 2010, the main reasons for the difference between the effective tax rate and the nominal tax rate arise from dividends, tax benefits, non deductible provisions and amortisations for tax purposes, financial investments in associates and subsidiaries and a state surcharge. Our effective tax rate was 16.4 per cent. in 2011, compared with 25.7 per cent. in 2010 due primarily to higher tax losses, tax credits and tax benefits in 2011.

Consolidated net profit

As a result of the factors discussed above, our consolidated net profit rose 7.9 per cent. to €1,332.0 million in 2011 from €1,234.6 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

EDP expects that cash generated from operations and existing credit facilities is sufficient to meet its working capital needs for the next 12 to 24 months. EDP currently expects that its planned capital expenditures and investments will be primarily financed from internally generated funds, together with existing credit facilities and customer contributions, which may be complemented with medium or long-term debt financing and equity financing, in accordance with applicable laws and regulations and market conditions.

Funding activities for most of the EDP Group are centralised at the EDP S.A. and EDP Finance B.V. level, except with respect to its Brazilian subsidiaries, which raise funding in the local market, and some of EDP Renováveis' subsidiaries, which have project finance type agreements. Nevertheless, in all cases, EDP S.A. sets the funding policy, and its implementation is closely monitored. With regard to treasury activities, the account

balances of EDP's key subsidiaries in Portugal are netted in EDP S.A.'s accounts, and centralised payments are made for those subsidiaries. In Portugal, there are no legal or economic restrictions on the ability of its subsidiaries to transfer funds to EDP S.A.

EDP's primary source of liquidity is cash generated from operations. Net cash provided from operating activities was € 2,086.7 million for the six months ended 30 June 2013, compared with €1,072.5 million for the six months ended 30 June 2012, primarily due to the proceeds received from the securitisation of tariff adjustments carried out in April and May 2013 in the amount of €150 million and €591 million, respectively, and a decrease in cash paid to suppliers. During the second quarter of 2013, EDP sold, in three separate transactions, part of the credit rights in respect of the right to recover the overcosts relating to the acquisition of electricity from special regime generators for 2012 (including the adjustments for 2010 and 2011), which payment has been deferred for a 5 year period, from 2012 to 2016, for €758.7 million. In these asset sales, EDP sold without recourse the rights to receive the overcost and related interest.

Net cash provided from operating activities was €1,996.5 million in 2012, compared with €2,946.8 million in 2011, primarily due to an increase in cash paid to suppliers, only partially offset by an increase in cash receipts from customers.

As at 30 June 2013, total cash and cash equivalents amounted to €1,730.3 million compared with €1,441.9 million at 30 June 2012. Total cash and cash equivalents caption as at 31 December 2012 amounted to €1,695.3 million, compared with €1,731.5 million as at 31 December 2011.

For the six months ended 30 June 2013, net cash used in investing activities was -€934.4 million compared with -€1,050.3 million for the six months ended 30 June 2012. The decrease was primarily due to the sale of the gas transmission network of Naturgás in Spain (€245 million), which was offset by a 5 per cent. increase in gross capital expenditures (excluding a Federal cash grant in the United States related to EDP Renováveis' investment in a wind farm installed in 2012) and higher capital expenditures in liberalised activities (new hydro in Portugal) and Brazil (new hydro). Maintenance-related capital expenditure was lower in the first half of 2013, primarily reflecting lower investment needs at EDP's Iberian Peninsula regulated networks. The increase in cash payments relating to assets/subsidiaries of the EDP Group is related to the payment for a 5 per cent. stake in Naturgas in the second quarter of 2013 (€96 million) under the agreement with Ente Vasco de Energia signed in 2010 and to some success fees related to the development of our wind business.

For the year ended 31 December 2012, net cash used in investing activities was €2,124.8 million, compared with €2,544.4 million in 2011. The decrease was a result of lower levels of investment in expansion in wind and solar, which more than offset higher capital expenditures in liberalised activities (new hydro capacity in Portugal) and Brazil (new hydro and coal capacity). Maintenance capital expenditures were lower, mostly reflecting the completion of DeNOx facilities at our Sines coal plant in 2011. Cash payments relating to financial assets and investment in 2012 related mainly to (a) the payment for an additional 5 per cent. equity stake in Naturgas in the fourth quarter of 2012 (€106 million), pursuant to the agreement with EVE signed in 2010, and (b) a payment regarding the approval by ANEEL of the expansion of the Jari hydro plant capacity by 73MW. Cash payments relating to financial assets and investments in 2011 included the acquisition of a 20 per cent. stake in Genesa following the exercise of a put option by Caja Madrid, payment for an additional 10 per cent. stake in Naturgas in October 2011, in line with the existing agreement with EVE, acquisition of the exploration rights of the Jari hydro plant (373 MW) in Brazil in October 2011 and amounts related to EDP Renováveis's payment of success fees related to development of wind projects previously acquired.

For the six months ended 30 June 2013, net cash from financing activities was -€1,091.8 million compared with -€298.7 million for the six months ended 30 June 2012. The increase in net cash from financing activities in the six months ended 30 June 2013 was primarily due to the conclusion of the sale, without loss of control of EDPR PT to CTG of a 49 per cent. equity stake in EDPR PT (€258 million), a €92 million cash-grant related to the Marble River wind farm in the United States (concluded in the fourth quarter of 2012) and payments related to loans, including the reimbursement in February 2013 of €925 million related to a Revolving Credit Facility and €150 million paid in March 2013 related to non-convertible bond loans to EDP S.A. At the six months ended 30 June 2012, net cash from financing activities was -€298.7 million, reflecting €868.7 million issuance of loans, offset by €770.5 million of dividends paid and €390.5 million of interests and similar costs.

For the year ended 31 December 2012, net cash from financing activities was €104.7 million, compared with net cash from financing activities of -€217.5 million in 2011. The increase in net cash from financing activities was primarily due to higher receipts relating to loans, reflecting an increase of €1.0 billion of regulatory receivables mainly from Portugal, which offset higher interest costs following an increase in average net debt, lower receipts from U.S. wind activity institutional partnerships and lower investments in non-controlling interests without loss

of control. This item includes the sale to Borealis Infrastructure (one of Canada's largest pension funds) in 2012 of a 49 per cent. equity stake in a portfolio of wind farm assets in the United States with a total capacity of 599MW for US$230 million, and, in 2011, includes the sale of a 13.8 per cent. stake in EDP Brasil, which resulted in a net increase of €353 million.

As at 30 June 2013, EDP S.A. had available committed credit facilities of €2,009 million (30 June 2012: €856 million) and a fully underwritten commercial paper programme of €150 million (30 June 2012: €650 million). In January 2013, EDP signed a 5-year term loan facility of €1,600 million, of which €645 million are available and will be used to refinance a Revolving Credit Facility of €1,100 million to be repaid at maturity in November 2013. EDP believes that the combination of these negotiated credit facilities and its commercial paper programme provides an adequate source of liquidity for its operations. These agreements do not impose financial ratio requirements and events of default clauses are not based on credit rating, so their availability is not affected by downgrades or declines in financial ratios or other measures of financial performance.

EDP also has a €12.5 billion Programme for the Issuance of Debt Instruments (under which the Notes are being issued) and conducts other capital markets issues to help meet its funding requirements.

As at 30 June 2013, nominal debt at EDP S.A. and EDP B.V. amounted to €16,859.7 million (31 December 2012: €17,418.7 million), including bonds, bank loans and commercial paper, corresponding to 85.9 per cent. (31 December 2012: 86.8 per cent.) of EDP's consolidated nominal debt. EDP's consolidated indebtedness, including bonds, bank loans, commercial paper, accrued interest, fair value adjustments on hedged debt, derivatives associated with debt and collateral deposits associated with Debt, was €19,423.6 million at 30 June 2013 compared with €19,460.7 million at 30 June 2012 and €19,929.0 million at 31 December 2012. EDP's debt management guidelines continue to be focused on managing liquidity and refinancing risk, controlling financial costs and reducing EDP's exposure to foreign exchange risk.

As at 30 June 2013, the weighted average interest rate of EDP's indebtedness in the EDP Group, after financial derivatives, was 4.2 per cent., and approximately 45 per cent. of EDP Group's indebtedness carried a fixed rate. As at 31 December 2012, the weighted average interest rate of EDP's indebtedness at EDP Group, after financial derivatives, was 4.0 per cent.. At 31 December 2012, approximately 44 per cent. of the long term indebtedness of EDP Group carried a fixed rate.

TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

EDP's contractual obligations and commercial commitments consist primarily of credit facilities and purchase obligations as provided in the table below, as at 30 June 2013:

	Total	Less than 1 year	1-5 years	More than 5 years
		(thousands of Euros)		
Short and long term financial debts (including interest falling due)	23,199,609	5,721,209	13,689,040	3,789,360
Finance lease commitments	7,595	3,449	4,146	-
Operating lease commitments	994,090	52,678	161,058	780,354
Purchase obligations	21,973,222	3,255,961	7,464,138	11,253,123
Other long term commitments	2,144,496	248,635	906,798	989,063
Total	**48,319,012**	**9,281,932**	**22,225,180**	**16,811,900**

As at 30 June 2013 and 31 December 2012, the financial commitments not included in the statement of financial position in respect of financial, operating and real guarantees provided are analysed as follows:

	At 30 June 2013	At 31 December 2012
	(thousands of Euros)	
Guarantees of financial nature	1,164,283	1,224,521
Guarantees of operational nature	2,176,469	2,731,245
Total	3,340,752	3,955,766
Real Guarantees	25,348	29,504

The financial guarantees contracted include, at 30 June 2013 and 31 December 2012, €991.1 million and €1,139 million, respectively, relating to loans obtained by Group companies and already included in consolidated debt. These include guarantees of € 101.8 million at 30 June 2013 for loans obtained by Brazilian companies to finance the construction of hydroelectric power plants, which have counter-guarantees of € 40.7 million received by EDP from partners in these projects.

The Group also has project finance loans with standard guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2013 and 31 December 2012 these loans amounted to €1,020 million and €1,019 million, respectively, and are included in the Group's consolidated debt.

In addition, EDPR North America provides certain of its investors with standard corporate guarantees to indemnify them against liabilities they may incur as a result of fraud, willful misconduct or a breach by EDPR North America of any operational obligation under the agreements pursuant to which they invest in EDPR North America. As at 30 June 2013, 31 December 2012, EDP Renováveis's obligations under such agreements, in the amount of €875.1 million and €901.3 million, respectively, are reflected on the balance sheet under Institutional Partnerships in US Wind farms.

EDP also has established an escrow deposit in the amount of €361.4 million (€338.3 million non-current and €23.1 million current) associated with several loans contracted with the European Investment Bank. This escrow deposit will be reduced by the repayment of these loans.

As at 30 June 2013, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur exercisable against EDP for 3.13 per cent. of the share capital of HC Energia; this option can be exercised until 31 December 2025;

- EDP holds, through its subsidiary EDPR Europe, a call option exercisable against Cajastur for "Quinze Mines" share capital (51 per cent. of total share capital). Cajastur has an equivalent put option exercisable against EDP. These options can be exercised between 17 July 2014 and 17 July 2016, with the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDPR Europe, a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51 per cent. of total share capital). Cajastur has an equivalent put option exercisable against EDP. These options can be exercised between 1 January 2013 and 31 December 2014, with the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDPR Europe, a call option on the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10 per cent. of its share capital. The price of exercising these options is €7.5 million. The options can be exercised (i) if a change occurs in the shareholding structure of the remaining shareholders of Re Plus and (ii) before the last project starts in operation;

- EDP holds, through its subsidiary EDPR Europe, a put option in respect of 15 per cent. of the share capital of Rowy, exercisable against the other shareholders. The exercise price is 80 per cent. of equity value with a cap of €5.0 million. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option in respect of 2.67 per cent. of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67 per cent. of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of €1.8 million;

- EDP holds, through its subsidiary EDPR Europe., a call option in respect of the remaining 40 per cent. of the share capital of J&Z Wind Farms SP. ZO.O. The exercise price corresponds to 90 per cent. of the market value of this participation. This option can be exercised between three and five years after the start of construction works of the first park; and

- EDP holds, through its subsidiary South Africa Wind & Solar Power, S.L., a call option in respect of an additional 42.5 per cent. of the share capital of Modderfontein Wind Energy Project, Ltd., which exercise price corresponds to the amounts contributed by the other partner in the Modderfontein project

development. This option can be exercised from the date of the agreement until 45 calendar days before the deadline for submission of tenders for the next auction of energy.

PENSIONS AND BENEFITS

EDP maintains a defined benefit pension and other benefits plan for all active and retired employees of the Portuguese companies within the EDP Group that were included in the collective labour agreement (the "A.C.T."), which was created in 1994 following the restructuring of the EDP Group. Pension benefits are based on the employees' years of service and compensation level at the end of their employment period, less Portuguese social security benefits.

Until December 2013, the normal retirement age in Portugal was 65 years. In December 2013 the Portuguese Government approved legislation that changed the methodology to determine the retirement age, and increased the retirement age from 65 years to 66 years in 2014 and 2015, and 66 years adjusted by the average expected life after 2015. However, employees who are at least 60 years old with 36 years of service, or employees of any age with 40 years of service, may elect early retirement. Employees who elect early retirement are entitled to full pension benefits calculated on the same basis as those for employees who retire at the normal retirement age. EDP's policy has been to make contributions to the plan based on the availability of funds while making the minimum annual contributions required by applicable regulations. Employees of certain group companies who are not included in the A.C.T. also have social security benefits that complement their own social security systems, either as defined benefit plans (for example, Bandeirante and Hidrocantábrico) or defined contribution plans (for example, EDP – Estudos e Consultoria, S.A. in Portugal and Hidrocantábrico in Spain).

Among the benefits provided under the Portuguese national health system, EDP provides comprehensive medical and other benefits coverage for its active and retired employees in Portugal, including those who have taken early retirement, and their dependents. Under this medical benefit programme, EDP provides certain death benefits to each retiree's surviving spouse and minor children. EDP administers internally the medical benefit programme, which is funded approximately 15 per cent by employee contributions, and EDP assumes the remaining cost of funding the programme.

Costs related to pension benefits that are payable to employees before such employees reach the normal retirement age, as well as costs related to the remaining benefits, are included in the income statement in the year in which they are incurred. The remaining pension benefits are accrued over the period of employment and included in EDP's provisions (see "*– Critical Accounting Policies – Pension and other Employee Benefits*").

At 30 June 2013, EDP's liabilities for pension and other benefits are fully funded by provisions in the amount of €1,866.5 million, compared with €1,933.4 million at 31 December 2012. The provisions for pensions and medical benefits in 30 June 2013, were €865.4 million and €1,001.1 million, respectively, compared with €939.4 million and €994.0 million, respectively, at 31 December 2012. EDP expects to fund pension liabilities from its internal resources.

BUSINESS

OVERVIEW

EDP is a vertically integrated utility company. EDP believes it is the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied, respectively, the third largest electricity generation company in the Iberian Peninsula in terms of installed capacity, and one of the largest gas distributors in the Iberian Peninsula in terms of both amount of energy distributed and network size. EDP maintains significant electricity and gas operations in Spain, and EDP believes it is the third largest wind power operator worldwide in terms of electricity generation (TWh), with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, France, Belgium, Italy, Poland and Romania, and is developing wind farms in the United Kingdom and Canada. It also has electricity distribution, generation and supply activities in Brazil and generates solar photovoltaic energy in Romania.

Historically, EDP's core business has been electricity generation, distribution and supply in Portugal. Given Spain's geographical proximity and its regulatory framework, the Iberian Peninsula's electricity market has become EDP's natural home market, and EDP has made this market the primary focus of its energy business. As at the date of this offering memorandum, EDP's principal subsidiaries in Portugal include its electrical generation company, EDP Produção, its distribution company, EDP Distribuição, and its two supply companies EDP SU and EDP Comercial. In Spain, EDP's main subsidiary (of which it holds 99.9 per cent.) is Hidrocantábrico, which operates electricity generation plants and distributes and supplies electricity and gas, mainly in the Asturias region of Spain.

In the gas market, EDP holds significant interests in both Portugal and Spain. In Portugal, EDP holds 72.0 per cent. of Portgás, the natural gas distribution company for the northern region of Portugal. In Spain, EDP holds indirectly (through Hidrocantábrico) 95.0 per cent. of Naturgas, which EDP believes is one of the largest gas distribution companies in the Spanish market in terms of points of supply, mainly in the Asturias and Basque regions. The holding in Naturgas increased from 63.5 per cent. to 95.0 per cent. following the exercise by EVE, in July 2010, of a put option for part of EVE's stake in Naturgas.

EDP has leveraged its strong Iberian renewable energy platform and, following the acquisition of EDPR North America in 2007, EDP believes it has become the third largest wind power operator worldwide in terms of electricity generation (TWh). Its wind power assets are held through its subsidiary EDP Renováveis, of which it holds a 77.5 per cent. stake (62.0 per cent. directly and 15.5 per cent. through Hidrocantábrico). EDP Renováveis has been listed on the Euronext Lisbon since its IPO on 4 June 2008. EDP Renováveis has built significant growth platforms in the European and U.S. markets for the development and operation of power plants that generate electricity using renewable resources, mainly wind.

EDP Renováveis currently operates 7.8 GW of generation assets, comprising on-shore wind farms in Spain, Portugal, the United States, France, Belgium, Italy, Romania and Poland. Through a joint venture with EDP – Energias do Brasil, S.A. ("EDP Brasil"), the company is also present in the Brazilian market. EDP Renováveis has various wind projects in different stages of construction and development in these countries as well as in Canada and the United Kingdom. At present, EDP Renováveis is actively seeking to expand its activities into other countries.

In Brazil, in addition to a renewable energy generation business, EDP has significant electricity generation and distribution businesses in the states of São Paulo, Espírito Santo, Tocantins, Ceará and Mato Grosso do Sul through its 51.1 per cent. stake in EDP Brasil, a company listed on the São Paulo Stock Exchange. In July 2011, EDP sold 21.9 million shares of EDP Brasil in a secondary distribution offer (reducing its stake from 64.8 per cent. to 51.1 per cent.), at a price per share of R$37.00, resulting in receipt of gross proceeds of approximately R$811 million. EDP Brasil is the holding company for the majority of EDP's investments in the Brazilian electricity industry including its distribution subsidiaries Bandeirante and Escelsa, its generation subsidiaries Energest, EDP Lajeado, Enerpeixe and Pecém, and its supply subsidiary EDP Comercializadora.

EDP Brasil holds 100.0 per cent. of each of these subsidiaries apart from EDP Lajeado and Enerpeixe, in which it holds 55.9 per cent. and 60.0 per cent., respectively, and Pecém, in which it holds 50.0 per cent. Additionally, EDP Lajeado holds a 73.0 per cent. stake in Investco, which gives it control over the management of Investco. Investco owns the Lajeado hydroelectric plant in Tocantins, Brazil.

The EDP Group's consolidated turnover for the six months ended 30 June 2013 amounted to €8,120.8 million, yielding operating results of €1,214.3 million. The EDP Group's consolidated turnover for the year ended 31

December 2012, amounted to €16,339.9 million, yielding operating results of €2,143.4 million. As at 30 June 2013, the EDP Group employed 12,143 people, had total assets of €41,665.0 million and shareholders' equity of €11,401.2 million.

Strategy

Overview

EDP's business strategy is based on three central pillars: controlled risk, superior efficiency and focused growth. Management believes that its recent partnership with CTG will reinforce these strategic pillars.

Controlled risk

EDP aims to limit the risk exposure of its cash flows by actively managing the major risks that affect its operations, in particular, regulatory, commodity, market and financial risk. A significant part of EDP's business portfolio involves either long term contracted activities or regulated activities, where revenues are dependent on the outcome of regulatory decisions by governments and other authorities. As a result, EDP is in regular contact with regulatory authorities in order to seek to ensure that it receives accurate and appropriate regulatory treatment, namely regarding the level of returns EDP receives on capital employed.

Some of EDP's operations are exposed to liberalised energy markets, which are subject to fluctuations in energy demand, supply and prices, both in EDP's core markets and in other related international markets. In order to reduce its exposure to these sources of volatility, EDP runs an integrated generation and supply model and maintains a hedging strategy that allows it to lock in pricing for a significant portion of its fuel needs and electricity and gas sales in the liberalised markets for between 12 and 18 months.

The energy sector has been subject to increasing restrictions regarding CO_2 emissions. As a result, EDP has been managing and reducing its CO_2 emissions by concentrating its investments on new electricity generation capacity based either on CO_2-free or low- CO_2 generation technologies such as wind, hydroelectric and gas-fired power generation.

With respect to financial risk, EDP's funding strategy aims at maintain access to diversified sources and assuring funding needs can be met 12 to 24 months in advance.

Superior efficiency

EDP recognises the importance of regularly implementing new initiatives to improve the efficiency of its operations. In 2011, EDP launched a new programme to reduce the operating costs of its activities worldwide, involving over 150 initiatives. The stated goal of this new programme is to further optimise cost structure and to improve operating margins across the Group's businesses and geographies. The programme is targeting annual savings of approximately €130 million by 2015, primarily resulting from lower supplies and services through: (i) an optimisation of EDP's IT costs through a integrated and multi-geography management; and (ii) optimisation of plant maintenance and increased integration of technical services for EDP's businesses.

In order to achieve an efficient capital allocation, EDP follows a selective investment policy, in which potential investment projects are evaluated individually and then compared against each other based on EDP's investment criteria. The company's ultimate investment decisions are based on a risk-return analysis and an assessment of the strategic fit of each investment in EDP's overall business portfolio.

EDP also strives to take advantage of operational efficiencies throughout its international network by promoting an integrated culture across all of its subsidiaries.

Focused growth

Wind power generation

In order to reduce the level of CO_2 emissions into the environment, reduce dependence on fossil fuels and increase the use of environmentally-friendly energy sources, governments have been promoting renewable sources of energy, including wind power. In the European Union, the European Commission set a target for renewable sources of energy to meet 20 per cent. of the region's energy needs by 2020. However, difficulties experienced by governments across Europe and in the United States in controlling public deficits and promoting economic growth in recent years, mean that there is lower visibility over the profitability of future renewable

projects. The profitability of a particular project can depend on governmental incentives available at a particular point in time.

EDP plans to continue developing new wind power capacity as part of its targeted growth plan. EDP believes that it is already the third largest wind power operator worldwide in terms of electricity generation (TWh), with 7,720 MW of wind power capacity and 39 MW of solar power capacity installed and 242 MW under construction as of 30 June 2013. The expansion plans primarily entail the implementation of EDP's project pipeline in its existing markets (Spain, Portugal, the United States, Poland, Romania, Italy, Brazil, France and Belgium). The pace of implementing the projects in the pipeline is adjusted to reflect the projected return of the different projects, depending on the tariff regimes and investment incentives in the different markets, although the focus is now moving towards Eastern European and U.S. markets.

Hydroelectric power in Portugal

Portugal is one of the last countries in Europe with significant undeveloped hydroelectric potential. Historically, the country's central planning authorities have refrained from developing many of its available hydroelectric power resources for a variety of reasons. Principal among these have been the already high proportion of hydroelectric power in Portugal's electricity generation mix, the volatility in annual hydroelectric output depending on weather conditions and the relatively low level of energy integration with Spain. However, the development of hydroelectric power potential in Portugal has become a more viable business strategy in recent years. This is largely due to increased interconnection capacity with Spain, the establishment of an integrated Iberian electricity market known as MIBEL, the increase of oil, coal and CO_2 prices and the increased share of wind power in the Iberian Peninsula's power generation mix, as hydroelectric power complements the intermittent nature of wind power generation by providing a natural and predictable alternative. EDP has completed repowering works in two hydroelectric plants in Portugal in the last quarter of 2011 (Picote II and Bemposta II, totalling 437 MW) and concluded other repowering works in the last quarter of 2012 (Alqueva II, 257 MW). Furthermore, EDP is currently building three new hydroelectric power plants (two of which with pumping) and repowering two hydroelectric plants (all with pumping) with a total capacity of 1,468 MW, that are expected to be completed by 2016, involving a capital expenditure of approximately €1.6 billion. All of these new hydroelectric plants will operate
under liberalised market conditions.

Electricity generation in Brazil

EDP believes that Brazil will experience steady growth in its domestic energy demand, particularly in light of overall increasing consumption per capita. At present, EDP's main investments in Brazilian electricity generation are (i) the 720 MW Pecém coal plant, where its subsidiary EDP Brasil holds a 50 per cent. share (the remaining 50 per cent. is owned by MPX Mineração e Energia); (ii) the 373 MW Santo Antônio do Jari hydropower plant, for which concession rights were acquired in June 2011 and operations are planned to start up in 2015; and (iii) the 219 MW Cachoeira Caldeirão hydropower plant, for which concession rights were acquired in the A-5 auction of 14 December 2012. The terms of EDP's investment in the Pecém coal plant, as set out by the Brazilian regulatory authorities, provide for the availability of an installed capacity of 615 MW for a 15-year term starting in the fourth quarter of 2012 for the first group, and the second quarter of 2013 for the second group, and encompassing a gross margin of R$417 million per year (at 2007 nominal prices, to be adjusted for inflation) with the full pass-through of fuel costs. As for EDP's investment in Santo Antônio do Jari hydroelectric plant, EDP Brasil has already contracted a 30-year PPA with the Brazilian electricity system, at a price of R$104/MWh. Total expenditure relating to Jari project is forecasted to be between R$1,270 million and R$1,410 million. The Cachoeira Caldeirão hydropower plant concession includes the sale of 129.7 average MW for a period of 30 years starting in January 2017 at a price of R$95.31/MWh (nominal price at December 2012, but updated annually at the Brazilian IPCA index inflation rate). This project will represent an expected capital expenditure amount of R$1.1 billion.

Strategic partnership with China Three Gorges

The completion of the 8th privatisation phase of EDP in May 2012 resulted in the sale by Parpública of a 21.35 per cent. share stake in EDP to CTG. CTG is China's largest clean energy group with a significant renewable energy expansion plan worldwide.

In the wake of the privatisation process, EDP and CTG established a strategic partnership based on three main pillars: (i) CTG commits to invest €2.0 billion by 2015 in the acquisition of minority stakes (between 34 per cent. and 49 per cent.) in certain of EDP's projects and co-investment with EDP in 1.5 GW (net) of wind power projects; (ii) a Chinese financial institution is committed to provide a credit facility of up to €2 billion to EDP for

up to 20 years, of which €1.0 billion had been drawn as of 30 September 2013; and (iii) EDP and CTG will jointly develop new growth opportunities worldwide.

Management believes that this strategic partnership represents an important opportunity for EDP, as it combines the significant financial resources of CTG, its extensive expertise in hydroelectric power and well established presence in Asia, with EDP's expertise in wind business, proven internationalisation capabilities and established presence in Europe, the United States and Brazil.

Furthermore, this partnership reinforces EDP's 3-pillar strategy of controlled risk, superior efficiency and focused growth: It strengthens EDP's financial liquidity position, improves shareholder stability and creates room for new sustained long term growth drivers, either in terms of technologies or geographies.

OVERVIEW OF EDP'S KEY MARKETS

Macroeconomic and energy framework

The world economy continued to slow down in 2012, reflecting the persistence of important macroeconomic distortions. Since the cycle of financial instability began four years ago, the world economy has continued to perform below historical standards. The lack of progress in reviving the global economy stems from the delay in the resolution of some of the structural imbalances that precipitated the economic and financial crisis.

In 2012, the performance of the global financial markets was marked by high levels of volatility caused by a lack of dynamic performance in the global economy, along with the uncertainty caused by the sovereign debt crisis in the Euro area and U.S. budget policy concerns. An increase in the risk premium rates of sovereign debt from Eurozone peripheral countries and the increased holdings by investors of debt obligations viewed by the market as safe, namely sovereign debt bonds from the United States and Germany, marked the risk-averse investment environment that predominated in the markets during the first half of 2012, which ultimately led the economic policy authorities to announce a set of measures aimed at restoring confidence in financial markets more generally.

The European authorities notably acted to extend the reach of the European Central Bank ("ECB"), presenting in September 2012 a plan to buy sovereign debt ("Outright Monetary Transactions") and to create flexibility in the financial stability mechanisms in the Euro area, and also announcing the creation of a banking union. Jointly, these decisions were aimed at stabilizing the sovereign debt markets of Eurozone peripheral countries, as well as reversing the Euro depreciation trend and the decline of the European stock indices, with the indices benefitting from the performance of European banking industry stocks. These measures, together with the favourable impact from the monetary policy expansion decisions presented by the U.S. Federal Reserve that were intended to stimulate growth in the North American economy, eventually led to a favourable performance by the majority of asset classes in the last months of 2012.

The slowdown of the economies of developed countries led to a decrease in power and natural gas demand, both in Europe and the United States. The main emerging economies (China, India and Brazil) were not as impacted by the cooling of the global economy, and continued to increase their energy consumption in 2012.

As for the future of the energy sector, the recent publication of IEA's World Energy Outlook underlines the profound change that the world of energy is going through. Energy consumption is expected to increase 33 per cent. by 2035, with power consumption increasing more than 70 per cent. This increase is being propelled by the rising urbanisation of emerging countries' populations and by the growing demand for electrification in developed economies, including the penetration of electricity into new sectors of activity like transportation. On the supply side, a redesign of the energy dependency map is under way, in particular with the increasing production of unconventional oil and gas in the United States. The IEA expects, however, that renewable energies will be the energy source with the highest growth in Europe, as well as in other parts of the world. Renewable energy is being boosted by its increasing competitiveness, by its contribution towards energy independence and by the increasing awareness of the imperative of decarbonising economic activity. As part of the international commitments on reducing greenhouse gas emissions, the 2012 United Nations Climate Change Conference held a meeting in Doha (Qatar) that concluded with an extension of the Kyoto Protocol, which was set to expire in 2012, until 2020, with 37 countries (representing around 15 per cent. of worldwide emissions) agreeing to binding greenhouse gas reduction targets. In 2015, a new treaty with binding obligations for all parties will likely be presented with the intention that it be operational by 2020. Negotiations will proceed, attempting to reach a comprehensive and binding treaty for a larger number of countries.

Europe

The upward trajectory of the recovery of the Eurozone between 2010 and 2011 was interrupted in 2012 as a result of the aggravation of the sovereign debt crisis that expanded to Italy and Spain, respectively the third and the fourth largest economies in the Eurozone. The negative impact of the financial instability and of austerity

measures on public spending extended to the majority of the Member States, which, along with weakness in external demand, led to the contraction of the Eurozone GDP.

The economic situation in Europe aggravated the existing overcapacity in some power markets, leading to negative economic results for combined cycle natural gas turbine plants ("CCGT"), as was the case in the Iberian power market ("MIBEL"). Additionally, the economic crisis led to a substantial decrease of the CO_2 price in the European emission allowances market, which, coupled with the reduction of coal prices due to high U.S. exports (given the production of shale gas), led to higher competitiveness of power production from coal over production than from production from natural gas. This situation goes in the opposite direction of the European energy policy objectives in the fight against climate change, since coal emits around twice as much CO_2 per MWh as natural gas. A debate is ongoing over the re-calibration of the CO_2 market, which has led to the presentation of concrete proposals by the European Commission to re-establish a CO_2 price signal that fosters investments in low-carbon technologies.

At the regulatory level, the economic crisis also led to strong pressure on European governments to tax the power sector through fiscal measures, which are generally discretionary and distort the regulatory framework. This happened to such an extent that the power sector, traditionally regarded as defensive by investors, became cyclical. However, there are also positive signs for the power sector, with the most positive being the market reform recently approved in the United Kingdom. This reform sets out to attract the necessary investments to decarbonise the power sector, while ensuring the economic and financial equilibrium of back-up technologies that contribute towards the security of the power supply.

Portugal

During 2012, the Portuguese economy contracted 3.2 per cent. in a context marked by the prosecution of the adjustment process that operates under the Economic Adjustment Programme ("PAE"), which imposes rationalisation measures in public finances and structural reforms. Although these austerity measures are deemed essential to provide a sustainable financial and economic base for Portugal, in the short term, they generate adverse effects on growth in economic activity.

Domestically, the budget consolidation effort embodied in the public spending reduction and the increase of taxation, along with the shortage of financing and the high debt costs, resulted in a strong reduction in private consumption and investment. This led to a large increase in the number of bankrupt companies and in unemployment, with particularly high levels of bankruptcy and unemployment in the non-tradable assets and services sector. The budget consolidation effort also contributed to a recession spiral that resulted in an unprecedented contraction of internal demand. However, the domestic weakness was mitigated by the performance of exports, which benefitted from a more favourable external market environment and from competitive gains associated with reduced labour costs. These events, along with a strong reduction in imports, resulted in an improvement of the Portuguese balance of payments.

Along with the contraction of the Portuguese economy, total electricity consumption in 2012 declined 2.9 per cent. (3.6 per cent. adjusted for temperature and working days), and totalled 49.1 TWh.

The Portuguese wind market has grown steadily since 2001 and is today the sixth largest European wind market with a total installed capacity of 4,525 MW at the end of 2012. Wind generators benefit from stable regulation with a feed-in tariff system, and the Portuguese government has allocated large amounts of wind capacity through tenders. The feed-in tariff is calculated by a formula established by means of legislation. New policy developments include the Portuguese government's agreement in September 2012 with the industry, as a result of which the Portuguese government committed to extend a modified tariff regime in exchange for an upfront payment. According to the NREAP submitted in 2010, the wind installed capacity target is 6,800 MW by 2020.

Portugal also continues its programme to increase utilisation of hydroelectric power, with 2.1GW scheduled to begin operation through 2016, of which 0.7GW is already in operation.

Spain

After the contraction in economic activity from 2009 to 2010, Spain, the fourth largest economy in the Euro area went back into recession in 2012. GDP contracted an estimated 1.4 per cent. In the centre of the weakness in the Spanish economy is the real estate bubble, the effects of which have been exacerbated by weak internal demand, a high unemployment rate, instability of the banking system and uncontrolled public finances.

The sharp decline of the construction industry and its related activities resulted in a contraction of private consumption and of investments, along with a decrease in tax revenues and a substantial increase in the level of impairments in the banking industry. As a result, the unemployment rate rose to levels higher than a 25 per cent. of the active population, which, in turn, exacerbated the pressure on domestic demand, along with an increase in government social spending and a weakness in credit institutions' balances. The degradation of the economic and financial environment led to an increase in international investors' risk aversion to Spanish assets, placing the

country under the threat of a generalised insolvency, which was averted by the intervention of the European authorities.

In this context of economic retraction, electricity demand in mainland Spain in 2012 decreased 1.5 per cent. to 251.7 TWh when compared to the previous year.

Spain is one of the most developed wind energy markets in the world, ranking fourth after China, the United States and Germany. According to data published by the European Wind Energy Association ("EWEA"), total installed capacity in Spain had a compound annual growth rate of 21.2 per cent. for the period between January 2000 and 31 December 2012, which corresponds to an increase from 2,274 MW to 22,796 MW. In order to tackle Spain's growing tariff deficit, the government has introduced several measures to reduce the general cost of the electricity tariff. Some of them will impact the wind and generation sector, such as the introduction of a 7 per cent. tax on revenues and the elimination of the market option in the Royal Decree-Law no. 661/2007.

United States

Despite the slowdown occurring at the end of 2012, the U.S. economy grew slightly in 2012. Private consumption growth remained moderate, constrained by limited growth in real disposable income, along with the continuing weak financial situation of households. Conversely, investment was at a level not seen since the beginning of the financial crisis, benefiting specially from the real estate sector recovery. The reduction of the trade deficit as a result of the strong performance of exports and a significant increase in public spending in the quarter preceding the presidential elections also contributed positively to GDP growth.

The economic climate experienced in the United States in 2012 was shaped by a great deal of uncertainty induced by the so-called "fiscal cliff", corresponding to the automatic activation of public spending reduction measures and the increase of income taxes, with recessive impact. The "fiscal cliff" ultimately failed to materialise; however, concerns related to U.S. public finances continue to persist.

The North American debt markets have benefited from the risk aversion climate that prevailed in much of 2012, not only due to the aggravation of the European crisis, but also because of the fear of domestic recession as a result of implementation of a budget contraction plan. However, despite this increased risk averse environment, the North American stock indices increased during the year, benefiting from the effects of the monetary stimulus measures announced by the Federal Reserve.

Even with the slight recovery of the economy, U.S. electricity consumption failed to keep pace and declined 1.7 per cent. in 2012.

The United States is the second largest wind market worldwide, with 60 GW of wind installed capacity at the end of 2012, according to the American Wind Energy Association ("AWEA"). Presently, U.S. wind power capacity represents more than 20 per cent. of the world's installed wind power. The U.S. wind industry has added over 35 per cent. of all new generating capacity over the past five years, second only to natural gas and more than nuclear and coal combined. In fact, wind energy became the number one source of new electricity generating capacity for the first time in 2012, providing some 42 per cent. of all new generating capacity, according to AWEA data.

The U.S. federal government and state governments have provided support for wind energy through a mix of policies, most notably Renewable Portfolio Standards and Production Tax Credits. Renewable Portfolio Standard ("RPS") sets targets for renewable energy in the near and long term to diversify the energy mix and increase the share of renewable energy. Under this system, wind generators may receive Renewable Energy Certificates.

In the United States, wind generators also benefit from tax incentives, namely PTCs and accelerated amortisation. The PTC provides a 2.3 cents per kilowatt-hour tax credit for the first ten years of production from utility-scale wind farms. This incentive was set to expire at the end of 2012, but on 2 January 2013, the U.S. Congress temporarily extended the PTC for wind as part of the fiscal cliff bill. The bill also includes an important new provision that allows wind and other eligible renewable energy projects that begin construction in 2013 to qualify for the credit. Previous law required eligible projects to be in-service and operating by the end of the calendar year when the credit was set to expire.

Brazil

The economic reforms undertaken during the last years and the recovery of raw material prices after their fall subsequent to the financial instability of 2008 enabled the Brazilian economy to grow during the years after the financial and economic crisis at a strong rate. However, the international trade slowdown and the more restrictive monetary policies put in place in 2011 led to a slowdown in 2012 economic growth, with GDP growth estimated at about 1.5 per cent, which was almost half of the rate in 2011. In exports, a deterioration in competitiveness led to a negative balance of payments, reversing the trend in recent years.

This set of circumstances prompted a response from the economic policy authorities. In respect of monetary policy, in addition to regular interventions in the foreign exchange market with the objective of depreciating the Brazilian Real, the Central Bank of Brazil reduced the Sistema Especial de Liquidação e Custodia ("SELIC") rate from 12.5 per cent. to a historical low of 7.25 per cent. In respect of budget and taxation policies, the government announced infrastructure construction plans, along with the continuation of the previous policy of rapid wage growth and the implementation of tariffs to protect the Brazilian industrial sector.

In the context of the Brazilian economy's slowdown, the Brazilian stock index had lower returns compared to its peers. In addition, the Brazilian Real depreciated strongly, which was not consistent with the emerging economies' general positive performance in the foreing exchange market.

Despite the weak performance of the economy, the Brazilian National Operator of the Electric System (ONS) reported a 4.2 per cent. growth in electricity output in 2012 as compared to 2011. Moreover, according to Energy Research Company (EPE), electricity consumption for 2012 totalled 448.2 TWh, representing an increase of 3.5 per cent. compared to the previous year. The residential and commercial sectors were those that contributed most to this result, impacted by factors such as rising incomes and falling unemployment. The Brazilian industrial sector was affected by the global slowdown – especially the weakening of the economies of Europe, the United States and China (the main trade partners of Brazil) – and the low rate of investment in the domestic market, reducing energy consumption in the industrial segment when compared to the previous year.

Due to the importance of hydroelectric power (as reflected by the total installed capacity) in Brazil, the Brazilian government has taken steps to enhance the interconnectivity between electrical subsystems with different seasonal characteristics that are predominantly supplied by hydroelectric power plants, which should lead to greater flexibility for the system as a whole in the exchange of energy and a better use of the electrical resources of each region. These investments should increase the reliability of supply and reduce the total cost of system operation.

EDP'S KEY BUSINESSES

Historically, electricity has been EDP's core business. Its operations encompass significant electricity generation, distribution and supply activities in the Iberian Peninsula, along with facilities for renewable energy generation in Europe, the United States and Brazil. It also has electricity generation, distribution and supply activities in Brazil.

Additionally, EDP believes it is one of the largest companies in the natural gas distribution market in the Iberian Peninsula in terms of energy distributed and network size.

Electricity Generation in the Iberian Peninsula

As the largest generator, distributor and supplier of electricity in Portugal in terms of GWh of electricity generated, distributed and supplied, respectively, EDP currently holds the leading position in the Portuguese domestic electricity market, according to *Entidade Reguladora dos Serviços Energéticos* ("ERSE"). As at 30 June 2013, the Group accounted for approximately 52 per cent. of the installed capacity in the Portuguese National Electricity System ("SEN") and 99 per cent. of the electricity distribution network in mainland Portugal.

In mainland Portugal, total energy consumption in the six months ended 30 June 2013 reached 24.3 TWh, representing a period-on-period decrease of 1.7 per cent. For the year ended 31 December 2012, total energy consumption was 49.1 TWh, representing a year-on-year decrease of 2.9 per cent. These decreases reflect the slowdown in Portuguese economic activity due to the international financial crisis, resulting in lower consumption by the residential, SME and public lighting segments.

Portugal's public electricity system is powered by a number of different forms of ordinary regime and special regime generation. As at 30 June 2013, the most significant sources of ordinary regime generation include gas (11.5 per cent. of total electricity generation), coal (24.7 per cent.) and hydroelectric power (11.9 per cent.). The contribution made by special regime generation increased from 37.9 per cent. in the six months ended 30 June 2012 to 48.8 per cent. in the six months ended 30 June 2013, due to strong wind production in the first quarter of 2013. The contribution made by special regime generation increased from 36.0 per cent. in 2011 to 38.6 per cent. in 2012, due to strong wind production particularly in the second quarter of 2012. Due to an energy trade balance with Spain that favoured importation, these sources accounted for 16.1 per cent. of Portugal's energy consumption in 2012.

In the six months ended 30 June 2013, Portugal's exportation of electricity totalled 699 GWh for that period versus 4,584 GWh of electricity imported in the same period in the previous year.

Based on REE reports, total energy consumption in mainland Spain reached 122,970 GWh in the six months ended 30 June 2013 (251,710 GWh in 2012), representing a period-on-period decrease of 3.8 per cent. (1.5 per cent. decrease in 2012 compared to 2011). These decreases reflect the slowdown in Spanish economic activity due to the international financial crisis, resulting in lower industrial output.

Hydroelectric power generation in Spain totalled 21,366 GWh in the six months ended 30 June 2013, (19,455 GWh in 2012), representing an increase of 119.6 per cent. compared to the same period in the previous year (a 29.4 per cent. decrease in 2012 compared to 2011), and approximately 7.7 per cent. (17.4 per cent. in 2012) of Spain's total energy demand.

Nuclear power generation in Spain reached 28,198 GWh in the six months ended 30 June 2013, a decrease of 7.1 per cent. compared to the same period in the previous year. Overall, nuclear power generation represented 22.9 per cent. of electricity consumption in the country in the first half of 2013. Nuclear power generation in Spain reached 61,470 GWh in 2012, an increase of 6.5 per cent. compared to 2011. Nuclear power generation represented 24.4 per cent. of electricity consumption in the country in 2012.

Coal generation totalled 12,649 GWh in the six months ended 30 June 2013, which reflected a decrease of 55.0 per cent. compared to the same period in the previous year. In 2012, coal generation totalled 54.721 GWh, which reflected an increase of 25.8 per cent. compared to the previous year, due to, among other causes, the implementation of Royal Decree-Law no. 1221/2010, of 1 October. As of 30 June 2013, coal generation represented 10.3 per cent. (21.7 per cent. in 2012) of electricity consumption in the country.

Electricity generation from CCGT plants reached 10,485 GWh in the six months ended 30 June 2013 (38,593 GWh in 2012), a 46.0 per cent. decrease compared to the same period in the previous year (a 23.9 per cent. decrease in 2012 compared to 2011), and represented 8.5 per cent. of electricity consumption in the country (15.3 per cent. in 2012).

Special regime generation in Spain totalled 59,913 GWh in the six months ended 30 June 2013 (102,152 GWh in 2012), a 14.3 per cent. increase compared to the same period in the previous year (a 10.2 per cent. increase in 2012 compared to 2011). Of this amount, 29,993 GWh (48,103 GWh in 2012) came from wind power, an increase of 20.2 per cent. over the same period in the previous year (a 14.2 per cent. increase in 2012 compared to 2011), representing 24.3 per cent. of total energy demand (19.1 per cent. in 2012).

In the six months ended 30 June 2013, Spain's cross-border trade favoured exportation totalling 2,346 GWh for that period, which reflected a decrease of 57.7 per cent. compared to the same period in the previous year. In 2012, Spain's cross-border energy trade favoured exportation to Portugal and France, totalling 11,200 GWh, reflecting an increase of 83.9 per cent. compared to 2011.

Ordinary generation

Portugal

Through its subsidiary EDP Produção, the Group has a strong presence in ordinary regime electricity generation. In addition, EDP holds an 11.1 per cent. interest in Tejo Energia, S.A., a company that holds the Pego power plant in Portugal, which also participates in ordinary regime generation.

As at 30 June 2013, EDP Produção's generating facilities in Portugal, excluding special regime generation, had a total maximum capacity of 8,656 MW, 60.9 per cent. of which was represented by hydroelectric facilities, 25.5 per cent. by gas oil and natural gas facilities and 13.6 per cent. by coal-fired facilities. EDP does not own or operate any nuclear-powered facilities in Portugal.

EDP's current hydroelectric portfolio in Portugal includes over 39 facilities and each facility is categorised into one of three generating centres, which generally correspond to the three regional locations in Portugal where these facilities are located. In addition, these facilities in Portugal consist of 97 operating groups, a separate categorisation based on the number and types of turbines operated at these facilities that provide EDP with flexibility to reduce the number of turbines needed to meet demand. These operations are controlled from a remote command centre, located in Peso da Régua, Portugal.

In April 2008, EDP paid €759 million for concession rights after the end of PPAs/CMECs for the 4,094 MW hydroelectric power plants currently under this regime, extending the concessions, on average, to 2047. In 2008, EDP won the international tender for the concession in relation to the Foz Tua (252 MW), and Fridão & Alvito (466 MW) hydroelectric power plants in Portugal, against a payment of €53 million for a 75-year term and €231.7 million for a 65-year term, respectively. In 2007, EDP Produção formalised the sub-concession to operate the hydroelectric power stations at Alqueva (240 MW under ordinary regime generation) for a period of 35 years, thereby implementing a right granted in the 1970s and compensating EDIA, the manager of the Alqueva

water system, in an upfront amount of €195 million. At the end of 2011, the repowerings of Picote (246 MW) and Bemposta (191 MW) were commissioned, and, at the end of 2012, the repowering of Alqueva (257 MW) was commissioned. EDP is currently building five hydroelectric plants: Baixo Sabor (172 MW) and Ribeiradio/Ermida (81 MW) new hydro plants, with commissioning expected for 2014; Venda Nova (756 MW) and Salamonde (207 MW) hydro plant repowerings, expected to become operational during 2015, and Foz-Tua (252 MW) new hydro plant, with commissioning currently expected during 2016.

EDP's thermal infrastructure and operations are located in southern Portugal and consist of three power plants, the coal-fired power station in Sines, the Ribatejo CCGT at Carregado and the Lares CCGT in Figueira da Foz. The largest CCGT entered into service with its two generating units in October and November of 2009 with an installed capacity of 863 MW. The Tunes oil-fired power station operates as a backup facility. The Barreiro oil-fired power station (56 MW) was decommissioned in 2010 and the Carregado oil-fired power station (710 MW) ceased operations in April 2012, having started the first phase of its decommissioning process at the end of the year. Additionally, in January 2013, the oil-fired power plant in Setúbal was decommissioned.

To reduce the emissions from its existing thermal plants, EDP installed DeSOx and DeNOx equipment in Sines and is also currently evaluating new CO_2 sequestration technologies.

Performance in the Iberian Peninsula's electricity market is managed centrally by the Energy Management Business Unit, which monitors the financial position of the region's electricity power plants, as well as short and medium-term risk profiles. Apart from plants in the deregulated segment, this oversight also involves management of power plants covered under the CMECs, both in terms of managing sales of energy generated in the market and supplying fuel to these power stations.

Spain

In the six months ended 30 June 2013, net electricity generation from HC Energía reached 4,027 GWh under the ordinary regime, which represented a period-on-period decrease of 17 per cent. The total net ordinary generation in the Spanish mainland market in the six months ended 30 June 2013 was 65,972 GWh. In 2012, net electricity generation from HC Energía was 10,164 GWh under the ordinary regime, which represented a year-on-year increase of 2.6 per cent. The total net ordinary generation in the Spanish mainland market in 2012 was 174,239 GWh.

In terms of sources of electricity generation in the six months ended 30 June 2013 by the Group in Spain, (i) hydroelectric power generation totalled 838 GWh (621 GWh in 2012), a 111.8 per cent. increase versus the same period in the previous year (a 6.3 per cent. increase in 2012 versus 2011), (ii) coal generation totalled 2,387 GWh (6,714 GWh in 2012), a 23.6 per cent. decrease versus the same period in the previous year (a 25.4 per cent. increase in 2012 versus 2011), (iii) gas combined cycle reached 287 GWh (1,598 GWh in 2012), a 63.9 per cent. decrease versus the same period in the previous year (a 42.0 per cent. decrease in 2012 versus 2011) and (iv) nuclear power generation reached 515 GWh (1,230 GWh in 2012), a 1.5 per cent. increase versus the same period in the previous year (a 6.9 per cent. increase in 2012 versus 2011).

As at 30 June 2013 HC Energía had a total installed capacity of 3,740 MW under the ordinary regime, with approximately 39.0 per cent. corresponding to coal-fired facilities, 45.4 per cent. to CCGT facilities and 11.4 per cent. to hydroelectric facilities. HC Energía also holds a 15.5 per cent. interest in Central Nuclear Trillo I, A.I.E., which owns the Trillo nuclear power plant, corresponding to 156 MW of the plant's net capacity of 1,003 MW. HC Energía's installed capacity represents 6 per cent. of Spain's mainland electricity generation capacity under the ordinary regime (special regime facilities are excluded).

To reduce the emissions from its existing thermal plants, EDP has installed DeSOx equipment, used to control emissions from operations, in Soto and Aboño two coal-fired plants.

Special regime generation – excluding wind power

Portugal

EDP's special regime generation (excluding wind power) in Portugal is carried out by EDP Produção, which operates the mini hydro power plants of Pebble Hydro and cogeneration power plants of Energin and Fisigen, in addition to holding a 50 per cent. interest in EDP Produção – Bioeléctrica S.A. ("EDP Bioeléctrica"), which is responsible for biomass power plant development. As at 30 June 2013, the Group had special regime generation installed capacity of 256 MW, 61.1 per cent. of which was represented by mini hydroelectric power plants, 26.5 per cent. by cogeneration facilities and 12.3 per cent. by biomass.

In January 2013, EDP Produção sold the cogeneration assets, representing 82 per cent. of Soporgen, S.A., to the other shareholder, Soporcel, S.A., for €5 million, as a result of the exercise of a call option by Soporcel on the terms set forth in the shareholders' agreement.

The current special regime generation hydroelectric portfolio is made up of 67 generating groups, across 39 power plants.

Spain

In Spain, net generation under the special regime (excluding wind power) amounted to 29,980 GWh for the six months ended 30 June 2013 (54,049 GWh for the year ended 31 December 2012), representing a year-on-year increase of 8.9 per cent. (6.9 per cent. in 2012 compared to 2011).

As at 30 June 2013, HC Energía had holdings in thirteen thermal power stations in Spain, which together represent 113 MW of installed capacity, 70.3 per cent. of which was represented by waste to energy facilities and 29.7 per cent. by cogeneration facilities.

Electricity and natural gas distribution in the Iberian Peninsula

EDP Group engages in electricity and natural gas distribution activity through EDP Distribuição and EDP Gás Distribuição in Portugal and HC Energía and Naturgás Energía in Spain.

In the Iberian Peninsula's natural gas market, consumption decreased 8.7 per cent. period-on-period to 196,757 GWh as at 30 June 2013. The 47.1 per cent. drop in consumption from CCGTs, due to lower utilisation rates, more than offset the 2.4 per cent. increase in conventional demand. In Portugal the demand for electricity generation fell by 78.6 per cent. period-on-period to 1,246 GWh, while conventional demand rose 15.6 per cent. period-on-period to 21,991 GWh. Natural gas demand in Portugal as at 30 June 2013 totalled 23,237 GWh (a 6.5 per cent. decrease period-on-period). In Spain, natural gas demand in the first half of 2013 amounted to 173,520 GWh, representing a 9.0 per cent. period-on-period decrease. The conventional market reached 149,299 GWh (a 0.7 per cent. increase) and consumption of natural gas for the power sector reached 24,221 GWh (a 42.8 per cent. decrease).

Portugal – electricity distribution

EDP Distribuição is EDP's regulated Portuguese electricity distribution company acting under a public service concession.

In its distribution activities, EDP Distribuição carries out approximately 99 per cent. of Portugal's local electricity distribution. Currently, it has 225,000 kilometres of grid and in the six months ended 30 June 2013, distributed 21,550 GWh of electricity (44,655 GWh in 2012) to a total of 6.1 million supply points.

Service quality

The quality of EDP's technical service is measured by the indicator "Interruption Time Equivalent to Installed Capacity" ("TIEPI"), which measures the specific amount of interruption time within the company's control. In the six months ended 30 June 2013, TIEPI decreased by 9 minutes to 30 minutes in the same period compared to the previous year due to adverse weather conditions during the first quarter of the year. In 2012, TIEPI decreased by 17 minutes to 58 minutes year-on-year, as a result of investment in improving the quality of service and less severe weather conditions.

EDP has continued to invest in the maintenance of its systems and is continuing to undertake new technical and organisational initiatives, which have allowed its grid to perform adequately despite adverse weather conditions. EDP is specifically targeting Portuguese regions that recorded comparatively lower service quality levels with specific improvement plans that include maintenance, restructuring and reinforcement of the grids.

InovGrid

EDP Distribuição's strategy to meet future challenges and become a European name in electricity distribution is focused on the implementation of smart grids and all the subsequent services these smart grids enable. The InovGrid project focuses on the development of smart electricity grids and networks and has taken on a high profile in recent years, gaining recognition as a benchmark European project in this area. The project was selected by the European Commission from more than 260 projects Europe-wide as a case study for analysis of a cost-benefit assessment methodology for smart energy network projects. The year 2011 was an important milestone in the development of this project, with the completion of the installation of the pilot InovCity in Évora, which is already operational. In 2012, the project was expanded to include 100,000 more customers in the municipalities of Guimarães, São João da Madeira, Lamego, Batalha, Marinha Grande, Alcochete and Ilhas

Barreira (Faro and Olhão), in an installation process which continued in 2013. This alternative must be extended to at least 80 per cent. of customers by the year 2020, pursuant to EU regulations 2009/72/EC and 2012/27/EU.

Studies carried out in 2012 showed that InovGrid customers increased their energy efficiency by 3.9 per cent. in comparison to other reference groups, based on the evolution of consumption in 2010 and 2011. These results not only provide direct benefits for the customer, i.e. they reduce their bills and better control their consumption, but also benefit the whole power system and the country itself, reducing energy consumption and reducing dependence on imported fossil fuels.

Efficiency of operations

Increases in operational efficiency at EDP Distribuição have enabled more customers to be served and more energy distributed with fewer employees. At EDP Distribuição, the ratio of supply points per employee, often used as a measure of productivity in distribution companies, increased from 1,053 in 2004 to 1,777 as at 30 June 2013. At the same time, the indicator for energy distributed per employee almost doubled between 2004 (7.5 GWh) and 2012 (12.5 GWh).

Portugal – natural gas distribution

In Portugal, EDP operates in the natural gas distribution market through its ownership of 72.0 per cent. of Portgás, acquired in 2004. Portgás services 29 municipalities in the northern coastal region of Portugal.

In addition, EDP holds a 33.1 per cent. stake in Setgás – Sociedade de Produção e Distribuição de Gás, S.A. ("Setgás"), the natural gas distribution company for the Setúbal region in Portugal.

As at 30 June 2013, Portgás had 296,149 supply points and 4,376 kilometres of distribution grid. Notwithstanding the 5.5 per cent. growth in the number of supply points compared to the same period in the previous year, following a systematic effort to achieve client connection to existing grids in the region operated by EDP, gas volumes distributed decreased by 11.3 per cent. year-on-year to 3,657 GWh due to the loss of one large client to the very high pressure grid and weaker average consumption. In 2012, gas volumes distributed increased by 2.6 per cent. to 7,323 GWh due to a 6.9 per cent. increase from 2011 in the number of supply points.

Spain – electricity distribution

As at 30 June 2013, HC Energía has an electricity network infrastructure that covers the regions of Asturias (accounting for the large majority of its network), Madrid, Valencia, Catalonia and Aragon, totalling 23,202 kilometres. Electricity distributed in the six months ended 30 June 2013 through HC Energía's own network amounted to 4,606 GWh (9,003 GWh in 2012), a 5.4 per cent. decrease from the same period in 2012 (a 2.4 per cent. decrease in 2012 compared to 2011), mainly due to lower electricity demand of customers connected to the high-voltage sector in Asturias.

For the six months ended 30 June 2013, distribution in the high- and medium-voltage sector amounted to 3,325 GWh, a 3.8 per cent. year-on-year decrease, while the low-voltage sector the total amount distributed reached 1,281 GWh, a 1.5 per cent. year-on-year increase. For the year ended 31 December 2012, distribution in the high-voltage sector amounted to 6,512 GWh, a 8.2 per cent. year-on-year decrease, while in the low-voltage sector the total amount distributed reached 2,491 GWh, a 1.2 per cent. year-on-year increase.

As at 30 June 2013, HC Energía's distribution business had 658,023 supply points, a 0.2 per cent. year-on-year increase, out of a total of 26.7 million customers in mainland Spain, according to CNE.

Service quality

The investments carried out in recent years, as well as good working practices, allowed interruption to supply to continue to decrease. Despite the unfavourable topographical features in most of its market, HC Energía continues to lead the quality of service in Spanish electricity systems. In the six months ended 30 June 2013, TIEPI increased by 7 minutes year-on-year to 22 minutes due to adverse weather conditions during the first quarter of the year. In 2012, TIEPI reached a total of 28 minutes (equivalent to more than 99.9 per cent. network availability).

Efficiency of operations

The results of HC Energía's distribution network show the company's continuous efforts to maintain a high level of efficiency. In the distribution area, staff productivity in the six months ended 30 June 2013 remained high, with 15.1 GWh distributed per employee (28.9 GWh distributed per employee over the course of 2012), and

2,150 supply points per employee (2,111 supply points per employee in 2012). Furthermore, HC Energía has maintained high network availability levels, as shown by the above mentioned TIEPI.

Spain – natural gas distribution

In Spain, EDP operates in the natural gas market through its ownership of Naturgas, held through Hidrocantábrico. Naturgas activities include the distribution of gas over eight regions: the Basque Country, Asturias, Cataluña, Castile and Leon, Extremadura, Madrid, Murcia and Navarra, being one of the largest gas distribution companies in Spain, with 1,012,232 supply points and 9,925 kilometres of grid as at 30 June 2013.

In July 2012, Naturgas agreed to sell its gas transmission assets, approximately 450 kilometres of pipeline mainly located in the Basque Country, to Enagas (90 per cent.) and EVE (10 per cent.). The completion of the transaction occurred in February 2013 with an agreed transaction price that represents an enterprise value of €258 million.

Natural gas volumes distributed in the Spanish market in the six months ended 30 June 2013 amounted to 28,208 GWh, a 9.8 per cent. period-on-period decrease, due to lower activity at the industrial segment. Natural gas demand in 2012 amounted to 362,687 GWh, representing a 3 per cent. year-on-year decrease over the previous year. The conventional market reached 278,053 GWh (a 6 per cent. increase) and consumption of natural gas for the power sector totalled 84,634 GWh (a 23 per cent. decrease).

Electricity and natural gas supply in the Iberian Peninsula

In the Iberian activity of electricity and natural gas supply, EDP Group is present in the regulated and liberalised market in both geographies. In Portugal, EDP supplies electricity and natural gas to customers both in the liberalised market through EDP Comercial and in the regulated market through EDP SU and EDP Gás Serviço Universal. In Spain, the liberalised market supply is done through HC Energía, Naturgás Energía and HC CIDE Energía, whilst last resort customers are supplied by HC Energía Comercializadora de Último Recurso ("HC CUR").

<u>Supply in the regulated market</u>

Portugal

The Portuguese government has enacted Decree-Law no. 104/2010, of 29 September, establishing the end of last resort supply tariffs for large clients (very high, high, medium and special low voltage) from 2011 onwards, and a transitional last resort supply tariff for these clients has been in place since then. This transitional last resort tariff (all segments except normal low voltage) is intended to encourage Portuguese customers to switch to the liberalised electricity market, a process that was also applied to low voltage customers, starting from the second half of 2012 (Decree-Law no. 75/2012, of 26 March). Hence, the volume supplied by the regulated market fell from 10.2 TWh in the first six months of 2012, to 7.6 TWh in the first six months of 2013. In 2012 non low-voltage consumption supplied by the regulated market fell from 5.5 TWh in 2011 to 2.7 TWh. These clients represented 14 per cent. of consumption supplied by EDP SU in 2012 compared to 11.8 per cent. in the first six months of 2013.

During 2012, the overall number of customers in the regulated electricity market in Portugal fell as a result of the net outflow of approximately 662,000 customers to the liberalised market. 72 high-voltage and very high-voltage customers (71 per cent. and 92 per cent. of total customers of those types in Portugal, respectively) and 3,731 medium-voltage customers left the regulated market, whereas special low-voltage customers fell by 6,988. In the case of low-voltage, 651,600 switched to the liberalised market.

In the first six months of 2013, total clients supplied by EDP SU declined 22.3 per cent. period-on-period to 4,297,996, and its market share in Portuguese electricity supply fell to 35 per cent. from 46 per cent. in the first six months of 2012, essentially due to clients switching to liberalised suppliers. In 2012, volumes supplied by EDP SU fell 19.6 per cent. year-on-year to 19.8 TWh, essentially due to clients switching to liberalised suppliers. EDP SU market share in Portuguese electricity supply fell from 53 per cent. in 2011 to 44 per cent. in 2012.

EDP Gás Serviço Universal is a company 100 per cent. owned by Portgás and is the last resort supplier for the concession area, being responsible for the supply of natural gas in the regulated market. As at 30 June 2013, it had 184,683 customers and supplied 617 GWh, a decrease of 4 per cent. period-on-period. As at 31 December 2012, it had 262,993 customers and supplied 1,349 GWh (minus 4 per cent. year-on-year).

Spain

As a result of the process of liberalising the electricity sector, since July 2009 low voltage customers with power less than or equal to 10 kW can receive power by contract or through the last resort supplier ("CUR") with a last

supplier tariff ("TUR") whose regulated price is set by the Ministry of Industry, Tourism and Commerce every three months.

As at 30 June 2013, HC CUR had 263,981 customers. These customers consumed 317 GWh for the six months ended 30 June 2013, representing an 18.8 per cent. period-on-period decrease. As at 31 December 2012, HC CUR had 277,257 customers. These customers consumed 709 GWh in 2012, representing a 15 per cent. year-on-year decrease. These figures are continuously decreasing as more customers migrate to the liberalised market.

EDP's efforts to move customers from the regulated to the liberalised market were effective (only a small percentage still remain on the last resort tariff system in the liberalised market) when gas retail tariffs ended in Spain in June 2008. Hence, in 2012 volumes supplied by HC CUR decreased 36 per cent. year-on-year to 333 GWh.

Supply in the liberalised market

Portugal

EDP Comercial retained its liberalised market leadership in Portugal both by number of clients and volume of electricity supplied, despite a strong increase in competition. Currently, the company is divided into three business units: one focused on companies and institutions (B2B business unit), one targeting residential and small business customers (B2C business unit), and one aimed at the energy services business (Group company EDP Serviços). EDP Serviços was reintegrated in EDP Comercial's management scope in June 2012, following a spin-off that occurred at the end of the year 2010, primarily intended to increase the focus on the development of the services business.

The 14.0 TWh of electricity supplied during the six months ended 30 June 2013 (24.9 TWh in 2012) in the liberalised market represented 64.9 per cent. of the total electric energy supplied in Portugal during this period (55.7 per cent. in 2012), compared to 54.1 per cent. for the same period in the previous year (47.2 per cent. in 2011). The electricity sold by EDP Comercial in the six months ended 30 June 2013 amounted to 6,044 GWh (9,835 GWh in 2012), representing 43.2 per cent. of the total electricity sold in the liberalised market in Portugal in the period (41.6 per cent. in 2012), while in the six months ended 30 June 2012, this figure totalled 4,628 GWh (9,132 GWh in 2012), representing then 38.5 per cent. of the liberalised supply (41.6 per cent. in 2012). This reduction in market share reflects tough competition in the liberalised market, especially in the industrial segment, and unattractive market conditions in the residential segment compared to regulated tariffs, along with EDP's focus on the more attractive segments.

By 30 June 2013, EDP Comercial supplied about 1,505,000 customers (or approximately 85 per cent. of total customers in the liberalised market, 98 per cent. of whom were connected at standard low voltage). This represents a strong 238 per cent. increase (approximately 445,000 customers by the end of June 2012). The increase is a result of residential clients switching from the last resort supply to the liberalised market. The pace of growth accelerated significantly in late 2012, which mainly resulted from some B2C mass marketing campaigns – EDP Continente, Home/Business dual offer – and the phase out process of the B2C regulated tariffs that occurred on 31 December 2012. As a result, 652,000 net customers were added during the first half of 2013. This is in contrast to what happened in previous years, when customer inflow from the regulated market was steady but slow paced.

The natural gas marketed in Portugal in the six months ended 30 June 2013 was 2,999 GWh, representing a 4.2 per cent. decrease compared to the first six months of 2012. The strong pace of gas supply liberalisation, along with EDP's successful dual offer (electricity and gas) to B2C clients prompted an increase in the number of clients from 8,278 as of 30 June 2012 to 150,708 as of 30 June 2013. As at 30 June 2013 it had a 20 per cent. B2B market share by volume supplied.

The natural gas marketed in Portugal in 2012 was 6,115 GW, representing a 9.9 per cent. year-on-year decrease, to a total of 55,559 clients.

Companies and institutions (B2B business unit)

Since the beginning of the deregulation process in Portugal, the liberalised market has been competing with the tariffs in the regulated market. This resulted in periods of steady market growth, but also other periods of strong market retraction. This was the case in 2008, when prices in the liberalised market were unable to compete against the regulator defined tariffs. This resulted in the massive switching of almost all B2B liberalised customers back to the regulated market. In contrast, in 2009 and 2010, due to more favourable tariff and market price conditions, supply in the liberalised market became competitive once again, namely in the B2B segment. On 29 September 2010, the Portuguese government enacted Decree-Law no. 104/2010 extinguishing with effect

from 1 January 2011 the regulated tariffs for B2B clients and introducing a transitional last resort tariff that includes a premium component to allow for these clients to gradually switch to the liberalised market. In addition, as of the enactment of this Decree-Law, any client who opts out of the regulated market cannot return to it and is bound to be permanently supplied in the liberalised market by one of the existing supply companies. However, because the regulator has been delaying increases in the premium component, the incentive for consumers to switch to the liberalised market has, so far, been limited. As at 30 June 2013, there still remain approximately 11,100 B2B electricity clients supplied under this transitional tariff.

As at 30 June 2013, the B2B business unit of EDP Comercial had a client portfolio amounting to 22,940 facilities, compared to 18,059 one year earlier, to which it had supplied 4,050 GWh by 30 June 2013, compared to 3,947 GWh for the same period in the previous year. As at 31 December 2012, the EDP Comercial B2B business unit client portfolio exceeded 20,200 facilities, compared to almost 14,900 one year earlier, to which it had supplied 8,138 GWh in 2012, compared to 7,940 GWh for the same period in the previous year. As of 30 June 2013, EDP Comercial has a 50 per cent. market share in terms of clients (47 per cent. as at 31 December 2012) and 35 per cent. of market share in terms of volumes supplied as at 30 June 2013 (also 35 per cent. as at 31 December 2012).

In its approach to the B2B customer segment, EDP Comercial follows a strategy designed for sustainability. In line with this strategy, EDP Comercial uses price references, which, for some customers, are not as competitive as the transition tariffs set by the regulator. The transition tariffs do not create the necessary incentive for customers to move to the liberalised market. Notwithstanding this EDP Comercial has secured leadership in the B2B customer segment and was the market leader, both in terms of volume supplied and number of customers, at 30 June 2013.

Residential and small business customers (B2C business unit)

The standard low voltage segment was fully opened to the liberalised market on 4 September 2006, marking the final stage in the liberalisation of the Portuguese electricity market. Since then, around 6 million customers have been free to choose their electricity supplier.

Pursuant to the Memorandum of Understanding entered into by the Portuguese government, the European Union, the International Monetary Fund and the European Central Bank, the Resolution of the Council of Ministers no. 31/2011, dated 23 July 2011, approved the calendar for the elimination of regulated tariffs and the introduction of transitional tariffs for standard low voltage electricity consumers, Subsequent legislation enacted in 2012 to enforce this measure establishes the end of regulated tariffs for electricity supplied to low voltage consumers with contracted power equal to or under 41.4 kVA and equal to or higher than 10.35 kVA by 1 July 2012, and to consumers with contracted power under 10.35 kVA by 1 January 2013. After these dates, a transitional last resort tariff with a gradually increasing premium component will be introduced to promote full switching to the liberalised market by 31 December 2015.

As at 30 June 2013, the B2C business unit of EDP Comercial had a client portfolio amounting to more than 1,482,000 residential and small business customers ("B2C"), compared to approximately 427,000 by the end of June 2012 (a 247 per cent. increase) to which it supplied 1,994 GWh in the six months ended 30 June 2013, which accounts for a 192.7 per cent. year-on-year increase. At the end of December 2012, the B2C business unit of EDP Comercial had a client portfolio amounting to more than 832,000 residential and small business customers, compared to approximately 266,000 by the end of December 2011 to which it supplied 1,697 GWh in the twelve months ended 31 December 2012, which accounts for a 42.5 per cent. year-on-year increase. Since 2006, EDP Comercial has remained the most active B2C supplier in the liberalised market, with market shares in this segment by 30 June 2013 of 85 per cent. in terms of number of clients and 86 per cent. in terms of energy supplied.

Energy services

Management of EDP consider that its energy services business unit will play an increasingly important role in retaining customers and strengthening their long term partnership bond with EDP.

This unit's activity consists of designing and implementing value added energy solutions, for both B2B and B2C customers, ranging from energy efficiency and micro-generation, to electricity quality monitoring and electric equipment maintenance. It is also through this unit that EDP deploys its initiatives under the Plan for Promoting Consumption Efficiency ("PPEC"), an ambitious energy efficiency plan promoted by the regulator.

Spain

For the six months ended 30 June 2013, the total number of electricity customers in the liberalised market supplied by HC Energía and Naturgas was 828,956 (including CHC Energía and excluding TUR) and these customers were invoiced for 8,764 GWh of electricity supply for the six months ended 30 June 2013, a 12.5 per cent. decrease from the previous year. The energy sold represents 10 per cent. of the total energy sold in the liberalised market in Spain for this period.

For the year ended 31 December 2012, the total number of electricity customers in the liberalised market supplied by HC Energía and Naturgas was 770,903 (including CHC Energía and excluding TUR) and these customers were invoiced for 19,543 GWh of electricity supply in 2012, a 5.0 per cent. decrease from the previous year. The energy sold represents 11 per cent. of the total energy sold in the liberalised market in Spain for this period (and thereby doubling EDP's share in the supply market in generation).

As at 30 June 2013, the B2B segment recorded sales of 7,241 GWh (16,470 GWh as at 31 December 2012), a decrease of 5.0 per cent. compared to the same period in the previous year (a decrease of 14.1 per cent. in 2012 compared to 2011).

Within the B2C operation, sales of 1,163 GWh for the six months ended 30 June 2013 were achieved (2,305 GWh for the year ended 31 December 2012), representing a decrease of 1.6 per cent. (a decrease of 1.7 per cent. in 2012 compared to 2011). The strategy in this segment has been focused on portfolio analysis in order to attract profitable customers and gain their loyalty. On the other hand, a campaign was carried out to protect the dual domestic customer segment by means of the Fórmula Ahorro ("Savings Formula") plan. This promotional offer included electricity and gas supply and a maintenance service through the Funciona programme, resulting in 365,731 contracts as at 30 June 2013 and 306,079 contracts with electronic invoicing.

The natural gas marketed in Spain by Naturgas in the six months period ended 30 June 2013 was 14,733 GWh, representing a 4.7 per cent. year-on-year decrease, to a total of 786,760 clients. The gas sold in the B2B segment amounted to 11,934 GWh, and the remaining 2,799 GWh were sold in the B2C segment. For the year ended 31 December 2012, the natural gas marketed by Naturgas in 2012 was 27,553 GWh, representing a 2.5 per cent. year-on-year decrease, to a total of 772,322 clients. The gas sold in the B2B segment amounted to 23,077 GWh, and the remaining 4,476 GWh were sold in the B2C segment.

EDP Renováveis

EDP Renováveis is a global leader in renewable energy, with its revenue mostly derived from wind energy activities. It develops, builds and operates renewable energy assets in Europe (Portugal, Spain, France, Belgium, Poland, Romania, Italy and UK), North America (United States and Canada) and Brazil.

EDP Renováveis is a publicly traded company, listed on "Eurolist by NYSE Euronext Lisbon", following its successful IPO in June 2008.

EDP Renováveis' turbine procurement strategy focuses on maintaining long-term and flexible relationships with leading turbine suppliers, which generally have, among other qualities, access to key supply chain components, significant production capabilities, leading performance track records and strong local execution teams. EDP Renováveis believes that its global scale provides important competitive advantages in turbine procurement, including more attractive pricing, higher volumes and more flexible delivery terms in turbine supply contracts.

Business Overview

As at 30 June 2013, EDP Renováveis managed a global portfolio of 8,150 MW spread over nine countries, of which 7,759 MW fully consolidated and with an additional 391 MW equity consolidated through its 35.96 interest in the ENEOP Eólicas de Portugal, S.A. ("ENEOP") consortium. ENEOP's consortium includes, besides EDP Renováveis, the wind power operators Enel Green Power, Generg Group and Enercon, which signed a contract in 2006 for the development of 1,200 MW following a competitive public tender by the Portuguese government. In 2012 EDP Renováveis entered the solar photovoltaic ("PV") technology by commissioning 39 MW in Romania and completed its first wind farms (40 MW) in Italy. From the total 7,759 MW of its fully consolidated capacity, 91 per cent. are remunerated according with long-term contracts and regulated frameworks, and only 9 per cent. are exposed to US spot wholesale electricity markets (although partly covered by short-term hedges).

As at 30 June 2013, the overall installed capacity of EDP Renováveis was spread between Europe (4,429 MW), North America (3,637 MW) and Brazil (84 MW), reflecting a total of 589 MW of new capacity added to its portfolio. EDP Renováveis continued to focus its growth strategy on obtaining contracts with more flexible delivery terms. The portfolio of projects under construction was, as at 30 June 2013, 242 MW, whilst projects

under development accounted for approximately 17,856 MW at the same date. These figures suggest that EDP Renováveis will be able to benefit from a stable source of future growth opportunities.

Regarding the efficiency of its global wind assets, in the first six months of 2013, EDP Renováveis delivered a 32.9 per cent. load factor (32.2 per cent. in the first six months of 2012). In 2012, EDP Renováveis delivered a 29.4 per cent. load factor (28.9 per cent. in 2011).

EDP Renováveis continues to leverage its diversified portfolio to mitigate wind volatility. In Europe, EDP Renováveis obtained a 30.5 per cent. load factor (27.3 per cent in the first six months of 2012) driven by a higher load factor in the Iberian Peninsula. In 2012, EDP Renováveis obtained a 26.2 per cent. load factor (25.1 per cent. in 2011), driven by a higher load factor in Spain and in the rest of Europe.

In the United States, average load factor decreased 2 per cent. period-on-period to 35.6 per cent. in the first half of 2013, despite the recovery in wind resources over the second quarter of 2013 (35.1 per cent. versus 34.1 per cent. in the second quarter of 2012).

In Brazil, the average load factor in the first half of 2013 was 26.9 per cent. vs. 25.5 per cent. in the same period of the previous year. In 2012, the average load factor was 31.4 per cent. vs. 34.9 per cent. in 2011.

As a result of increased capacity and positive load factor performance, electricity output in the first six months of 2013 increased 8 per cent. period-on-period, totalling 10,716 GWh. Energy output in the United States was flat year-on-year since new capacity bought into operation compensated lower load factors. In Europe, in the first half of 2013, electricity generation improved by 19 per cent. when compared with the first six months of 2012 (this performance was strongly supported by the operations in the Iberian Peninsula). In Brazil, energy output increased 5 per cent.

In 2012, EDP Renováveis electricity output increased 10 per cent. year-on-year to 18,445 GWh, delivering growth in all geographies. The company's operations in Europe (primarily operations in Central and Eastern Europe) drove the overall production increase (a 13 per cent. increase year-on-year), with the United States and Brazil growing by 6 per cent. and 36 per cent. year-on-year, respectively.

Europe

EDPR Europe increased its installed capacity by 433 MW (59 MW relating to ENEOP) in the six months ended 30 June 2013, ending the period with 4,429 MW (391 MW relating to ENEOP), spread over seven countries: Spain, Portugal, France, Belgium, Italy, Poland and Romania.

Electricity generation in the first six months of 2013 increased by 19 per cent. period-on-period to 5,000 GWh due to a capacity increase coupled with a higher average load factor. The increase in average load factor in the first six months of 2012 was driven by higher load factors in Portugal (33 per cent. vs. 27 per cent. in the first half of 2012) and in Spain (32 per cent. vs. 28 per cent. in the first half of 2012) and by stable load factors in the rest of Europe (25 per cent.).

In 2012, electricity generation increased by 13 per cent. year-on-year to 8,277 GWh due to a capacity increase coupled with a higher average load factor. The increase in average load factor in 2012 was driven by higher load factors in Spain (27 per cent. vs. 25 per cent. in 2011) and in the rest of Europe (24 per cent. vs. 23 per cent. in 2011), and by stable wind resources in Portugal (27 per cent.).

As at 30 June 2013, EDP Renováveis had 242 MW under construction in Europe (158 MW as at 31 December 2012).

Spain

In Spain, EDP Renováveis' installed wind capacity as at 30 June 2013 amounted to 2,310 MW increasing its capacity by 110 MW period-on-period.

EDP Renováveis' load factor in Spain increased from 28.2 per cent. in the first six months of 2012 to 31.8 per cent. in the first half of 2013, following a very strong wind resource in the first quarter of 2013 (37.3 per cent.). Electricity output grew by 18 per cent. period-on-period during the six months ended 30 June 2013, amounting to 3,111 GWh. In 2012, EDP Renováveis' load factor increased to 26.8 per cent. from 25.3 per cent. in 2011. Electricity output grew by 11 per cent. year-on-year in 2012, amounting to 5,106 GWh.

Portugal

In Portugal, EDP Renováveis' installed wind capacity as at 30 June 2013 totalled 619 MW of consolidated capacity plus 391 MW equity consolidated through its interest in the ENEOP consortium. Installed capacity

increased by 194 MW (59 MW attributable to ENEOP) over the six months ended 30 June 2013. Installed capacity increased by 66 MW (64 MW attributable to ENEOP) in 2012.

EDP Renováveis' load factor in Portugal in the first six months of 2013 reached 33.3 per cent., an increase from 26.7 per cent. in the first half of 2012, following a very strong wind resource in the first quarter of 2013 (38.4 per cent.). The electricity output increased 26 per cent. period-on-period to 888 GWh. In 2012, EDP Renováveis' load factor in Portugal reached 26.9 per cent., an increase from 26.5 per cent. in 2011, and in line with the long-term expected average. In the year, the electricity output increased 4 per cent. year-on-year to 1,444 GWh.

In June 2013, EDP Renováveis completed the sale of a 49 per cent. equity shareholding and 25 per cent. of the outstanding shareholders' loans in EDPR PT to CTGI HK, a fully owned subsidiary of CTG, for a total consideration of €368 million. The transaction scope covers 615 MW of generation capacity already in operation, with an average age of 6 years, as well as 29 MW of ready-to-build generation capacity. This transaction was agreed pursuant to the EDP/CTG strategic partnership established in December 2011 and that came into effect on May 2012.

Rest of Europe

As at 30 June 2013, EDP Renováveis had 1,108 MW of capacity installed in the rest of Europe, installed as follows: Romania 378 MW (of which 39 MW are solar PV), Poland 320 MW, France 314 MW, Belgium 57 MW and Italy 40 MW. 324 MW of wind energy capacity were added in the six months ended 30 June 2013, and the first EDP Renováveis's solar PV power plants with a 39 MW capacity were installed in December 2012. By 30 June 2013, a total of 242 MW were under construction in the rest of Europe: 144 MW in Romania, 60 MW in Poland, 30 MW in Italy and 8 MW in France.

The average load factor in the six months ended 30 June 2013 was stable at 25 per cent. period-on-period, despite the 27.5 per cent. load factor registered in Italy. In 2012, the load factor improved from 22.6 per cent. to 24.3 per cent., benefiting from higher wind resources year-on-year in France and Belgium and to 26.1 per cent. in Poland.

The electricity output increased by 15 per cent. period-on-period to 1,001 GWh in the first half of 2013, driven by the higher capacity. In 2012, the electricity output increased by 30 per cent. year-on-year to 1,727 GWh, driven by the higher capacity and stronger wind resources.

North America

In the United States, EDP Renováveis' installed capacity as at 30 June 2013 totalled 3,637 MW spread across 11 different states. In 2012, EDP Renováveis installed the Marble River wind farm in New York State with a 215 MW capacity which has a long-term contract to sell its RECs.

The average load factor in the first six months of 2013 was 35.6 per cent. vs. 37.5 per cent, in the same period of the previous year which implied a flat period-on-period electricity output (5,618 GWh in the six months period ended 30 June 2013 vs. 5,607 in the same period in 2012), since new capacity additions offset lower load factors. The average load factor in 2012 was stable year-on-year at 32.5 per cent., following a higher wind resource in the Central region, stable in the Eastern region and weaker in the Western region.

In 2012, the electricity output in the Unites States increased 6 per cent. year-on-year fuelled by the 11 per cent. and 6 per cent. year-on-year generation growth in the Central and Eastern regions, while in the West, production was 9 per cent. below 2011 given the lower wind resources and the higher curtailment of the operations of the wind farms.

In November 2012, EDP Renováveis reached an agreement with Borealis Infrastructure for the sale of a 49 per cent. equity shareholding in a portfolio of wind farm assets in the United States. The portfolio comprises four wind farms totalling 599 MW, installed between 2007 and 2008, and all of which have long-term PPAs in place. The transaction was concluded in June 2013.

Brazil

EDP Renováveis' installed wind capacity in Brazil totalled 84 MW by 30 June 2013. All of the company's installed capacity in Brazil benefits fully from incentive programmes for renewable energy development. This provides long-term visibility through long-term contracts to sell the electricity produced for 20 years, which translates into stable and visible cash flow generation throughout the projects' life.

The average load factor in Brazil for the first six months of 2013 improved from 25.5 per cent. to 26.9 per cent. The 2012 average load factor in Brazil was 31.4 per cent. vs. 34.9 per cent. in 2011, given the different

production mix year-on-year (the new 70 MW wind farm, installed in May 2011, started operations during the best wind resource season of the year).

Electricity output increased 4.9 per cent. period-on-period to 98 GWh in first six months of 2013, benefiting from stronger wind resources. In 2012, electricity output increased 36 per cent. year-on-year to 231 GWh, following the short period of operation in the first six months of 2011 of the 70 MW Tramandaí wind farm that was completed in May 2011.

EDP Renováveis' currently has 120 MW under development in Brazil with 20-year PPAs awarded in December 2011 at the energy A-5 auction, which clearly reinforces EDP Renováveis's presence in a market with a low risk profile, attractive wind resources and strong growth prospects.

EDP's energy business in Brazil

Generation (excluding wind power)

EDP Brasil generation activities include the management of hydroelectric power stations, mini-hydro power stations and thermal generation (through a 50 per cent. partnership with MPX Energia), located in the states of Espírito Santo, Mato Grosso do Sul, Tocantins, Santa Catarina, Rio Grande do Sul and Ceará.

As at 30 June 2013, EDP Brasil's generating facilities, excluding wind, had a total installed capacity of 2,159 MW, representing an increase of 365 MW compared to the figure as at 30 June 2012, resulting from the additions from the repowering of the Mascarenhas Hydro Plant and the start of commercial operation of Pecém I (360 MW). Pecém I is a coal thermal plant with an installed capacity of 720 MW. 615 MW of the 720 MW installed capacity was sold in the A-5 auction held by the Electric Energy Trading Chamber ("CCEE"), in October 2007. The price reached at the auction was R$125.95 per MWh for a 15-year contract.

The total volume of energy sold by EDP's plants in Brazil in the first six months ended 30 June 2013 reached 5,690 GWh, a 36.2 per cent. increase versus the same period of the previous year. In 2012, the total volume of energy sold by the Group's plants in Brazil reached 9,450 GWh, a 12.7 per cent. increase versus 2011.

The entire installed capacity of EDP Brasil is contracted under PPAs with prices adjusted for inflation and an average maturity of 15 years.

Generation projects under construction

As announced in June 2011, EDP Brasil acquired the Santo Antônio do Jari Hydro Power Plant ("HPP"), located on the border of Pará and Amapá states. Santo Antônio do Jari HPP has an installed capacity of 373.4 MW and assured energy of 217.7 average MW, of which 190 average MW were sold in the A-5 auction of December 2010 for a period of 30 years ending 31 December 2044 (expiration date of the concession) and 20.9 MW were sold in the A-5 auction of December 2012 for a period of 28 years ending 31 December 2044.

In 14 December 2012 EDP acquired Cachoeira Caldeirão HPP, located at Amapá state, in Araguari river, with an installed capacity of 219 MW, of which 129.7 average MW were sold in the A-5 auction for a period of 30 years.

Distribution

Electricity distribution services are provided to a market that is divided into captive customers, who acquire electricity provided by the distributor and pay for their use of the network, and free customers, who choose a different electricity supplier and pay the distributor only for the use of the distribution network.

The distribution activities are currently developed by two concessionaires, which secure approximately 3.0 million customers in regions where the total population is approximately 8 million people:

- Bandeirante – Supplies energy to more than 1.6 million customers in the regions of Alto Tietê, Vale do Paraíba and Litoral Norte from the state of São Paulo, where approximately 4.5 million people live. The area has a large concentration of companies from important economic sectors, such as aviation, paper and pulp manufacture.

- Escelsa – Delivers services to a population of approximately 3.5 million inhabitants in 70 of the 78 municipalities from the state of Espírito Santo, supplying electricity to approximately 1.3 million customers. The main economic activities of the region are metallurgy, iron mining, production of paper, oil and gas.

The volume of electricity distributed totalled 12.9 TWh in the first half of 2013, representing a 3.0 per cent. period-on-period increase, primarily as a result of the 6.1 per cent. period-on-period increase in the volumes distributed to industrial clients in the free market and also due to the positive performance of the transport, auto

and oil & refining industries. The volume of energy distributed totalled 24.9 TWh in 2012, representing a 1.5 per cent. year-on-year increase.

The volume of electricity sold to final customers increased by 1.1 per cent. in the first half of 2013 compared to the first half of 2012. In 2012, the volume of electricity sold to final customers increased by 3.2 per cent. compared to 2011.

In the residential, commercial and other segments, the volume sold in the first half of 2013 rose 4.2 per cent. period-on-period, justified by a wider client base, higher consumption per capita and a lower average unemployment rate. The volume sold in 2012 in the residential and commercial segment rose 4.1 per cent. and 9.3 per cent. respectively year-on-year reflecting: (1) the impact of continued increases in income (average national *per capita* household income rose 5.4 per cent. in the twelve-month period ended in December 2012) and (2) a decline in unemployment (the average accumulated unemployment rate for the twelve months ended December 2012 measured 5.5 per cent.). An expanded customer base, particularly in the case of the commercial class, also contributed to the result.

In the industrial segment, the volume of electricity sold fell by 7.6 per cent. in the first half of 2013 compared to the same period of the previous year due to the migration of clients to the free market. In 2012, the volume of electricity sold fell by 4.8 per cent. compared with the previous year due to the migration of customers to the free market and deceleration in domestic industrial output, mainly in the state of São Paulo.

In 2012, the volume of electricity distributed (but not sold) to liberalised market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs) decreased 1.2 per cent. year-on-year in 2012, reflecting the deceleration of the global economy, maintenance downtimes and the resumption of energy cogeneration of relevant customers in the state of Espírito Santo.

Supply

EDP Comercializadora is responsible for energy commercialisation activities and rendering services to the liberalised market, both inside and outside the concession areas of the two distributors of EDP Brasil that operate in the regulated market.

EDP Comercializadora showed growth in the volume of energy supplied in the first half of 2013, trading 6,034 GWh, which was 15.7 per cent. higher than the volume traded in the first half of 2012. In 2012, EDP Comercializadora showed growth in the volume of energy supplied, trading 11,254 GWh, which was 13.7 per cent. higher than 2011, thus ranking it as the third largest private sector electricity energy commercialisation company in Brazil by volume of energy supplied in 2012.

EDP'S OTHER ACTIVITIES

EDP also has financial interests in other energy and non-energy related assets, namely a 3.5 per cent. stake in REN the electricity transmission company in Portugal; and a 21.2 per cent. interest in Companhia de Electricidade de Macau, located in Macau, China.

REGULATORY FRAMEWORK

Iberian Peninsula

MIBEL Overview

Since 1 July 2007, the electricity wholesale market in the Iberian Peninsula has been operated as a single and integrated electricity market for Portugal and Spain within the wider context of the European single electricity market, which is provided for in EU Directives. This integrated market for Portugal and Spain is known as MIBEL and is the result of successive international agreements entered into by the governments of Portugal and Spain since 1998 (the "MIBEL Agreements").

MIBEL's purpose is to be the common electricity trading platform in Portugal and Spain. The MIBEL Agreements set out a framework that creates (1) organised and non-organised markets in which transactions or electricity agreements are entered into and (2) markets in which financial instruments relating to such energy are traded. The creation of MIBEL required both countries to acknowledge a single market in which all agents have equal rights and obligations and in which all agents have to comply with principles of transparency, free competition, objectivity and liquidity.

MIBEL operates as an electricity spot market, which includes daily and intraday markets that are managed by the Spanish market operator - Operador del Mercado Ibérico de Energía, Polo Español, S.A., ("OMEL") and an electricity forward market that is managed by Operador do Mercado Ibérico de Energia – Pólo Português, S.A. ("OMIP"). In addition, electricity transactions may also be negotiated through bilateral contracts with terms of at least one year. The MIBEL Agreements also specify that the existence of two market operators, OMEL and OMIP, is temporary and that OMEL and OMIP will eventually merge into a single market operator, the Iberian Market Operator ("OMI").

Pursuant to the provisions of the MIBEL Agreements, which entered into force on 1 July 2011, the segregation process affecting OMEL has been completed. This has involved the transfer of a section of OMEL's business, which involved the operation of the electricity market and other energy-based products, to OMI Polo español, S.A. ("OMIE").

Further to this transfer, as from 1 July 2011, OMIE assumed the management of the bidding system for the purchase and sale of electricity on the spot market within the sphere of MIBEL, while OMEL has become a holding company, owning 50 per cent. of each of OMIE and OMIP and 10 per cent. of the Portuguese parent company, OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A. ("OMIP SGPS"). OMIP SGPS also holds 50 per cent. of each of OMIE and OMIP and has diversified its shareholder base in October 2011, by reducing its stake in the Portuguese Transmission System Operator from 90 per cent. to 45 per cent. through a sale to several market agents.

The Iberian electricity forward market managed by OMIP began operations on 3 July 2006 and, since 1 July 2007, electricity operators in Portugal and Spain have used a common trading platform for spot energy that is managed by OMIE, with the purpose of creating a fully integrated electricity market for the Iberian Peninsula. The MIBEL spot market currently operates in a market split system pursuant to which electricity market prices in each country depend on (1) supply and demand in each country and (2) the available interconnection capacity between each country. It is expected that as interconnection capacity between Portugal and Spain increases, the MIBEL spot market will evolve to a single market system.

On 1 July 2007, EDP began to sell electricity generated under the ordinary regime in Portugal through the spot market managed by OMIE, as a result of the early termination of its PPAs, as further described below.

Managing Emissions

For the first period of the EU ETS from 2005 through 2007, free CO_2 allowances ("European Union Allowances" – "EUAs") matched EDP's emissions needs. EDP has actively managed its CO_2 needs during the second period from 2008 through 2012, with its needs for this period fully covered through free allocated EUAs, Certified Emission Reductions ("CERs") and Emission Reduction Units ("ERUs"), including through carbon funds and through the purchase of additional EUAs, CERs and ERUs.

Decree-Law no. 38/2013, of 15 March, establishes a new approach for licensing, harmonised at the EU level, that sets up a transitional regime for allocation of free allowances. The free allocation will initially be 80 per cent. of the quantity determined by applying a harmonised methodology. It will decrease annually, to a 30 per cent. free allocation in 2020, until the free allocation is eliminated in 2027. The methodology allocation was set by Commission Decision no. 2011/278/EU of 27 April 2011.

From 1 January 2013, emission allowances that are not allocated free of charge are subject to an auction. 80 per cent. of the revenues from the auction in each year must be used to promote renewable energy by offsetting part of the special regime generation overcosts. Additionally, if unused emission allowances allocated for 2008 to 2012 are auctioned, 70 per cent. of the proceeds will revert to the electricity system.

At the level of the EU ETS, the European Commission produced an impact assessment report on the measures previously designed to prevent the surplus of emission allowances on the market and the consequent reduction in the price of CO_2 per ton. The purpose of the report was to analyse the functioning of the market and to identify the need for regulatory action in this field.

Renewable Energy

The promotion of electricity from renewable sources is a priority in the EU for purposes of security and diversification of energy supply, environmental protection and social and economic development. The EU's renewable energy strategy was set forth in a general regulation that supports all forms of renewable energy production and in specific regulations that support specific renewable energy technologies. These regulations target the generation of certain percentages of EU electricity and energy from renewable sources in order, among other objectives, to achieve the greenhouse gas emission reductions required by the Kyoto Protocol,

to which the EU (and its Member States) became a signatory on 31 May 2002.

The European Council Meeting of March 2007 reaffirmed the EU's commitment to the EU-wide development of energy from renewable sources beyond 2010. It endorsed a mandatory target, including two requirements, which are that by 2020: (1) 20 per cent. of EU-wide energy consumption will be generated from renewable sources and (2) at least 10 per cent. of transport petrol and diesel consumption in each Member State will be originated from bio-fuels.

Furthermore, in January 2008, the EU proposed specific binding targets for each Member State. On 23 January 2008, the European Commission established a framework (COM (2008) 30 final) to ensure a sufficient level of investment and support in order to achieve an 11.5 per cent. increase in the share of renewable energy as a proportion of total energy consumption in the EU, which will in turn ensure that the European Council's target of 20 per cent. by 2020 is met. The European Commission further highlighted the projected decrease in the relative cost of renewable energy due to the cost of the EU "emissions trading scheme" ("ETS") allowances (a scheme that allows companies to trade allowances for the right to produce CO_2 emissions) and rising prices for oil and gas. Furthermore, the European Commission reinforced the strong renewable energy allocation and flexibility methodology adopted by the European Council.

In light of the positions taken by the EU, the European Parliament and the European Council adopted a new Directive, Directive 2009/28/EC of the European Parliament and of the Council of 23 April 2009, which amended and subsequently repealed Directives 2001/77/EC and 2003/30/EC (the "Renewable Energy Directive"). The Renewable Energy Directive was designed to promote the use of renewable energy with the general objectives set out at the European Council Meeting of March 2007, as described above.

To ensure those objectives are achieved, the Renewable Energy Directive established a common framework for the promotion of energy from renewable sources. It also set mandatory national targets for the overall share of energy and for the share of transport energy from renewable sources. In addition, it lays down rules relating to statistical transfers between Member States, joint projects between Member States and with third countries, guarantees of origin, administrative procedures, information and training and access to the electricity network for energy from renewable sources. Finally, the Renewable Energy Directive establishes sustainability criteria for bio-fuels and bio-liquids.

As part of International commitments to reducing greenhouse gases emissions, the 2012 United Nations Climate Change Conference held a meeting in Doha (Qatar) that concluded with an extension of the Kyoto Protocol (set to expire in 2012) until 2020, with 37 countries (representing around 15 per cent. of worldwide emissions) agreeing to binding greenhouses gas reduction targets. In 2015, a new treaty with binding obligations for all parties should be ready so it can be operational by 2020. Negotiations will proceed to reach a comprehensive and binding treaty for a larger number of countries, including, perhaps, the United States (that never ratified the Kyoto Protocol) and developing countries such as China, India and Brazil.

With respect to the EU's renewable energy policy, on March 2012, the European Parliament voted in favour of setting a binding renewable energy target for 2030. Last December, European energy ministers gave a mandate to the Commission to start working on a post-2020 renewable energy policy framework. Energy Commissioner Oettinger has called for a target to be set by 2014. The European Renewable Energy Council is calling for a binding 45 per cent. renewable energy target for 2030.

On 1 January 2013, the U.S. Congress approved "the American Taxpayer Relief Act", which included an extension of the PTC for wind, including the possibility of a 30 per cent. ITC instead of the PTC (although the 2013 automatic spending cuts have reduced this amount by 8.7 per cent. for all grants awarded on or after 1 March 2013 through 30 September 2013, regardless of when the application was submitted). Congress set a new expiration date of 31 December 2013 and changed the qualification criteria—projects can now qualify as long as they are under construction by the year-end deadline.

Portugal

Evolution of the Portuguese Electricity System

The Portuguese electricity system ("Portuguese Electricity System") has changed significantly in recent years. Until 1999, the generation, transmission, distribution and supply components of the electricity industry in Portugal were united in the EDP Group. Since 2000, the electricity industry in Portugal has been progressively deregulated with the unbundling of the power transmission network and the liberalisation of power generation and supply. The current organisation of the Portuguese energy sector is mostly the result of a significant restructuring initiated with the National Strategy for the Energy sector (the "NSE") established firstly by Resolution of the Council of Ministers no. 169/2005, of 24 October, as later amended and updated by Resolution

of the Council of Ministers no. 29/2010, of 19 March. In summary, the NSE aims to: (1) promote economic growth and competition in the energy markets by investing in research and development and improving energy efficiency, focusing on renewable energy as a means to reduce energy dependency from third countries and to decrease the level of carbon emissions; (2) develop Portugal into a leading country in renewable energy with recognised technological skills and know- how and industrial clusters related to such energy; and finally (3) promote the use of more efficient technologies in the production and transmission of energy and more responsible and sustainable consumption of energy by using smart grids and electric vehicles or by implementing new public and private lighting systems.

Renewable energies play a significant role in the NSE and important objectives are set out, notably: (1) reduction of the country's energy dependency by up to 74 per cent. by 2020; (2) compliance with European policies on climate change by producing 60 per cent. of electricity and 31 per cent. of final energy from renewable sources by 2020; and (3) reduction by up to 25 per cent. of energy imports by increasing generation using environmentally-friendly energy sources.

EU Directive no. 2003/54/EC of the European Parliament and of the Council of 26 June 2003 (the "Electricity Directive"), which defined new strategic objectives, principles and general guidelines, was transposed into Portuguese law by Decree-Law no. 29/2006, of 15 February ("Decree-Law no. 29/2006"). The Electricity Directive established common rules for the generation, transmission and distribution of electricity in Member States, and it instituted rules relating to the organisation and functioning of the electricity sector, access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems.

The Portuguese law followed the Electricity Directive and established the new legal framework for the Portuguese electricity sector. Decree-Law no. 172/2006, of 23 August ("Decree-Law no. 172/2006"), as amended, further developed this legal framework (together with Decree-Law no. 29/2006 the "Electricity Framework") and established rules for activities in the electricity sector.

Following implementation of this new Electricity Framework, the former organisation of the Portuguese Electricity System was replaced by a single market system, and the generation and supply of electricity and management of the organised electricity markets are now fully open to competition, subject to obtaining the requisite licences and approvals or simple registration in the case of the liberalised supply. However, the transmission and distribution components of the electricity industry continue to be provided through the award of public concessions.

Decree-Law no. 319/2009, of 3 November, while transposing Directive no. 2006/32/EC of the European Parliament and of the Council, of 5 April 2006, established the indicative objectives and the institutional, financial and legal framework necessary to eliminate the current market deficiencies and obstacles that prevent the efficient use of electricity, and seeks to create the conditions for the development and promotion of an energy services market and of other measures of improvement of energy efficiency. This legislation is applicable to, among others, electricity distributors, suppliers and consumers, and also sets out a general indicative objective for energy usage to be reduced by 9 per cent., through the use of energy services and through the improvement of energy efficiency, to be achieved by 2016.

Notwithstanding all the efforts at the European level to create an energy common market, there are still obstacles to the sale of electricity on equal terms and without discrimination or disadvantages in the EU. Therefore a third legislative package was proposed in 2007 by the European Commission, and adopted in 2009 by the European Parliament and European Council. This legislative package includes Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009, concerning common rules for the internal market in electricity and repeals Directive 2003/54/EC ("Directive 2009/72/EC"), Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators ("Regulation (EC) 713/2009"), and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009, on conditions for access to the network for cross-border exchanges in electricity, which repeals Regulation (EC) No 1228/2003 ("Regulation (EC) 714/2009") (collectively the Third Package).

Directive 2009/72/EC focuses on common rules relating to the organisation and functioning of the electricity sector, open access to the market, the criteria and procedures applicable to calls for tenders and the granting of authorisations and the operation of systems, along with rules concerning universal service obligations and the rights of electricity consumers.

Regulation (EC) 713/2009 established the Agency for the Cooperation of Energy Regulators with the general purpose of assisting the national regulatory authorities and, where necessary, coordinating their actions.

Regulation (EC) 714/2009 aims at: (1) setting fair rules for cross-border exchanges in electricity, thus enhancing competition within the internal market in electricity, taking into account the particular characteristics of national and regional markets, and (2) facilitating the emergence of a well-functioning and transparent wholesale market with a high level of security of supply in electricity, providing mechanisms to harmonise the rules for cross-border exchanges in electricity.

Directive 2009/72/EC was transposed into Portuguese law by Decree-Law no. 78/2011, of 20 June ("Decree-Law no. 78/2011"), which amended Decree-Law no. 29/2006 and introduced changes into the Electricity Framework.

Following the amendments introduced by Decree-Law no. 78/2011, the Electricity Framework now adopts a regime of stricter separation between the entities acting in the generation and supply of energy and the transmission and distribution system operators, by attributing new powers to the national energy regulator and reinforcing the protection rights of consumers.

The Financial Assistance Programme that Portugal requested led to the substitution of end user regulated electricity tariffs by transitional tariffs after 1 January 2013, which was also provided for in Directive 2009/72/EC. To this end, Decree-Law no. 75/2012, of 26 March (''Decree-Law no. 75/2012''), introduced a calendar for the gradual phasing out of the end user regulated tariffs for normal low-voltage electricity customers, following the extinction of the tariffs for the remaining voltage levels that occurred in 2010. The phasing out of regulated tariffs will be completed on 31 December 2014 or 31 December 2015 for customers with contracted power equal or greater than 10.35 kVA or less than 10.35 kVA, respectively. During this period, transitional tariffs will be set and updated quarterly by ERSE. The adopted model aims at creating conditions for the liberalised market to grow, but also provides for the adoption of safeguard mechanisms for economically vulnerable customers, who can be supplied by any supplier and, in last resort, by the supplier of last resort, with the applicable discounts planned for the social tariff and for extraordinary social benefits for the consumer.

Moreover, the sector's framework laws were amended, completing the transposition of the Directive 2009/72/EC. Decree-Laws no. 215-A/2012 and 215-B/2012, of 8 October, were published, introducing new modifications to Decree-Law no. 29/2006 and to Decree-Law no. 172/2006, respectively. Important modifications introduced included: (i) special regime generation can now also be remunerated through market schemes, and is no longer distinguished from ordinary regime generation by the fact that it has special remuneration schemes under pro-investment policies; (ii) requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced (in consequence, also, of the challenges created by the privatisation process); (iii) regarding the distribution network operator, the legal separation requirements were also clarified, with the aim of assuring the independence and eliminating the network access discrimination risk; (iv) concerning the supply activity, they provided that the supplier of last resort maintains the obligation of acquiring the special regime generated power, but only when the generation benefits from a guaranteed feed-in-tariff, and the creation of the figure of the Market Facilitator Aggregator, to which will be attributed the responsibility of acquiring special regime generation without a guaranteed feed-in-tariff. ERSE has incorporated the above changes into the applicable regulations.

Decree-Law no. 256/2012, of 29 November (''Decree-Law no. 256/2012''), was also published with the aim of advancing the sustainability of the National Electric System (''SEN'') and helping to control electricity costs and the tariff deficit. Decree-Law no. 256/2012 established measures that: (i) defer the annual adjustments of the compensation amount due for the year of 2011 for the early termination of the Power Purchasing Agreements ("PPAs"), in accordance with Decree-Law no. 240/2004, of December 27, as amended by Decree-Law no. 199/2007, Decree-Law no. 264/2007 and Decree-Law no. 32/2013 ("Decree-Law no. 240/2004"), as amended; (ii) defer the provisional adjustment of energy acquisition costs incurred in 2012 with the purchase of electricity under the PPAs; (iii) put into operation the deduction, in respect of the allowed revenue amounts related to the overcosts associated with electricity energy acquisition of special regime generation, of the revenues generated by the sales of the CO_2 allowances. Ministerial Order no. 140/2012, of 14 May (''Ministerial Order no. 140/2012''), also provided the remuneration scheme for electricity generation in cogeneration installations, in accordance with the provisions of Decree-Law no. 23/2010, of 25 March (''Decree-Law no. 23/2010'').

Law no. 9/2013, of 28 January, has, pursuant to Directives 2009/72/EC and 2009/73/EC, established the sanctioning regime applicable to the SEN and has formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in the SEN.

Decree-law no. 35/2013, of 28 February, established the possibility of special regime generators to adhere to certain alternative remuneration mechanisms which, generally, allow for the extension of the period by which such special regime generators receive a special tariff or guarantee remuneration.

Ministerial Order no. 145/2013, of 9 April, approved the amounts established on article 2, no 3 and article 3, no 3

of Decree-Law no. 256/2012 applicable, respectively, to the deferral of additional costs with CMEC and the deferral of additional costs with PPA.

The Current Portuguese Electricity System

Under the Electricity Framework, the Portuguese Electricity System is divided into six major functions: generation, transmission, distribution, supply, operation of the electricity market and the logistical operations that facilitate switching electricity suppliers for consumers. Subject to certain exceptions, each of these functions must be operated independently of other functions, from a legal, organisational and/or decision-making standpoint.

The electricity sector activities are required to be developed in accordance with the principles of rationality and efficiency in the use of necessary resources and in accordance with the principles of competition, environmental sustainability and consumer protection, with the purpose of increasing competition and efficiency in the Portuguese Electricity System, in the context of the creation of the internal energy market.

Electricity generation

Electricity generation is subject to licensing and is carried out in a competitive environment. Electricity generation is divided into two regimes: an ordinary regime and a special regime. The special regime relates to the generation of electricity from renewable sources (except hydropower plants with large generation capacity). Special regime generation is subject to different licensing requirements and, in general, benefits from a feed-in tariff system. A last resort supplier, currently EDP Serviço Universal, S.A. ("EDP Serviço Universal"), is obliged to purchase electricity generated under the Portuguese special regime. The ordinary regime covers all other sources, including large hydropower plants.

Ministerial Order no. 243/2013, of 2 August, establishes the terms, conditions and criteria applicable for the obtaining of the generation license and operation license, was recently enacted.

Decree-Law no. 141/2010, of 31 December, which transposes the Renewable Energy Directive, established that, as an indicative objective, the use of renewable energy sources must constitute at least 31 per cent. of end-use electricity consumption by 2020.

Ordinary Regime

On 30 June 2007, all of the long term PPAs that had been previously executed by EDP during the 1990s were terminated early pursuant to Decree-Law no. 240/2004, and accordingly, the power facilities that generated electricity for those agreements are now operated under market conditions.

In addition, EDP has regularised the status of the water concessions for its hydropower plants in accordance with Decree-Law no. 226-A/2007, of 31 May. As a result, EDP has retained the rights to operate 26 hydropower plants under market conditions (with 4.094 MW of installed capacity), whose average term of operation is until 2047.

Ministerial Order no. 765/2010, of 20 August ("Ministerial Order no. 765/2010"), established a new regime applicable to generators operating in the liberalised market, which provided that remuneration may be awarded to generators that provide generation capacity to be used in connection with the technical management of the national electricity transmission network under similar conditions to those that, since 2007, have been available for generation companies in Spain. In addition, the provision of an investment incentive for a period of ten years, currently amounting to €20,000 per MW installed was established, to be used in generation capacity in the ordinary regime (not less than 50 MW). Power plants that used to benefit from PPAs early terminated in 1 July 2007 and that are currently subject to a stranded costs compensation mechanism, designated as the CMEC mechanism, had been excluded from such incentive benefits. New capacity increases of hydro power plants with reversible systems were also covered by this measure. The availability incentive provided for a payment for the availability of certain generation capacity in a predetermined timeframe equal to or less than one year, in an amount to be defined by the member of the Portuguese government responsible for the energy sector. These capacity payments to generators were to be made and managed by the system operator and supported by the electricity tariffs as set in the Tariff Regulation enacted by the Portuguese ERSE, an autonomous public entity.

Following the Memorandum of Understanding on Specific Economic Policy Conditionality entered into by the Portuguese State with the International Monetary Fund, the European Union and the European Central Bank (the "Financial Assistance Program"), the Portuguese capacity remuneration mechanism was recently reviewed. In fact, Ministerial Order no. 139/2012, of 14 May, complemented on 20 August with the Ministerial Order no. 251/2012 revoked Ministerial Order no. 765/2010 and terminated, with effect from 1 June 2012, the capacity

remuneration mechanism as described above and establishes the guiding principles of the substitute regulatory regime. In particular, the availability incentive ceased to be applicable to thermal power plants until 2013, reflecting the date for completion of the measures set forth in the Financial Assistance Programme for the energy sector, although after such date the capacity amount shall correspond to €6,000/MW per year. The investment incentive is also maintained for new hydro power plants, for a period of 10 years, in an amount calculated on the basis of the current criteria for national supply coverage set out in regulations, which shall be reduced by 50 per cent. for capacity repowering in hydro plants with reversible pumping (10,000 €/MW year).

Special Regime

Under Portuguese law, the special regime generation governs the generation activity subject to special legal regimes, such as electricity generation through cogeneration and endogenous resources, renewable or non-renewable, small generation (e.g. microgeneration and minigeneration) and generation without network injection, as well as generation of electricity using endogenous resources, renewable or non-renewable, which is not subject to a special legal regime. Generation which falls outside the scope of the referred criteria is included in the ordinary regime generation.

The Portuguese legal provisions applicable to the generation of electricity based on renewable resources and to cogenerators (special regime generation) are primarily governed by Decree-Law no. 172/2006, of 23 August ("Decree-Law no. 172/2006"), amended with the entry into force of by Decree-Law no. 215-B/2012, of 8 October ("Decree-Law no. 215-B /2012"), and in respect of tariffs, Decree-Law no. 189/1988, of 27 May ("Decree-Law no. 189/88"), and the amendments thereto, including Decree-Law no. 168/99, of 18 May, Decree-Law no. 312/2001, of 10 December, Decree-Law no. 339-C/2001, of 29 December, Decree-Law no. 33A/2005, of 16 February ("Decree-Law no. 33-A/2005"), and Decree-Law no. 35/2013, of 28 February and Decree-Law no. 225/2007, of 31 May, as amended by Decree-Law no. 51/2010, of 20 May. Special regime generation is also affected by Decree-Law no. 29/2006, insofar as this relates to the Portuguese Electricity System.

The statutory and regulatory regime applicable to the generation of renewable electricity differs from that applicable to the generation of electricity from other non-renewable sources in relation to licences, tariffs and electricity sale rights. In addition, Decree-Law no. 23/2010, of 25 March ("Decree-Law no. 23/2010), as amended by Law no. 19/2010, of 23 August ("Law no. 19/2010"), provides for a new cogeneration regime in respect of, among others, licensing and tariffs. The specific terms of the reference tariff remuneration regime were recently defined by the Ministerial Order no. 140/2012, Ministerial Order no. 237/2013, of 24 July, and Ministerial Order no 243/2013, of 2 August.

Licences

Under Decree-Law no. 215-B/2012, the licensing regime applicable to power plants included in the special regime generation is now governed by Decree-Law no. 172/2006. The construction and operation of a power plant included in the special regime generation requires a network interconnection point to be allocated by the Portuguese State Energy Department (Direcção Geral de Energia e Geologia, "DGEG"), either upon request by the operator or pursuant to a public tender procedure, which may be determined by the Ministry responsible for DGEG. The licensing process begins with a request to DGEG to assess the capacity of the network to receive the electricity generated at a determined network interconnection point. If such capacity exists, DGEG may allocate a network interconnection point to the requesting party. In the case of a public tender procedure, the competing entities must comply with certain requirements in order to be granted the right to a network interconnection point. The entities to which the interconnection point has been allocated must then obtain establishment generation licence from DGEG before beginning construction of the power plant. Once construction is completed, an exploration licence must also be obtained. The DGEG licensing process operates in parallel with a local licensing process administered by the municipalities in which the power plant is to be located. In particular, the requesting party must obtain local construction and operating licences for the power plant. In some instances, an environmental impact evaluation may be required, and a favourable environmental impact declaration must be issued by the Environmental Impact Authority. This favourable environmental impact declaration, when applicable, is a condition precedent for the issuance of the generation licence. Also, in cases where installations are to be located within the National Ecologic Reserve territory, depending on the specific circumstances, additional permits or a special Ministerial Order recognising the public interest of the project may be required.

Recently, Ministerial Order no. 237/2013, of 24 July, established the regime for the prior communication procedure regarding the installation of power plants under the special regime, which do not require a production licence.

Tariffs

Decree-Law no. 189/88 sets out a specific formula for calculating the tariffs to be paid to generators for the electricity generated by power plants using renewable energy (excluding large hydropower plants). Upon entry into force of Decree-Law no. 35/2013 wind farms that were already in operation as of February 2006 sell their electricity at a set price, dependent on production hours, for a period of 15 years after entry into force of Decree-Law no. 33-A/2005; all other wind farms sell their electricity at a set price, dependent on production, for a period of fifteen years as of the date of attribution of the exploration licence. After such period, the wind farms that benefit from a remuneration regime prior to entry into force of Decree-Law no. 33-A/2005 may choose (i) to benefit, for an additional five years, from a tariff which shall be determined by the member of the Government responsible for the energy area, or (ii) to adhere, to an alternative remuneration regime, against payment of annual compensation to the SEN of €5,000 or €5,800 per MW of installed capacity for a period of eight years between 2013 and 2020.

The alternative remuneration regime (ii) above offers generators the possibility of receiving the amount correspondent to the set market price, with advantage that a floor (of €74 MWh) and a cap (of €98 MWh), or just a floor (of €60 MWh), is established. This means that, if market prices fall bellow or over such amounts (in the first case), or bellow such amount (in the second case), the generators shall receive the cap or the floor value, irrespective of the set market price.

If generators choose to pay the compensation of €5,000 per MW of installed capacity to the SEN, they shall be entitled to benefit from the alternative remuneration regime they choose for a period of five years, upon the term of the initial fifteen years. If generators choose to pay the compensation of €5,800 per MW of installed capacity to the SEN, they shall be entitled to benefit from the alternative remuneration regime for a period of seven years, upon the term of the initial fifteen years.

Wind farms licensed after February 2006 sell their first 33 GWh of electricity at a price based on a formula set out in Decree-Law no. 33-A/2005, for a period of 15 years counting from the date of the first supply of electricity to the network. After the 33 GWh limit is exceeded, electricity in excess of 33 GWh and, in any case, after the 15 years as from the entering into force of Decree-Law no. 33-A/2005 have elapsed, all electricity generated on those wind farms will be sold at the then-existing market price, plus the price received from the sale of green certificates, if any. The cost of providing such remuneration to the generators is allocated in accordance with Decree-Law no. 90/2006, of 24 May. Additionally, Decree-Law no. 172/2006, of 23 August, establishes the obligation of the operators of the public service electricity network, such as REN—Rede Eléctrica Nacional, S.A., in its capacity as operator of the national transmission network and EDP Distribuição, in its capacity as operator of the national distribution network, to receive in first place the electricity generated using renewable energy sources except for hydroelectric power plants with an installed capacity greater than 30 MW.

Electricity sale

The Portuguese special generation regime provides that generators who benefit from a guaranteed remuneration under law may sell electricity to last resort suppliers who are required to purchase electricity under the special regime pursuant to article 55 of Decree-Law no. 172/2006. However, neither the right of the special regime generator, nor the correspondent obligation of the last resort supplier, limits the ability of special regime generator to sell electricity to other suppliers of electricity operating in the market. When the special regime generator sells the electricity to the last resort supplier, it will receive an amount corresponding to the tariff applicable to the respective generation technology.

Cogeneration

Decree-Law no. 23/2010, as amended by Law no. 19/2010, which transposes Directive 2004/8/EC of the European Parliament and of the Council of 11 February, amended by Regulation (EC) no. 219/2009 of the European Parliament and of the Council of 11 March establishes a legal framework applicable to the generation of electricity through cogeneration. This framework sets out a more expeditious regime for obtaining a licence for generation of electricity through cogeneration and a new form of calculation of the tariff payable to cogenerators. The new remuneration mechanism is based on two methods subject to the choice of the cogeneration generator: a general regime whose compensation is defined by market value plus a transitional market participation premium and a special regime that is only available for generators with installed capacity less than or equal to 100 MW, defined by a temporary reference tariff plus an efficiency premium. During a transition period, generators with a 15-year operation period or less are able to choose between the previous and the new regime.

The terms of calculation of the new reference tariff and the specific characterisation of the transitional remuneration scheme were recently enacted by the Ministerial Order no. 140/2012, of 14 May.

Early termination of the PPAs

Until 1 July 2007, electricity generated by EDP Produção's power plants and other power plants was sold under PPAs to REN—Rede Eléctrica Nacional, S.A. (acting as a single buyer), allowing these power plants to achieve a return on assets of 8.5 per cent. in real pre-tax terms. The price of electricity provided for in each PPA consisted of capacity and energy charges, together with other costs associated with the generation of electricity, such as self-generation and generation facilities' operations and maintenance costs. The capacity and energy charges were passed through to the final tariff paid by customers.

The Portuguese government set out the framework for the early termination of the PPAs in laws and decree-laws promulgated in 2004 and 2007. These laws provide for changing the single buyer status of REN—Rede Eléctrica Nacional, S.A. and defining compensatory measures for the respective contracting parties through the passing on of charges to all electrical energy consumers as permanent components of the Global Use of the System Tariff ("UGS Tariff"). The market reference price for the calculation of the compensation payable to the generators was revised in 2007 from €36/MWh to €50/MWh. The conditions precedent for early termination of the PPAs set forth in the various laws and decree-laws, as well as in the PPA termination agreements entered into between EDP Produção and REN—Rede Eléctrica Nacional, S.A. on 27 January 2005, were met in 2007, and the PPAs to which EDP Produção was a party were terminated on 1 July 2007 and replaced with the CMEC mechanism.

The amount of the initial global gross compensation due to EDP Produção as a result of the early termination of the PPAs is €833.5 million. The amount of compensation is capped at a maximum set for each generator and is subject to an annual review during the first ten years of the CMEC, during which such compensation amounts are paid, along with a final review at the end of the 10-year period. The purpose of these adjustments is to ensure parity between the revenues expected in a market regime based on their initial compensation value and the revenues effectively obtained in the market, thereby protecting generators from market risk during the 10-year period. The initial global gross compensation due to EDP Produção is reflected in the electricity tariffs paid by all consumers in Portugal as a separate component of the UGS Tariff, designated as "*Parcela Fixa*" ("Fixed Charge"), and recovered by EDP Produção or its assignees over a period of 20 years. The adjustments to the initial global gross compensation are also reflected in electricity tariffs, and if those adjustments are to EDP Produção's benefit, they shall be due from all consumers in Portugal as a separate component of the UGS Tariff, designated as "*Parcela de Acerto*" ("Variable Charge").

On 17 May 2012, the Portuguese government, acting through the Ministry of Economy and Employment, announced that an adjustment had been made to the interest rate applicable to the tariff relating to the yearly fixed amount of the costs for maintenance of the contractual balance (through the CMEC), which, on average for the period 2013 to 2027, is €13 million per year, corresponding to a present value of €120 million. This adjustment shall result from the amendment to the mechanism for the calculation of the fixed amount interest rate under Decree-Law no. 240/2004.

On 27 February, the Ministerial Order 85-A/2013 was published, approving the interest rate applicable to the yearly fixed amount of the maintenance costs for of the Contractual Stability Compensation (CMEC), setting the rate at 4.72 per cent. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a cost reduction of approximately €13 million per year, which corresponds to a present value of €120 million.

Electricity Transmission

Electricity transmission is carried out through the national transmission network, under an exclusive concession granted by the Portuguese government. Presently, the exclusive concession for electricity transmission is awarded to REN - Rede Eléctrica Nacional, S.A. under article 69 of Decree-Law no. 29/2006, following the concession already awarded to REN - Rede Eléctrica Nacional S.A. under article 64 of Decree-Law no. 182/95, of 27 July, as amended and republished by Decree-Law no. 56/97, of 14 March.

Under the concession, REN - Rede Eléctrica Nacional, S.A. is responsible for the planning, implementation, and operation of the national transmission network and the related infrastructure, as well as all of the relevant interconnections and other facilities necessary to operate the national transmission network. The concession also provides that REN - Rede Eléctrica Nacional, S.A. must coordinate the Portuguese Electricity System infrastructure to ensure the integrated and efficient operation of the system, as well as the continuity and security of electricity supply.

The activities of the transmission system operator (or the concessionaire for the electricity transmission network) must be independent, both legally and organisationally, from other activities in the electricity sector. The minimum criteria for ensuring this independence are set out in the New Electricity Framework and include, among

others, restrictions on the possibility of exercising control over the transmission system operator or by the transmission system operator in other companies operating in the generation or supply of electricity, including restrictions in the appointment of corporate bodies in or by the transmission system operator and restrictions on the ownership of the transmission system operator's share capital. No person or entity may directly or indirectly hold more than 25 per cent. of the concessionaire's share capital. The limitations are not applicable to the Portuguese State, or entities controlled by the Portuguese State, nor does it prevent the development of a dominant position with respect to the company group in which the concessionaire is integrated as of May 2012.

EDP holds 3.5 per cent. of the share capital of REN, which is the holding company that controls. REN - Rede Eléctrica Nacional S.A. and the concessionaires of regulated assets in the Portuguese gas business (REN – Gasodutos, S A., REN Armazenagem, S.A. and REN Atlântico, S.A.).

The Electricity Framework also establishes a certification procedure for the transmission system operator, which shall be carried out by ERSE and which has the objective of evaluating whether independence criteria is met.

Ministerial Order no. 301-A/2013, of 14 October, altered the criteria for determining the annual remuneration of the lands located on the public hydric domain and which are assigned to the operator of the National Transmission Network, linking such annual remuneration to the level of compliance of the said operator while performing its duties of supporting the Portuguese State regarding the cost reduction of the National Electricity System's energy policy.

Electricity Distribution

Electricity distribution under the Electricity Framework occurs through the national distribution network, consisting of a medium and high voltage network, and through the low voltage distribution networks.

Currently, the national distribution network is operated through an exclusive concession granted by the Portuguese State. This exclusive concession for the activity of electricity distribution in high and medium voltage levels is held by EDP's subsidiary EDP Distribuição, pursuant to article 70 of Decree-Law no. 29/2006 as a result of converting the licence held by EDP Distribuição under the former regime into a concession agreement, which was signed on 25 February 2009, for a 35-year term. The terms of the concession are set forth in Decree-Law no. 172/2006.

The low voltage distribution networks continue to be operated under concession agreements. Although the existing concession agreements were maintained pursuant to Decree-Law no. 172/2006, it is expected that new concessions may have to be entered into after a competitive procedure to be implemented by the relevant municipalities.

Entities carrying out electricity distribution activities must be independent from entities carrying out activities unrelated to the distribution of electricity, from a legal, organisational and decision-making standpoint. The minimum criteria for ensuring this independence are set out in the Electricity Framework and include, among others, restrictions aimed at ensuring that the entities carrying out electricity distribution activities have an independent and effective decision making power and obligations ensuring that their respective trademark and communications are distinct from the trademark and communications of all the other entities acting in the energy sector. Operators of distribution networks at low voltage who supply fewer than 100,000 customers are not subject to the independence criteria set out in the Electricity Framework. Nonetheless they must ensure that their respective trademarks and communications are distinct from the trademark and communications of all the other entities acting in the energy sector.

Entities carrying out electricity distribution activities which supply more than 100,000 customers and who are vertically integrated as a company or a group shall establish and implement a compliance programme, subject to prior approval by ERSE, which sets out the measures taken in order to ensure that discriminatory conduct is excluded, and ensure that compliance with that programme is adequately monitored.

Electricity Supply

Electricity supply is open to competition, subject only to a prior registration regime. Suppliers may freely buy and sell electricity. For this purpose, they have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE.

Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. Although a logistic operator for switching suppliers has not yet been set up, Decree - Law no. 172/2006 allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers.

The Electricity Framework sets out certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access charges and access to information in simple and understandable terms.

EDP's supplier of electricity for the liberalised market is its subsidiary EDP Comercial.

As required by the Electricity Directive, the Electricity Framework also establishes a last resort supplier that is subject to licensing by DGEG and regulation by ERSE. The last resort supplier is responsible for the purchasing of all electricity generated by special regime generators and for the supply of electricity to customers who purchase electricity under regulated tariffs and is subject to universal service obligations. The last resort supplier is expected to exist until the free market is fully competitive, as provided for in the Electricity Directive.

Since 1 January 2007, the role of last resort supplier has been undertaken by an independent entity, EDP Serviço Universal, created for this purpose by EDP's subsidiary EDP Distribuição, and also by local low voltage distribution concessionaires with less than 100,000 clients, and is expected to continue to be undertaken by these entities until the free market is fully efficient and until the respective concession contracts have expired.

Pursuant to amendments introduced by Decree-Law no. 264/2007, the last resort supplier is further required to buy forward energy in the markets managed by OMIP and OMI Clear in the quantities and at auctions defined by DGEG. Purchases of energy in the market managed by OMIP include listed annual, quarterly and monthly electricity futures contracts, at base-load and with physical delivery. The purchases are recognised for the purpose of regulated costs whenever they reach maturity.

The last resort supplier must manage the different forms of contracts in order to acquire energy at the lowest cost. All unneeded surplus electricity acquired by the last resort supplier is resold on the organised market.

Electricity supply activities are required to be separate from a legal perspective in relation to all other activities in the electricity sector.

Operation of the Electricity Markets

The organised market refers to a system of different methods of contracting that allow supply and demand orders of electricity to be met, and encompasses the forward, daily (comprising bulk energy transactions to be delivered on the day after the contract date that must be physically settled) and intra-daily markets (comprising transactions that must be physically settled).

The operation of organised forward markets for electricity is subject to joint authorisation from the Minister of Finance and the Minister responsible for the energy sector. The entity managing such organised markets is also subject to authorisation from the Minister responsible for the energy sector and, when required by law, from the Minister of Finance. Organised electricity markets should be integrated into any organised electricity markets established between Portugal and other EU Member States. Generators operating under the ordinary regime and suppliers, among others, can become market members.

Since 1 July 2007, MIBEL has been fully operational, with daily transactions from both Portugal and Spain, including a forward market that has operated since July 2006. MIBEL has at present two market operators: (1) OMIE, which is the current market operator of the Spanish market, manages MIBEL's spot transactions market; and (2) OMIP, which is presently managed from Portugal, manages MIBEL's forward transactions market.

The Portuguese operators OMIP and OMI Clear are the Portuguese entities responsible for the functioning of the MIBEL forward market. Specifically, this covers transactions of bulk energy to be delivered on the day after the contract date, settled either by physical delivery or by differences. In order to allow the physical delivery of electricity inherent to positions held on the forward market and to allow the exchange of information between markets, an interconnection agreement between OMIP and OMIE was signed in April 2006. The non-organised markets consist of bilateral contracts between the entities of MIBEL, settled either by physical delivery or by differences and are subject to approval by ERSE in Portugal.

Logistics for Switching Suppliers

Under market conditions, consumers are free to choose their electricity supplier and are exempt from any payment when switching suppliers, which process should not take more than three weeks, and without limit for the number of switches. Accordingly, ERSE has determined that until a switching operator is created, management of the logistics for switching suppliers shall be conducted by the operator of the medium and high voltage distribution network, which currently is EDP Distribuição.

Electricity Tariffs

The prices that EDP charges for electricity and access to the networks are subject to extensive regulation. In February 1997, ERSE was appointed as the electricity regulator (ERSE came to stand for Entidade Reguladora dos Serviços Energéticos, as its scope had widened to the energy sector in general, including gas and electricity). ERSE sets tariffs for the electricity supplied to customers remaining in the regulated market and access charges for the consumers in the free market. Final customer tariffs applicable to the regulated market are differentiated by voltage level, tariff option and the period of electricity consumption, and access charges are differentiated by voltage level and the period of electricity consumption. These tariffs, when set, should be uniform throughout mainland Portugal within each level of voltage, subject to specified exceptions based on volume.

Currently, the overall electricity tariff comprises charges for energy, transmission, distribution, commercialisation and policy costs. In the regulatory period 2002 to 2004, ERSE applied a four-rate tariff price structure related to the time of day applicable to medium, high and very high voltage consumers. ERSE also introduced some changes primarily in the distribution business that had the effect of splitting the regulation of the distribution wires, wires commercialisation and regulated commercialisation. ERSE also introduced some adjustments on the structure of tariffs, both for the published tariffs to final customers and access charges paid by market agents, with the intention of introducing more transparency in the system and reducing cross-subsidies between customers. In light of the expected revision of the legal framework of the Portuguese electricity system, the termination of the PPAs and the commencement of MIBEL, ERSE determined that the subsequent regulatory period should be transitional and have a one-year duration (2005), during which the system used in the previous regulatory period continued to apply.

The regulatory period of 2006 to 2008 brought little change in the method of tariff calculation. However, further legislation was published in 2006 and in the first half of 2007 to establish a framework in line with the enactment of MIBEL, which has been delayed from the original starting date due to technical and regulatory issues. New regulation was also published to comply with EU open market requirements. During this period, the decree-law defining the basis for the new energy sector organisation was published, as well as the decree-law determining a new reference price for the calculation of the compensation due to the termination of the PPAs, and the decree-law setting the legal separation of distribution and regulated commercialisation (the last resort supplier), which had been combined in a single company until then. This change formally took effect on 1 January 2007.

In 2006 and 2007, a "tariff deficit" was generated, which meant that the final customer tariffs charged by the last resort supplier (EDP Serviço Universal in 2007 and EDP Distribuição in 2006) were not covering all the costs of the system, generating a loss for the last resort supplier and for the transmission system operator ("REN"). This deficit resulted from two different decree-laws: Decree-Law no. 187/95, of 27 July, amended by Decree-Law no. 157/96, of 31 August and Decree-Law no. 44/97, of 20 February, which provided that the low voltage tariffs could not rise above the expected rate of inflation in 2006; and Decree-Law no. 237- B/2006, of 18 December, which set a maximum 6 per cent. rise in tariffs for residential customers (normal low voltage) in 2007. These deficits are expected to be fully recovered in ten years, beginning in 2008, through annual increases in access charges.

On 1 September 2007 and as a result of the early termination of EDP's PPAs, ERSE has also adjusted the last resort supplier's tariffs to final customers and access charges.

When ERSE established the tariffs for 2009, another, and significantly larger, tariff deficit was generated, mainly due to increasing electricity costs in wholesale markets. Given the need to regulate the creation of these deficits and to clarify how they could be recovered, Decree-Law no. 165/2008, of 21 August ("Decree-Law no. 165/2008") defined the rules applicable to tariff adjustments referring to electric energy acquired by the last resort supplier in exceptional cost situations, as well as to tariff repercussion of energy, sustainability and general economic interest policy measures. Namely, this decree-law stated that every tariff deficit generated thereon on these conditions, such as the case of the deficit generated in 2009, must be recovered over a 15 year period, which means that an instalment worth 1/15 of the total deficit plus the corresponding interest would be added to the tariffs each year, beginning in 2010.

Besides this deficit issue, full tariff additivity was still not achieved in the first year of the current regulatory period.

Towards the end of 2010, two relevant pieces of legislation were enacted with respect to tariffs: Decree-Law no. 110/2010, of 14 October ("Decree-Law no. 110/2010"), which terminated the hydraulicity correction mechanism; and Decree-Law no. 138-A/2010, of 28 December ("Decree-Law no. 138-A/2010"), which created the social tariff and its respective legal framework. In order to protect vulnerable electricity clients, the Portuguese government through the Decree-Law no. 138-A/2010, regulated by Ministerial Orders no. 1334/2010, of 31 December, has established the electricity social tariff, providing a percentage discount applied to the low voltage access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, establishing an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

For the purposes of the calculation of the tariffs for 2012, the overcosts resulting from the generation under the special regime, including the adjustments which result from the two prior years, will be reflected in the profits to be recovered by the regulated companies in a 5 year period provided for in Decree-Law no. 29/2006, of 15 February, as amended by Decree-Law no. 78/2011, of 20 June ("Decree-Law no. 78/2011"). Moreover, Decree-Law no. 109/2011, of 18 November ("Decree-Law no. 109/2011"), defers to 2013 the variable charge of the costs for the maintenance of the contractual balance ("CMEC") from 2010. The mechanism established in Decree-Law no. 78/2011 was also applied by ERSE for 2013 tariffs, taking into account the tariff stability necessities. Additionally, for the purposes of the calculation of the tariffs for 2013, Decree-Law no. 256/2012 established measures that: (i) defer the annual adjustments of the compensation amount due, on the year of 2011, for the early termination of the Power Purchasing Agreements, in accordance with Decree-Law no. 240/2004; (ii) defer the provisional adjustment of the PPAs electricity energy acquisition costs incurred in 2012; (iii) put into operation the deduction, in respect of the allowed revenue amounts related to the overcosts associated with electricity energy acquisition of special regime generation, of the revenues legally allocated to the compensation of those overcosts. Ministerial Order no. 145/2013, of 9 April, approved the amounts established in Article 2, no. 3 and Article 3, no. 3 of Decree-Law no. 256/2012 applicable, respectively, to the deferral of additional costs with CMEC and the deferral of additional costs with PPA.

Through Decree-Law no. 104/2010, of 29 September ("Decree-Law no. 104/2010"), the Portuguese government established the end of last resort supply tariff for large clients (Very High, High, Medium and Special Low Voltage) starting at the beginning of 2011. During 2011, a transitional last resort supply tariff for large clients was available. The end of this transitional last resort supply tariff (all segments except normal low-voltage) was scheduled to occur on 1 January 2012 but, nevertheless, ERSE has defined new transitional tariffs until the end of 2012.

On 28 July 2011, pursuant to the Financial Assistance Program, Resolution of the Council of Ministers no. 34/2011, of 1 August ("Resolution of the Council of Ministers no. 34/2011"), approved a calendar for the end of the regulated tariffs and the introduction of transition tariffs for standard low voltage electricity consumers and set the beginning of December 2011 as the deadline for the enactment of all necessary legislation to enforce this measure. The Resolution of the Council of Ministers provides for the end of the regulated tariffs for the electricity supplied to low voltage consumers with contracted power equal to or under 41.4 kVA and equal to or higher than 10.35 kVA by 1 July 2012 and consumers with contracted power under 10.35 kVA by 1 January 2013.

Giving effect to this Resolution of the Council of Ministers, Decree-Law no. 75/2012, establishes the extinction of the electricity regulated tariffs, approves the application of measures designed to encourage the transition to free market and extinguishes the transitional regime of the regulated tariffs for clients above normal low-voltage. For the present regulatory period 2012-2014, ERSE has made some important improvements to the regulatory framework regarding distribution activities and last resort supply of electricity. In respect of the electricity distribution activities, CAPEX is no longer contained in the price cap mechanism, but is now valued autonomously and adjusted at real values two years after it has been incurred. The stability afforded to permitted revenues as a result of this improvement was also seen in OPEX, where only 40 per cent. of the variable component of the price cap is now dependent on electricity consumption, compared with 100 per cent. in previous years. In respect of last resort supply activity, and based on a cost incentive form of regulation, ERSE has reviewed the structure of OPEX in terms of fixed and variable components (now calculated on a 50 per cent./50 per cent. basis, rather than the previous 20 per cent./80 per cent. split) and introduced a new factor for this component, the number of services, in addition to the existing factor, number of customers.

Decree-Law no. 74/2013, of 4 June, provides for the establishment of a mechanism designed at ensuring a balance on the competition of the wholesale electricity market in Portugal, in particular by allocating the general economic interest costs ("Custos de Interesse Económico Geral") between participants in the electricity system, including generators. The allocation principle established in that Decree-Law was further developed by Ministerial Order no.

288/2013, of 20 September. For the period until the end of 2013, dispatch no. 12 955-A/2013, of 9 October, of the Secretary of State of Energy, has established an amount per KWh payable by generators, thus defining which amount of general economic interest costs are to be allocated to generators in 2013. For the period after the end of 2013, the member of the government responsible for the energy sector will define the amount of general economic interest costs to be allocated to generators following a study to be performed by ERSE under applicable law.

The current Natural Gas System

The general basis, principles and model of organisation of the Portuguese natural gas system (the "Portuguese Natural Gas System") were established through Decree-Law no. 30/2006, of 15 February ("Decree-Law no. 30/2006"), and Decree-Law no. 140/2006, of 26 July ("Decree-Law no. 140/2006") (together, the "Natural Gas Framework"), both amended by Decree-Law no. 66/2010, of 11 June ("Decree-Law no. 66/2010") and the former amended by Decree-Law no. 77/2011, of 20 June.

The Portuguese Natural Gas System is now divided into seven major components: reception, storage and regasification of LNG; underground storage of natural gas; transportation of natural gas; distribution of natural gas; supply of natural gas; operation of the natural gas market; and logistic operations for switching suppliers of natural gas.

The Natural Gas Framework establishes an integrated Portuguese Natural Gas System, in which the supply of natural gas and the management of the organised markets are competitive and only require compliance with a licensing or authorisation process for the start-up of operations. The liberalisation of the supply of natural gas commenced on 1 January 2007 (with respect to power generators) and was extended to consumers of over one million cubic metres of natural gas per year on 1 January 2008, and to consumers of over 10,000 cubic metres of natural gas per year in 2009. By 1 January 2010, the supply of natural gas was fully open to all natural gas clients, following which Decree-Law no. 66/2010 abolished the tariffs applicable to final clients with an annual consumption greater than ten thousand cubic metres of natural gas per year and mandated that all such consumers be supplied by the natural gas suppliers other than the last resort suppliers.

The sector's framework laws were amended, completing the transposition of the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 (''Directive 2009/73/EC''). Thereafter, Decree-Laws no. 230/2012 and 231/2012, of 26 October (''Decree-Law no. 230/2012'' and ''Decree-Law no. 231/2012'', respectively), were published, introducing new modifications to Decree-Law no. 30/2006, of 15 February, and to Decree-Law no. 140/2006, of 26 July, respectively. These acts introduced important modifications: (i) the requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced; (ii) with the aim of assuring the independence and eliminating the network access discrimination risk, the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); (iii) the statutes of the supplying players were clarified, with particular reference to the suppliers of last resort playing in the Natural Gas National System.

Activities relating to the reception, storage and regasification of natural gas; underground storage of natural gas; and natural gas transportation, continue to be provided through the award of public service concessions. Natural gas distribution is carried out through the award of public service concessions or licences.

Natural Gas Transportation

Natural gas transportation activities are carried out under an exclusive 40-year concession granted by the Portuguese government to the system operator REN Gasodutos. The granting of the natural gas transportation network ("RNTGN") concession to REN Gasodutos followed the decision to separate the activity of natural gas distribution from that of transportation. The terms of the concession contract were established by the Council of Ministers Resolution no. 105/2006, of 23 August, and REN Gasodutos was awarded the concession in September 2006.

Natural Gas Distribution

Natural gas distribution is carried out through concessions or licences granted by the Portuguese government, and involves the distribution of natural gas through medium and low-pressure pipelines. The entities operating the natural gas distribution network at the date of enactment of Decree-Law no. 30/2006 will continue operating the natural gas distribution network as concessionaires or licensed entities under an exclusive territorial public service regime pursuant to article 66 of Decree-Law no. 30/2006. Natural gas distribution activities are required to be independent, from a legal, organisational and decision-making standpoint, from other activities unrelated to the distribution activity, unless the concessionaires or licensed distributors serve fewer than 100,000 customers. The relevant concessionaires are required to ensure third party access to the

natural gas distribution networks at tariffs applicable to all eligible customers, including supply companies, which are required to be applied objectively and without discrimination between users.

The distribution network is composed of medium and low pressure pipelines and serves the residential, commercial and small and medium-sized industrial sectors. The natural gas supply activities formerly developed by these companies migrated to last resort supply companies, fully detained by the distribution concessionaires and responsible for the supply of natural gas to non-eligible customers and to customers who decided to continue to be supplied under regulated tariffs. Regulated supply tariffs are defined and published by the regulator, ERSE.

EDP is the concessionaire for the distribution of natural gas in the North Coastal region of Portugal, through its subsidiary Portgás, and EDP also has a minority stake in Setgás, which is the concessionaire for the distribution of natural gas in the South of Lisbon region.

Natural Gas Supply

Under the Natural Gas Framework, natural gas supply is open to competition, subject only to prior registration addressed to DGEG. Suppliers may openly buy and sell natural gas. For this purpose, they have the right of access to the natural gas transportation and distribution networks upon payment of the access charges set by ERSE.

Under market conditions, consumers are free to choose their supplier, without any additional fees for switching suppliers. Although a specific logistic operator for switching suppliers has not yet been set up, Decree-Law no. 140/2006 allows for a new entity, whose activity would be regulated by ERSE, to be created with the purpose of overseeing the logistical operations that facilitate switching suppliers for consumers and determines that this logistic operator for switching suppliers should be the same entity for the Portuguese Electricity System and for the Portuguese Natural Gas System. Currently, the logistic activities for switching suppliers are attributed to REN Gasodutos by ERSE, on a transitional basis.

The Natural Gas Framework enumerates certain public service obligations for suppliers to ensure the quality and continuity of supply, as well as consumer protection with respect to prices, access charges and access to information in simple and understandable terms.

Natural gas supply activities are required to be legally separated from all other activities in the Portuguese Natural Gas System.

EDP's licensed suppliers of natural gas for the liberalised market are its subsidiaries, EDP Comercial and EDP Gás.Com.

The Natural Gas Legal Framework also establishes the existence of a gross last resort supplier and of retail last resort suppliers, subject to regulation by ERSE and to a licensing process. Under article 40 of Decree-Law no. 140/2006, this role of retail last resort suppliers is undertaken by natural gas distributors, within their respective concessioned or licensed areas.

Last resort suppliers are required to be legally separated from all other activities in the Portuguese Natural Gas System, unless they serve fewer than 100,000 clients. EDP's last resort supplier activity is undertaken by its subsidiary EDP Gás Serviço Universal in the concession area of its gas distribution company EDP Gás Distribuição/Portgás.

The role of the retail last resort suppliers has been revised by Decree-Law no. 231/2012, which updates Decree-Law no. 140/2006, so these suppliers can supply consumers with a consumption equal or under 10,000 m3 per year during a transitional period up to 2015. From that moment on, they can only supply vulnerable consumers, as they are defined in Decree-Law no. 231/2012.

Natural Gas Tariffs

Since 2007, ERSE has set natural gas tariffs according to ERSE's Tariff Regulations, on the activities of reception, storage and regasification of liquefied natural gas ("LNG"), underground storage, global technical management system and transportation of natural gas. From 2008, in addition to access to high pressure infrastructure, ERSE also sets distribution networks' access tariffs and end-user tariffs.

Decree-Law no. 66/2010 abolished the tariffs applicable to final clients with an annual consumption greater than ten thousand cubic metres of natural gas per year. Such consumers will be supplied by natural gas suppliers other than last resort suppliers. Recently, the government decided to postpone this decision and published Decree-Law no. 15/2013 establishing that the last resort suppliers should continue supplying consumers with an annual consumption higher than 10,000 m3 that have not switched to the liberalised market. Transitional tariffs for these consumers will no longer apply after 30 June 2014, or before, if consumption in the

liberalised market rises above 90 per cent.

Similar to the electricity sector in Portugal, in the gas sector, the process of phasing out end user regulated tariffs began on 1 January 2013. Decree-Law no. 74/2012, of 26 March (''Decree-Law no. 74/2012''), established the scheme aimed at gradually phasing out all the end user regulated gas tariffs, concluding the process initiated in 2010, when the extinction of end user tariffs for customers with annual consumption over 10,000 m3 was ordered. The end user regulated tariffs extinction process should be concluded by 31 December 2014 for customers with annual consumptions equal to or greater than 500 m3 and equal or inferior to 10,000 m3 or by 31 December 2015 for customers with annual consumption of less than 500 m3, respectively. During this period, transitional tariffs will be set and updated quarterly by ERSE. As is the case in the electricity sector, the end user regulated gas tariffs extinction process will be accompanied by safeguard mechanisms for economically vulnerable customers.

Giving effect to the Resolution of the Council of Ministers no. 34/2011, Decree-Law no. 74/2012 establishes the extinction of the natural gas regulated tariffs and approves the application incentives to encourage the transition to the liberalised market. In order to protect vulnerable natural gas clients, the Portuguese government, through Decree-Law no. 101/2011, of 30 September, established the gas social tariff, providing a percentage discount applied to the low pressure access tariff. Another support mechanism was implemented through Decree-Law no. 102/2011, of 30 September, regulated by Ministerial Orders no. 275-A/2011 and no. 275-B/2011, of 30 September, which established an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a percentage discount applied to the invoice without VAT or other taxes.

The third regulatory period of natural gas will start in July 2013. This new regulatory period has been preceded by a general revision of all the applicable regulation that was published on 10 April 2013.

Market regulators

Responsibiliy for the regulation of the Portuguese energy sector is shared between DGEG, ERSE and the Portuguese Competition Authority, according to their respective functions and responsibilities.

DGEG

DGEG has primary responsibility for the conception, promotion and evaluation of policies concerning energy and geological resources and has the stated aim of assisting the sustainable development and the security of energy supply in Portugal. In particular DGEG is responsible for: (1) assisting in defining, enacting, evaluating and implementing energy policies; (2) identifying geological resources in order to ensure that their potential uses are properly evaluated; (3) promoting and preparing the legal and regulatory framework underlying the development of the generation, transmission, distribution and consumption of electricity; (4) promoting and preparing the legal and regulatory framework necessary for the promulgation of policies relating to research, usage, protection and assessment of geological resources; (5) supporting the Ministry of the Economy at international and European level; (6) supervising compliance with the legal and regulatory framework that underpins the Portuguese energy sector (particularly in connection with the electricity transmission network, the electricity distribution network and the quality of service provided to energy consumers); (7) providing sector-based support to the Portuguese government in crisis and emergency situations; (8) approving the issuance, modification and revocation of electricity generation licences; and (9) conducting the public tender procedure for the attribution of network interconnection points in the renewable energy sector. While carrying out its responsibilities, the DGEG must consider the following national objectives: (1) guaranteed energy supply; (2) energy diversification; (3) energy efficiency; and (4) the preservation of the environment.

DGEG is also responsible for the approval of regulations applicable to the Portuguese Electricity System, such as:

- The Distribution Network Regulation

The Distribution Network Regulation identifies the assets of the distribution network and sets out the conditions for its operation, in particular regarding the control and management of the network, maintenance of the network, technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Distribution Network Regulation was approved by Ministerial Order no. 596/2010.

- The Transmission Network Regulation

The Transmission Network Regulation identifies the assets of the transmission network and sets out the conditions for its operation. In particular, it lays out standards for: the control and management of the network, its maintenance, the technical conditions applicable to the installations connected to the network, support systems and reading and measurement systems. The Transmission Network Regulation also establishes the

means and the legal support for the codification of the technical and safety rules to be observed by entities that intend to connect to the transmission grid. The Transmission Network Regulation was approved by Ministerial Order no. 596/2010.

ERSE

ERSE was appointed as the independent regulator of electricity services in February 1997. On 25 March 2002, ERSE's authority with respect to the electricity sector was extended to the autonomous regions of Madeira and Azores. On 12 April 2002, ERSE became the regulatory entity of energy services, and its authority was extended to cover natural gas regulation.

According to Decree-Law no. 29/2006 and Decree-Law no. 172/2006, ERSE is responsible for regulating the transmission, distribution and supply of electricity, the logistical operations for switching electricity suppliers, and the operation of the electricity markets. In 2012, Decree-Law no. 212/2012, of 25 September (''Decree-Law no. 212/2012''), revised ERSE's statutes with an emphasis on the reinforcement of the regulator's independence and powers, namely those applicable to sanctions, in accordance with the Directives 2009/72/EC, and 2009/73/EC. Law no. 9/2013, of 28 January, complemented by the Decree-Law no. 84/2013, of 25 June, pursuant to Directives 2009/72/EC and 2009/73/EC, established the sanctioning regime applicable to the SEN and has formally granted ERSE powers to initiate legal proceedings and apply sanctions to the entities operating in the SEN. Decree-Law no. 212/2012, confirming Decree-Law no. 29/2006 and Decree-Law no. 172/2006 assign to ERSE the responsibility of approving the principal regulations applicable to the Portuguese Electricity System as set forth below:

- The Tariff Regulation

The Tariff Regulation sets out the criteria and methods for determining the tariffs and prices applicable to the electricity sector and for other services rendered by the concessionaire to the national electricity transmission network and by electricity distributors to other licence holders or end consumers. The first Tariff Regulation was issued in December 1998 and, since then, it has been subject to several amendments.

The Tariff Regulation was amended in December 2010, in order to incorporate changes introduced by legislation issued during 2010, namely, Ministerial Order no. 765/2010 that establishes the capacity payment regime for the generators belonging to the Electricity National System; Decree-Law no. 104/2010 that imposes the termination of the regulated tariffs for final clients with contracted power above 41.4 kW, beginning on 1 January 2011; Decree-Law no. 110/2010, which determines the termination of the hydraulicity correction mechanism; and Decree-Law no. 138-A/2010, which creates the social tariffs and the respective legal framework.

In July 2011, with the approach of a new regulatory period (2012-2014), the Tariff Regulation was again updated and aims at three major objectives, namely: (1) amending the Tariff Regulation in accordance with the changes introduced by Decree-Law no. 78/2011, which transposed Directive 2009/72/EC; (2) the introduction of improvements to the applicable regulatory methodologies from the perspective of the regulated activity; and (3) the achievement of greater levels of efficiency by the companies. The Tariff Regulation was finally amended in December 2011 by ERSE Directive 6/2011 to reflect the enactment of Ministerial Order no. 279/2011, of 17 October, and Decree-Law no. 109/2011.

In December 2013, through Directive 24/2013, ERSE reviewed some provisions of the Tariff Regulation, regarding its adaptation to the legislation enacted during the years of 2012 and 2013, which is described in "*Regulatory Framework—Portugal*".

- The Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the electricity sector. The first Commercial Relations Regulation was issued in December 1998 and has since then been subject to several amendments.

Major amendments were implemented in August 2008, in order to improve the full liberalisation of the electricity market, notably by ensuring that the network operator allows other entities to supply their clients through the distribution network, since customers are entitled to choose their supplier but not the network operator, and further in August 2009 to incorporate the new rules regarding tariff adjustments established by Decree-Law no. 165/2008.

In July 2011, the Commercial Relations Regulation was further amended in order to accommodate the changes arising out of Decree-Law no. 78/2011 and other legislation enacted during 2010 and 2011.

In 2012, Regulation no. 468/2012, of 12 November, introduced new commercial conditions of connections to

networks of production facilities and consumer installations and required amendments to reflect the enactment of Decree-Law no. 75/2012.

On 16 December 2013, Regulation no. 8/2013 introduced two new provisions to the Commercial Relations Regulation in respect of the commercial relationship between the transmission system operator and the last resort supplier and in respect of the relationship between the transmission system operator and the ordinary regime generator which concern the applicability of the new mechanisms designed at ensuring a balancing of the competition of the wholesale electricity market in Portugal, introduced by Decree-Law 74/2013, of 4 June.

- The Access to the Network and Interconnections Regulation

The Access to the Network and Interconnections Regulation governs the technical and commercial conditions on which third parties may access the electricity networks and interconnections. The Access to the Network and Interconnections Regulation was first issued in December 1998 and has since then been subject to several amendments. The most recent amendment was in December 2013, through Regulation no. 7/2013, in order to allow a harmonized assignment of the grid capacity rights of the Portugal-Spain interconnection, starting in January 2014.

- The Networks Operation Regulation

The Networks Operation Regulation sets out, among other things, the conditions that must be met to permit the management of electricity flow on the RNT and aims to ensure interoperability between RNT and other networks. The Networks Operation Regulation was enacted in June 2007, and published by ERSE in December 2010.

- The Quality of Service Regulation

The Quality of Service Regulation governs the quality of service provided by electricity companies to their customers. The Quality of Service Regulation was first issued on 1 January 2001 by DGEG and has been subject to several amendments since then. In November 2013, DGEG published, through Decision no. 455/2013, a new version of the Quality of Service Regulation. The new Quality of Service Regulation ("QSR") repealed regulatory frameworks that were in force since 2004 and 2006. Since then, the electricity sector has been through significant changes, especially with respect to liberalisation, including both the number and the comprehensiveness of the suppliers acting in the market.

Within the current framework of the regulated tariffs' extinction in mainland Portugal, the market suppliers will take over the majority of the market, notably in terms of clients' volume. As a result, a subject of increasing importance is creating a more consistent framework for service quality obligations of the suppliers, the market and suppliers of last resort. As a result of investment, operation activity optimisation and maintenance provided by the network operators, there has been an evolution in the electricity network performance, in terms of continuity of service, to higher levels than in the past. The new QSR's scope assumes a national coverage, being applicable, with necessary adaptations, to mainland Portugal, Autonomous Region of the Azores and Autonomous Region of Madeira, aiming to achieve greater cohesion in the regulation of service quality, notwithstanding the need to preserve the particularities that characterize both the mainland's and the autonomous regions' electricity systems.

- The Conflict Resolution Regulation

The Conflict Resolution Regulation established the rules and procedures relating to the resolution of commercial conflicts arising between operators in the electricity and natural gas sectors and between such entities and their customers. The Conflict Resolution Regulation was issued by ERSE in October 2002.

ERSE also regulates the natural gas transmission network, the underground storage of natural gas, the reception, storage, and regasification of LNG, the last resort distribution and supply of natural gas, and the logistical operations for switching natural gas suppliers. ERSE is required to submit a periodic report on these regulatory areas to the Portuguese government.

As specified in Decree-Law no. 30/2006 and Decree-Law no. 140/2006, reinforced by Decree-Law no. 212/2012, ERSE's responsibilities in the Portuguese Natural Gas System (SNGN) includes approving the principal applicable regulations. The last revision of the regulations was published on 10 April 2013. This revision was done in order to: (i) accommodate and harmonise them with the regulatory procedures established at European and Iberian levels, issued by the Third Package; (ii) create a better regulatory framework, to match the development of the natural gas market; (iii) improve the capacity allocation mechanism and the pricing model applicable to high pressure infrastructure; (iv) increase efficiency in regulation through consolidation/implementation of incentive regulation and adoption of mechanisms mitigating the impact of

demand volatility; and (v) improve tools for pricing flexibility, adapting the tariff model to intermittent and seasonal uses of natural gas.

- The Tariff Regulation

The Tariff Regulation establishes the criteria and methods for determining natural gas tariffs and prices applicable to the natural gas sector. It sets out, among other things, the criteria and processes for: defining the regulated tariffs and determining the respective tariff structures, calculation and determination of the tariffs, calculation and determination of allowed revenues and the processes applicable to the calculation and amendments to tariffs and its respective publication. The first Tariff Regulation was issued in September 2006 and has since been subject to several amendments. In 2011, with the changes introduced by Decree-Law no. 101/2011, which created the social tariff for the supply of natural gas for vulnerable natural gas clients, and Decree-Law no. 102/2011, which has established an extraordinary social support mechanism for energy clients ("ASECE"), corresponding to a discount over electricity and natural gas prices. Additionally in 2012, the changes in the Regulation reflecting the enactment of Decree-Law no. 74/2012 included a new tariff option for the Use of the Distribution Network Tariff, and the implementation of a joint mechanism in the attribution of capacity in the Portugal Spain interconnections.

The most recent amendments were published in the previously mentioned revision on 10 April 2013. These revisions implemented: (i) a new rate of return methodology; (ii) a new contract capacity regime (annual, monthly and daily); (iii) the extinction of the regulated tariffs, replaced by the transitional quarterly tariffs, and the related duties of the regulated suppliers; (iv) the updating of the interest rate for the tariff adjustments; (v) the extension of the incentive regulation of OPEX to all activities with a tight control over the shared costs; (vi) the introduction of incentives in CAPEX; and (vii) a simplification of the ''year gas''.

- The Commercial Relations Regulation

The Commercial Relations Regulation governs commercial relations between entities within the natural gas sector and the mechanism of compensation to ensure tariff uniformity, metering rules and conflict resolution rules. The first Commercial Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010, in order to adapt the Commercial Relations Regulation to the full liberalisation of the Portuguese Natural Gas System.

Subsequently, ERSE issued some other amendments to the complementary regulatory legislation, such as the commercial conditions for the connections to natural gas grids and the general conditions of the supply agreements.

More recently, with the last update of April 2013, some other major improvements occurred: (i) deeper rules in image differentiation; (ii) the adoption of a compliance program, even for the suppliers in the liberalised market; (iii) confirmation that the supplier of last resort will be able to acquire the necessary gas in organised markets or through bilateral contracts; (iv) the introduction of rules designed to improve system sustainability and consumer protection; (v) updating of the procedures of switching; (vi) new duties for the suppliers; and (vii) the introduction of market supervision rules pursuant to REMIT regulations and the Third Package.

- The Quality of Service Regulation

The Quality of Service Regulation establishes the standards for the quality of service that, from a technical and commercial nature, should be observed in all services rendered in the Portuguese Natural Gas System. The first Quality of Service Regulation was issued in September 2006 and has since been subject to several amendments. The last major amendments occurred in March 2010 in order to adapt the Quality of Service Regulation to the full liberalisation of the Portuguese Natural Gas System.

In the last revisions of April 2013, among the changes made were the following: (i) the calendar year becomes the reference for report; and (ii) the suppliers in liberalised market have reporting duties in respect of the quality of commercial service, as well as new targets for some quality of service indicators.

- The Access to the Networks, Infrastructure and Interconnections Regulation

The Access to Networks, Infrastructure and Interconnections Regulation establishes the conditions and obligations governing the right of access to all infrastructure of the RNTGN, which must be complied with by the regulated companies operating in the natural gas sector and by eligible customers. The Access to the Networks, Infrastructure and Interconnections Regulation also established the conditions under which the operator may refuse access to the networks, interconnections and storage facilities. The first Access to Networks, Infrastructure and Interconnections Regulation was issued in September 2006. The last major amendments occurred in March 2010 in order to adapt the Access to Networks, Infrastructure and Interconnections Regulation

to the full liberalisation of the Portuguese Natural Gas System. In April 2013, the review focused on matters concerning contracting capacity and investments.

- The Infrastructure Operation Regulation

The Infrastructure Operation Regulation defines the criteria and procedures for managing natural gas flows, the provision of system services and the technical conditions enabling the operators of the natural gas transportation network, of underground storage facilities and of LNG terminals to manage such flows, while ensuring interoperability with the networks to which they are connected. The first Infrastructure Operation Regulation was issued in June 2007. The last major amendments occurred in March 2010 in order to adapt the Infrastructure Operation Regulation to the full liberalisation of the Portuguese Natural Gas System.

Issued in April 2011, and revised in July 2012 the Manual of Logistics Management Supply of LNG Autonomous Units ("UAG"), which is part of the Procedural Manual of Management and Operation of Networks for Local Distribution, foreseen in the Infrastructure Operation Regulation, aiming to establish the criteria and procedures for managing the logistics of the supply of LNG to the UAG.

On the same date, ERSE approved the Procedural Manual of the Global Technical Management of the SNGN, also contemplated by the Infrastructure Operation Regulation, which establishes the procedures for the functioning of the SNGN and the operation of the respective infrastructure. In October 2012, pursuant to the aforementioned manual, ERSE approved the values of the parameters needed to determine the commercial margins to be achieved by the market agents. The major amendments adopted in the last revision of April 2013 related to contracting capacity procedures, to loss factors and to auto-consumptions.

Portuguese Competition Authority

From 8 July 2012, Portugal enacted a new competition act, approved by Law no. 19/2012, of 8 May, which repealed former Law no. 18/2003, of 11 June.

The new competition act follows closely the wording of the fundamental anti-trust provisions contained in the Treaty on the Functioning of the European Union and of the EU Merger Control Regulation.

Competition rules in Portugal are enforced by an independent agency, the Portuguese Competition Authority, enacted in 2003 by Decree-Law no. 10/2003, of 18 January. The Authority is empowered to fully apply those rules in respect of the economic principle of market economy and free competition, and in view of an efficient functioning of the markets, an effective distribution of resources and the interests of consumers.

To that end, the Portuguese Competition Authority enjoys a number of sanctioning, supervisory and regulatory powers which include investigative prerogatives to perform inquiries of legal representatives of companies or associations of companies, request documents or information and conduct searches at business and non-business premises, including private domiciles. It may also impose severe fines on companies and individuals that do not comply with competition rules. Penalties can amount to 10 per cent. of a group's annual turnover or 10 per cent. of an individual's annual income.

Since 1 May 2004, all national competition authorities within the EU, including the Portuguese Competition Authority, are empowered to apply fully the anti-trust provisions of the Treaty on the Functioning of the European Union (Articles 101 and 102) in order to ensure that competition is not distorted or restricted. National courts may also apply these provisions so as to protect the individual rights conferred on citizens (companies and individuals) by the Treaty.

Spain

Electricity Regulation Overview

The main characteristics of the Spanish electricity sector are the existence of the wholesale Spanish generation market (also referred to as the "Spanish pool"), and the fact that any consumer has been free to choose its supplier since 1 January 2003. Additionally, since 2006, bilateral contracts and the forward market (long-term energy acquisition contracts) have made up a larger part of the market.

Generation facilities in Spain operate either under the Spanish ordinary regime or the Spanish special regime. The electricity system must acquire all electricity offered by special regime generators, which consist of small (up to 50MW) and renewable energy facilities, at tariffs fixed by Royal Decree-Law or Order that vary depending on the type of generation and are generally higher than Spanish market prices. However, since January 2012 special tariffs applied to special regime generators have been suspended for new facilities. Ordinary regime generators provide electricity at market prices to the Spanish pool and under bilateral contracts to consumers and other suppliers at agreed prices. Suppliers, including last resort suppliers, and consumers can buy electricity in this pool.

Foreign companies may also buy and sell in the Spanish pool.

The market operator and agency responsible for the market's economic management and bidding process is OMIE (see "*– Iberian Peninsula – MIBEL Overview*"), while REE is operator and manager of the transmission grid and sole transmission agent. REE as transmission company, together with regulated distributors, provide network access to all consumers. However, consumers must pay an access tariff or toll to the transmission and the distribution.

Liberalised suppliers are free to set a price for their customers. The main direct activity costs of these entities are the wholesale market price and the regulated access tariffs to be paid to the distribution companies. Electricity generators and liberalised suppliers or consumers may also engage in bilateral contracts without participating in the wholesale market.

As from 1 July 2009, last resort suppliers appointed by the Spanish government, supply electricity at a regulated tariff set by the Spanish government to the last resort consumers (low-voltage electricity consumers whose contracted power is less than or equal to 10 kw). Since then, distributors have no longer been permitted to supply electricity.

Royal Decree-Law no. 6/2010, of 9 April, amends (pursuant to Article 23) Articles 1, 9, 11 and 14 of Law no. 54/1997 and created a new player which, as specified in the Royal Decree no. 647/2011, of 9 May 2011 who will be responsible for developing the activity of energy supply for recharging electric vehicles.

As part of the unbundling of the transmission system operator, Endesa, Gas Natural Fenosa and Hidrocantábrico sold their remaining transmission assets to REE, completing the process required by Law 17/2007 which established REE as the sole transmission agent.

Through Royal Decree-Law no. 13/2012 the Directive 2009/72/EC has been partially included in Spanish regulation.

Royal Decree-Law no. 9/2013, of 13 July, was recently enacted in Spain and includes a set of regulatory modifications applicable to the Spanish electricity sector that affect Distribution and Generation assets.

In respect of distribution and conventional generation activities, changes were set to (i) the remuneration scheme for energy distribution activity, including changes that will result in the remuneration of distribution assets being indexed to the ten year Spanish sovereign bond yield plus a spread (100 basis points for the second half of 2013 and 200 basis points from 2014 onwards); (ii) the remuneration rules for generation ancillary services; (iii) a decrease in capacity payments from €26/kW to €10/kW, although doubling the remaining payment period; (iv) changes in the availability incentive mechanism; and (v) the possibility of mothballing CCGT capacity by means of competitive auctions for periods of 1 year.

In respect of renewables generation and cogeneration, the Spanish Government is still preparing specific regulations which will be retrospectively applied since 14 July 2013. The potential changes are as follows: (i) derogation of the present remuneration scheme regulated by Royal Decree-Law 661/2007 and any subsequent Royal Decree-Laws regarding such remuneration; (ii) the remuneration of renewables and cogeneration activities will be determined according to reasonable rates which will have in consideration the average of 10 year bond yield in secondary markets plus 300 b.p.; (iii) definition of a standard model for activity income and expenses. In the absence of such specific regulations, the potential effects on the renewables activities and cogeneration are as yet unknown.

Electricity Sector Act

The enactment of Law 54/1997 (the "Electricity Sector Act") gradually changed the Spanish electricity sector from a state- controlled system to a free-market system with elements of free competition and liberalisation. The Electricity Sector Act is intended to guarantee that the supply of electricity in Spain is provided at high quality and lowest possible cost. In order to achieve those targets, the Electricity Sector Act provides for:

- the unbundling of regulated (transmission, distribution, technical management of the system and economic management of the wholesale market) and liberalised activities (generation, trading, international transactions and energy suppliers for recharging electric vehicles);
- a wholesale generation market, or electricity pool;
- freedom of entry to the electricity sector for new operators carrying out liberalised activities;
- all consumers, from 1 January 2003, the ability to select their electricity supplier and their method of supply;
- all operators and consumers, the right to access the transmission and distribution grid by paying access tariffs approved by the Spanish government; and

- the protection of the environment.

Law 17/2007 amended the Electricity Sector Act, bringing it into conformity with Directive 2003/54 EC of the European Parliament and of the Council, with the intention of reconciling the liberalisation of the electricity system with the twin national objectives of guaranteeing supply at the lowest possible price and minimising environmental damage. Royal Decree-Law no. 13/2012 built upon the achievement of that target by including Directive 2009/72/EC in the Spanish regulation.

In December 2013, a new electricity sector act (Law 24/2013) entried into force substituting Law 54/1997. This new law is based on the reforms announced by the Ministry of Industry in July 2013 and maintains the main principles of Law 54/1997 but reinforces the objectives of financial sustainability in the electricity sector, thus preventing a new tariff deficit. This new law requires further regulatory developments and, until these additional regulations are adopted, the old regulations continue to apply.

Spanish Ordinary Regime

Traditionally, most of the demand for electricity in Spain is provided for under the Spanish ordinary regime. According to information provided by the Spanish system operator, REE, during 2012, 63.2 per cent. of the total demand for electricity in Spain was provided for under the Spanish ordinary regime (nuclear 22 per cent., coal 20 per cent. and co-generation and others (including fuel/gas) 13 per cent.).

All generation facilities that are not governed by the Spanish special regime are governed by the Spanish ordinary regime. Under the Spanish ordinary regime, there are three methods of contracting for the sale of electricity and determining a price for the electricity:

- *Wholesale energy market or pool*. This pool was created on 1 January 1998 and includes a variety of transactions that result from the participation of market agents (including generators, suppliers and direct consumers and, until 30 June 2009, distributors) in the daily and intra-day market sessions.
- *Bilateral contracts*. Bilateral contracts are private contracts between market agents, whose terms and conditions are freely negotiated and agreed. Information about these contracts has to be given to the energy market in order to keep the security of the electricity system.
- *Auctions for purchase options or primary emissions of energy*. Principal market participants, could be required by law to offer purchase options for a pre-established amount of their power. Some of the remaining market participants are entitled to purchase such options during a certain specified period.

Ordinary regime power plants must also participate in ancillary services markets managed by the system operator REE. Order no. ITC 2794/2007 established a new regime of fixed payments applicable to generators operating in the ordinary regime. The new regime established the attribution, for a period of ten years, of an investment incentive, currently in an initial amount of €20,000 per MW installed, increased up to €26,000 per MW installed by Order ITC/3127/2011 and transitionally fixed at €23,400 per MW installed. Referred Order ITC/3127/2011 has also regulated an incentive regarding the availability of the certain facilities in the short term.

In February 2010, Royal Decree no. 134/2010, modified by Royal Decree no. 1221/2010, laid down the procedure for resolution of supply security restrictions as a means to promote consumption of indigenous coal. This procedure was approved by EU competition authorities under Article 108.3 of the Treaty of Lisbon in September 2010. Costs recovery is guaranteed for power plants working under this regime. Soto de Ribera 3 power plant, owned by EDP/HC Energía, belongs to this regime.

Energy Auctions for Last Resort Demand

Last resort suppliers in the Iberian Peninsula can acquire electricity in the spot or forward markets to meet last resort demand. However, since 1 July 2009, these last resort suppliers have also been permitted to hold energy auctions to purchase electricity. Prices of the auctions are used to establish last resort tariffs. All the capacity that has not been contracted in the forward markets and that is not linked to a physical agreement has to be offered at the wholesale energy market or pool.

Spanish Special Regime

According to REE, 32 per cent. of the electricity demand in Spain in 2012 was provided by facilities that were governed by the Spanish special regime. Electricity produced from wind alone represented 18.1 per cent. of the total electricity demand in 2012 and all such electricity generated from wind resources in Spain was produced under the Spanish special regime. The application of the Spanish special regime is discretionary for companies that own eligible facilities. Generally, eligible facilities are those with an installed capacity of 50 MW or less

that use cogeneration or any renewable energy source as their primary energy.

Royal Decree no. 661/2007, established the current regulation of the Spanish special regime. Royal Decree no. 661/2007 introduced a stable framework and set the basis for future development of renewable energy in terms of competition and profitability. It is framed within the commitment of the Spanish government to encourage investments in renewable energy in Spain.

Under this regulation, Spanish special regime power facilities are able to select a fixed tariff or to participate in the market. If the Spanish special regime generator sells electricity in the market, it will receive the market price plus a premium, subject to a cap and floor on final prices for each type of facility, depending on the technology used. With effect from the 1 January 2013, Royal Decree-Law no. 2/2013 has lowered to zero the premium and eliminated the value of the limits referred to above.

Royal Decree-Law no. 6/2009 has slightly amended the Spanish special regime through the creation of the "Registry of pre-assignment compensation" (*Registro de pre-asignación de retribución*) of the Registry of Industry, Tourism and Trade, in which all facilities for renewable energy production in the process of being installed must be registered in order to benefit from the Spanish special regime set out by Royal Decree no. 661/2007.

Royal Decree-Law no. 14/2010 (1) has obliged generators (special and ordinary regime) to pay a toll for the use of the networks of €0.5 per MW per hour, (2) has limited the hours that photovoltaic facilities may receive special tariffs but, in compensation, has increased the number of years to obtain incentives (from 25 to 28 years).

Royal Decree-Law no. 1/2012, has temporarily suspended the fixed tariffs, plus a premium and "pre-asignación" procedure for new special regimen projects. These suspensions do not affect those projects which were included in the "pre-asignación" register.

On 4 February 2013, the Spanish Government published in the Official State Gazette Royal Decree-Law no. 2/2013 ("Royal Decree-Law no. 2/2013"), which encompasses a set of regulatory modifications applicable to the Spanish electricity sector and affecting wind and other renewable energy assets. The main regulatory modifications that Royal Decree-Law no. 2/2013 enacted with respect to Royal Decree-Law no. 661/2007 and that have impacted EDP Renováveis S.A. with effect from 1 January 2013, are as follows:

• all the energy production facilities operating under the special regime will be remunerated according to the current feed-in tariff schemes for the remaining useful life of the asset;

• the operators of the facilities under the special regime currently operating under the market option have the option, until 15 February 2013, to select, for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price without the renewable energy premium, the cap or the floor; and

• the index used to annually update all the regulated activities in the electricity sector will be annual inflation, excluding energy products and food prices and any impact of tax changes.

Electricity tariffs, supply and distribution

Since January 2003, all consumers have become qualified consumers. All of them may now choose to acquire electricity under any form of free trading through contracts with suppliers, by going directly to the organised market or through bilateral contracts with producers.

With the adoption of the Last Resort Supply (*Suministro de Último Recurso*) on 1 July 2009 (Law 17/2007 that amended the Electricity Sector Act in order to adapt it to Directive 2003/54/EC), the regulated tariff system has been replaced by a last resort tariff system. Last resort tariffs (*Tarifas de último recurso*) are set by the Spanish government on an additive basis, meaning that the final tariffs are equal to the sum of access tariffs, plus energy tariff and commercialisation tariff, and can only be applied to low-voltage electricity consumers whose contracted power is less than or equal to 10 kW. According to Royal Decree no. 485/2009, the last resort tariff is set by the Spanish government taking into account the sum of the following components: (1) costs of the electricity production (which must be revised every six months, but is typically revised every three months), (2) access tariffs and (3) costs of supply management. Last resort consumers can choose between being supplied at last resort tariffs or being supplied in the liberalised market.

Electricity transmission and distribution activities will continue to be regulated since their particular characteristics impose severe limitations on the possibility of introducing competition. The new regulatory framework changed the manner in which electricity businesses receive payments in order to promote efficiency and quality of service. The regulations take into account the investment and operational costs related to

transmission activities. Fixed remuneration for distribution is based on investment, and operational and maintenance costs. Currently, the economic regime for transporters and distributors is contained in Royal Decree no. 2017/1997 (as amended by Royal Decree-Law no. 1432/2002, Royal Decree-Law no. 222/2008, Royal Decree-Law no. 485/2009, Royal Decree-Law no. 13/2012 and Royal Decree-Law no. 20/2012).

In accordance with the provisions of Article 15 of Law no. 54/1997, as amended by Law no. 17/2007, the supply of energy is paid from tolls and prices applicable to consumers and from specific items from the National Budget (Law 15/2012); from 1 January 2011, all facilities are obliged to pay tolls for the energy they generate (Royal Decree-Law no. 14/2010).

Access tariffs are set by the Minister of Industry, Energy and Tourism based on the costs of regulated activities, including transmission and distribution costs, special regime premiums, other permanent costs and diversification and security of supply costs. Access tariffs are uniform throughout the entire country, although, if regional extra costs are approved, they have to be added to regional tariffs by the Ministry of Industry (Royal Decree-Law no. 20/2012). The access tariffs had to be designed to be sufficient to cover all regulated costs, although some deficit was initially permitted until 2013 (Royal Decree-Law no. 6/2009 and Royal Decree-Law no. 14/2010). However, Royal Decree-Law no. 29/2012 has eliminated from law the prohibition against producing new tariff deficits.

On the other hand, on 1 July 2009 the regulated system of electricity tariffs was eliminated. Since then, distributors have ceased to supply electricity and now function as network operators. Accordingly, from that date, all consumers have been in the liberalised market. However, Royal Decree no. 485/2009, provides that the low voltage final consumers who hired 10 kW or less are eligible for the tariff of last resort, which applies a regulated price to that supply. This tariff will be applied by the designated suppliers of last resort, among which is EDP/HC Naturgas Comercialización Último Recurso, S.A.

Following the approval of Act 25/2009, prior to commencing supply activity electricity, suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the Comisión Nacional de Energía, since approval of Law 3/2013, referred to as Comisión Nacional de los Mercados y la Competencia or "CNMC") which includes a confirmation of (a) the dates for beginning and ending their activity, (b) proof of their capacity for the development of the activity, and (c) the guarantees required. The actual CNMC is entitled to publish on its web site an up-to-date list of electricity suppliers that have communicated their desire to engage in supply activities.

Law no. 17/2007 also created the change of supplier office (*Oficina de Cambio de Suministrador* or "OCSUM"), the main purpose of which is to supervise changes of suppliers by consumers under principles of transparency, objectivity and independence. OCSUM operates in both the electricity market and the natural gas market, and its share capital is owned by distributors of electricity (15 per cent.), distributors of natural gas (15 per cent.), suppliers of electricity (35 per cent.) and suppliers of natural gas (35 per cent.).

Tariff Deficit

There have been recent regulatory developments in Spain related to the tariff deficit. The total tariff deficit amounted to € 25,500 million at 31 December 2012, with 30 per cent. of this value financed by electric companies.

Although Royal Decree-Law no. 6/2010 changed Law no. 54/1997, establishing that, from 1 January 2013, the network access tariffs must be sufficient to recover the full costs of the regulated activities without any "ex-ante" deficit, Royal Decree-Law no. 29/2012, of 31 December, has repealed this amendment and settled that the whole deficit in 2012 can be securitised without any limitation.

The deficit financed by electric companies, and produced up to 2012, is being transferred to a Securitisation Fund called FADE (Depreciation Fund of Electric Tariff Deficit), which is guaranteed by the Spanish Government.

Since the beginning of 2012, the Spanish Government has taken important steps in order to address the key aspects of the problem of the tariff deficit:

a) Royal Decree-Law no. 1/2012 suspended temporarily all new renewable capacity registration.

b) Royal Decree-Laws no. 13/2012 and 20/2012 reduced system costs in 2012 up to € 1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in € 700 million from some budget surpluses. Some of these measures were only in force during 2012.

c) Access charges were updated as from April 2012 to all customers resulting in a revenue increase for the system of €1,600 million through (i) ordinary increases of 5.1 per cent. on average and (ii) re-invoicing of tariffs in the last quarter of 2011 and the first quarter of 2012. This re-invoicing is a consequence of several orders of the Supreme Court that tariffs should have been higher to cover all regulated costs.

d) Royal Decree-Law no. 20/2012 approved the possibility of a revenue increase for 2013 from regional taxes and additional access charges for higher consumption levels that will contribute to deficit reduction in 2013. This legislation also eliminated the quarterly update of the access tariffs during the year.

e) Royal Decree-Law no. 2/2013 described above.

Social Bono

Royal Decree-Law no. 6/2009, has created the Social Bono for some consumers benefiting from the tariff of last resort ("TUR") who comply with the social, consumer and economic conditions as determined by the Ministry of Industry, Energy and Tourism. This Social Bono will cover the difference between the value of TUR and a reference value, called "reduced tariff" and will be financed by the electricity system. From 1 July 2009, individual consumers with a contracted capacity of less than 3 kW in their residence, consumers over 60 years old with minimum pensions, large families and families of which all the members are unemployed shall be entitled to the Social Bono.

Royal Decree-Law no. 13/2012 has also defined the consumers benefiting from this tariff but, until it is developed, it has maintained the conditions for benefiting the Social Bono settled in Royal Decree-Law no. 6/2009.

Authorisations and Administrative Procedures

All power plants require certain permits and licences from public authorities at local, regional and national levels before construction and operation can commence.

Administrative registration, permits and licences are generally required for the construction, enlargement, modification and operation of power plants and ancillary installations. In addition, power plants included in the special regime must receive prior approval of the relevant autonomous community authorities and be registered on the "pre-asignación" register maintained by the Minister of Industry, Energy and Tourism before the power plant is entitled to make use of the Spanish special regime. However this register is temporarily suspended (Royal Decree-Law 1/2012).

Facilities must also be authorised for their interconnection to the relevant transmission and distribution networks. According to Royal Decree 661/2007, if the interconnection authorisation is not granted, the administrative authorisation cannot be granted.

However, interconnection authorisation can only be denied due to lack of current or future network capacity.

Royal Decree no. 1699/2011, regulating the connection of small power plants, aims to streamline administrative procedures to speed up the connection of small power plants (renewable energy power plants below 100 kW and CHP installations below 1.000 kW) to the electricity grid.

Gas Regulation Overview

The general basis, principles and model of organisation of the gas sector in Spain were established through the Hydrocarbons Act no. 34/1998, of 7 October (the "Hydrocarbons Act"), Royal Decree no. 949/2001, of 3 August and Royal Decree no. 1434/2002, of 27 December.

The approval of Act no. 12/2007, of 2 July, which modifies the Hydrocarbons Act, in order to adapt it to EU Directive 2003/55/EC has continued the process of deregulation that was started in the sector in 1998, and Royal Decree-Law no. 13/2012 has completed this process by including Directive 2009/73/EC in the Spanish regulation. The regulated supply system ended on 1 July 2008 and was substituted by a last resort supply system. According to Law 12/2007, the scope of consumers that can be supplied under the last resort tariff systems has been reduced to only domestic and low consumption users. However, these clients will have the option to choose between being supplied under the last resort system (by last resort suppliers appointed by the Spanish government) or in the liberalised market (at the prices freely agreed with suppliers).

With respect to the supplier of last resort ("SoLR"), Royal Decree-Law no. 485/2009 allows for the possibility of merging firms that have to supply both electricity and gas, under the SoLR requirements, into a single company. As a result, by Decision no. 12/02/2009 of the General Director for Energy Policy and Mines, the merger of EDP/HC Naturgas Energia Comercializadora de Último Recurso was approved, starting from 1

January 2010. Accordingly, from that date onwards, Naturgas Energia Comercializadora no longer holds the qualification of supplier of last resort.

Spanish law distinguishes between: (1) regulated activities, which include transportation (regasification of LNG, underground storage and transportation of natural gas) and distribution; and (2) non-regulated activities, which include supply and production.

Any company engaging in a regulated activity must engage in only one regulated activity. However, a group of companies may conduct unrelated activities whenever they are independent at least in terms of their legal form, organisation and decision-making in respect of other activities not relating to transmission, distribution and storage (Laws 34/1998 and 12/2007). Recently, Royal Decree-Law no. 13/2012 incorporated new rules from Directive 2009/73/EC to achieve an effective separation between regulated activities and non-regulated activities carried out by Spanish companies. This Royal Decree-Law also establishes the ownership unbundling model for the gas transmissions system operator in relation to the main network for the primary transmission of natural gas transmission pipeline/grid, "red troncal". However, any vertically integrated company established prior to 3 September 2009 may opt between an ownership unbundling model or the ISO model.

There have been several mergers and acquisitions in the Spanish gas market, resulting in changes to the market structure. For example, Naturgas bought Gas Natural's low-pressure network in Cantabria and Murcia, together with its supply activities relating to domestic and small businesses. This agreement also included the purchase of high-pressure networks in the Basque Country, Cantabria and Asturias. In 2013, pursuant to Royal Decree-Law no. 13/2012, Naturgas completed the sale of its gas transmission business to Enagas, activity which was developed by its subsidiary Naturgas Energia Transporte.

The Spanish gas market has developed significantly in recent years with an increase of 2.7 million customers (68.9 per cent.) from 2000 to 2009. Over the same period, gas demand has grown even more, recording an increase of 198 TWh (105 per cent.), mainly due to the demand of CCGTs.

In 2011, the total demand for natural gas was 372 TWh, representing a decrease of 7.0 per cent. The overall consumption of domestic and commercial markets and industry remained at a similar level to that in 2010 with a decrease of 0.8 per cent. However, the power generation market shrank by 19 per cent. between 2010 and 2011.

In 2012, the total demand for natural gas was 362.7 TWh, representing a decrease of 2.6 per cent. The overall consumption of domestic and commercial markets and industry increased in 2012 by 8.3 per cent. and 6.3 per cent. respectively. However, the power generation market shrank by 23 per cent. between 2011 and 2012.

Natural Gas Transportation

Naturgas, through its subsidiaries Naturgas Energía Transporte and Septentrional de Gas S.A. and Infraestructuras Gasistas de Navarra, is involved in the transportation of natural gas in five regions (Basque Country, Catalunia, Asturias, Castilla-Leon and Navarra-Leon) by operating high-pressure pipelines (greater than 60 bar). Naturgas is also promoting regional transmission grids (less than 59 bar) in Murcia.

The construction, expansion, operation and closure of gas pipelines, storage facilities and regasification plants require prior administrative authorisation. In addition, for the construction and operation of gas transmission, regasification and storage facilities, other licences and permits are necessary, including an environmental impact assessment; licences related to infrastructure construction and land rights; and licences related to construction (for example, an activity licence, opening licence and works licence).

Preliminary authorisation is granted by either the Ministry of Industry, Energy and Tourism if the proposed facilities are basic transportation facilities, or, if they affect more than one autonomous community, by the regional authorities where such facilities will be located.

Once the preliminary authorisation has been granted, either the Ministry of Industry, Tourism and Trade or the applicable autonomous regional authority will authorise the engineering construction project. Such authorisation enables the applicant to begin construction of the facility. Definitive authorisations are then granted upon completion of the facility.

Natural Gas Distribution

Naturgas, through its subsidiaries Naturgas Energia Distribucion and Tolosa Gasa, is involved in the distribution of natural gas in eight regions (Asturias, Cantabria, Basque Country, Madrid, Castilla – León, Murcia, Extremadura and Catalunia) through medium and low-pressure pipelines (less than 16 bar).

An administrative authorisation is required for the conduct of distribution activities. Any legal entity with

Spanish nationality or any member of the EU may apply for an administrative authorisation. Applicants must evidence their legal, financial and technical capacity for distribution.

Distribution companies are under the legal duty to provide access to their networks to suppliers and consumers. The main principles governing third-party access to the distribution networks are the same as those applicable to access to the transportation network.

Natural Gas Supply

Naturgas participates in the ordinary supply market through its subsidiary Naturgás Energia Comercializadora, S.A.U., and in the last resort market through its subsidiary HC - Naturgas Comercializadora Último Recurso, S.A., in selling natural gas to end consumers all over Spain.

Suppliers acquire natural gas from producers or other suppliers and sell it to other suppliers or to consumers in the liberalised market on terms and conditions freely agreed among the parties. In order to enable suppliers to conduct their business, transporters and distributors are under an obligation to grant access to their network in exchange for regulated tolls and fees. Royal Decree-Law no. 6/2009 has appointed the companies that can supply consumers under the last resort supply system.

The Change of Supplier Office (*Oficina de Cambio de Suministrador* or "OCSUM"), together with the actual CNMC, supervises the process for consumers to change their gas supplier under principles of transparency, objectivity and independence.

Following the approval of Act 25/2009, prior to commencing supply activity gas suppliers are obliged to provide a statement to the Ministry of Industry or to the respective regional authority where they wish to engage in supply activity (who will transfer the information to the actual CNMC) which includes confirmation of: (a) the dates for commencing (and ending) their activity, (b) proof of their technical capacity for the development of the activity, and (c) the guarantees required. A prior administrative authorisation is only required for the conduct of supply activities if a company or its parent company is from a country outside of the European Union that does not recognise equivalent rights. The actual CNMC is entitled to publish on its web site an up-to-date list of gas suppliers that have communicated the exercising of their activities.

The implementation of supply of last resort in the natural gas sector was established by Royal Decree-Law no. 104/2010, of 5 February 2010 and Royal Decree-Law no. 13/2012 which has partially included Directive 2009/73/EC in the Spanish regulation.

Brazil

The MME is the Brazilian government's primary regulator of the power industry, acting as the granting authority on behalf of the Brazilian government and empowered with policymaking regulatory and supervisory capacity. Following the adoption of the Law 10.848/2004 ("the New Electricity Law"), the Brazilian government, acting primarily through MME, undertook certain duties that were previously the responsibility of ANEEL, including granting concessions and issuing directives governing the bidding process for concessions relating to public services.

The Brazilian power industry is directly regulated by ANEEL. Since the enactment of the New Electricity Law, ANEEL's primary responsibility has been to regulate and supervise the power industry in Brazil pursuant to the policies adopted by the MME.

The 2004 Electricity Law introduced significant changes to the regulation of the Brazilian power industry to provide incentives to private and public entities to build and maintain the country's generation capacity and to assure the supply of electricity within Brazil at as low as possible tariffs through competitive electricity public auctions. The key features of the New Electricity Law include:

- Creation of two markets for the trading of electricity:
  - the regulated contracting market for the sale and purchase of electricity destined for distribution companies, which is operated through electricity purchase auctions; and
  - the unregulated market or free contracting market for the sale and purchase of electricity destined for generators, free consumers and electricity trading companies.
- The requirement that distribution companies purchase electricity sufficient to supply 100 per cent. of their demand through public energy auctions.
- Creation of an electricity reserve policy for all electricity traded through contracts.

- Restrictions on certain activities of electricity distribution companies to ensure they focus only on their core business to guarantee more efficient and reliable services to their customers.

- Restrictions on self-dealing to encourage electricity distribution companies to purchase electricity at lower prices, rather than buying electricity from related parties.

- Continued compliance with contracts executed prior to the New Electricity Law in order to provide stability to transactions carried out before its enactment.

- Prohibition on power distribution concessionaires on sales of electricity to free consumers at non-regulated prices.

- Prohibition on distributors engaging directly in power generation or transmission operations.

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Brazilian government presented measures to reduce electric energy bills. The expected average reduction for Brazil amounts to 20.2 per cent. of total electric energy bills due to government actions aimed at concession renewals (13 per cent.) and sector charges (7 per cent.).

Regarding concession renewals, the generation concessionaires with contracts expiring between 2015 and 2017 may renew their concessions and shall guarantee that they make available physical energy to the quotas system for the distributors in proportion to the size of each distributor.

On 23 January 2013, Provisional Measure 605 was published, which has the objective of increasing the scope of application of the resources of the CDE (Energy Development Account). As a result, CDE began using resources to help offset the discounts applied to the tariffs and the involuntary exposure of distributors resulting from the decision of some generation companies not to extend their generation concessions. This measure amended Law 10.438/2002, which established the application of CDE resources.

On 6 March 2013, the National Energy Policy Council ("CNPE") issued Resolution CNPE 3/2013, which set a new methodology for sharing the additional costs incurred through the use of thermoelectric power plants out of the order of merit, which would normally preference hydroelectric plants. The thermoelectric power plants were utilized out of the typical order of merit ahead of the hydroelectric plants to maintain the safety of the system in light of the hydrological crisis in Brazil.

On 7 March 2013, Decree 9,745 increased the costs that can be covered by funds from the Energy Development Account – CDE. From January through December 2013, CDE is responsible for the monthly transfer to the distribution utilities of amounts to cover the costs related to: generation allocated under the Energy Relocation Mechanism – ERM (Hydrological Risk Quotas); replacement amounts not covered by such quotas (Involuntary Exposure); and the additional cost of thermal power plant activation outside the order of merit (ESS - Energy Security).

On 7 May 2013 a new regulation (Resolução Normativa 549/2013) was published, which provides that the incremental costs of the acquisition of energy and other system charges (ESS) occurring in 2013 would be funded by the Energetic Development Account, the CDE - Conta de Desenvolvimento Energético (positive balances in "Conta de Compensação de Variação de Valores da Parcela A – CVA"). This new regulation establishes the compensation criteria and determines that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through CDE) with reference to the costs and "CVA" charges mentioned above.

On 29 May 2013, the Decree 8,020/2013 was published allowing the transfer in advance of seven months of the discounts applied on the distribution tariffs. This measure was taken by the government, anticipating that the Provisional Measure 605, would not be approved timely by the Senate, and would expire. With the expiry of the Provisional Measure 605, the transfer of CDE resources that were also used to cover the Involuntary Exposure generated by quotas, ceased. The Provisional Measure 605 was included as an amendment in the Provisional Measure 609, which was converted to the Law 12,839 on 9 July 2013, in that way the CDE resources covers the mentioned transfers.

Distribution tariffs

Power distribution companies in Brazil operate with regulated tariffs, and their operating results are therefore subject to regulation. Their concession contracts contain provisions for periodic and annual tariff adjustments and the possibility of extraordinary tariff revisions (i.e., revisions that can be taken by the regulator if some

unexpected exogenous factor occurs that affects the financial or economic equilibrium of the concession).

Periodic tariff revisions

Every three, four or five years, depending on the concession contract, ANEEL establishes a new set of tariffs, reviewing all concessionaire costs and expected revenue. To calculate periodic tariff revisions, ANEEL determines the annual revenue required for a power distribution company to cover what a concession contract refers to as the sum of "Portion A" and "Portion B" costs. Portion A costs consist of a distribution company's costs of power supply, transmission costs as well as tariff charges. Portion B costs consist of the distribution company's operating costs, taxes, depreciation and return on investment, accepted by the regulator.

The required revenue of EDP's electricity distribution companies is calculated on an annual basis and regards a revenue flow compatible with the regulatory economic costs calculated according to specific rules established by ANEEL, over a past 12-month period called a test year. The regulatory regime in Brazil provides for price-caps, and if the estimated required revenue for the year under analysis is different from the actual revenue of the concessionaire for that year, the risk is allocated to the concessionaire. Recent modifications in the tariff methodology have reduced this risk, called market risk, and for almost all of Portion A costs the market risk has been allocated to the customers: if the revenue is higher than expected, the tariff for the next year is reduced, and vice-versa.

Periodic tariff revisions are conducted every three years for Espirito Santo Centrais Eléctricas S.A. ("Escelsa") and every four years for Bandeirante Energia, S.A.

Tariff adjustments

Because the revenues of electricity distribution companies are affected by inflation, they are afforded an annual tariff adjustment to address the impact of inflation in the period between periodic revisions. For the purposes of the annual adjustment, a tariff adjustment rate (referred to as the Tariff Adjustment Index) is applied, through which Portion A costs are adjusted to account for variations in costs and Portion B costs are adjusted to account for variations in the IGP-M inflation index. For Portion B, the tariff adjustment rate also takes into account a measure of the distributor's operating productivity power quality, called Factor X. The main objective of Factor X is to ensure an efficient balance between revenues and costs, established at the time of revision, by taking into account standard values established by the regulator. Factor X has 3 components: (i) expected productivity gains, (ii) quality of service and (iii) cost efficiency.

In August 2013, ANEEL approved a 4.12 per cent. annual tariff readjustment index for EDP Escelsa, for the period from 7 August 2013 to 6 August 2014. The after tax rate of return on RAB in this regulatory period was set at 7.5 per cent.. The X Factor is now composed of a productivity component and an efficiency component, which were set at -0.99 per cent. and -1.68 per cent. respectively. The X Factor component regarding the quality of service incentive will be defined in the 2014 annual tariff readjustment. In October 2013, ANEEL approved a 10.36 per cent. annual tariff readjustment index for EDP Bandeirante, for the period from 23 October 2013 to 22 October 2014. The after tax rate of return on RAB during this regulatory period was set at 1.08 per cent. The X Factor is now composed of a productivity component, an efficiency component and quality of service incentive component, which were set at 1.08 per cent., 0.0 per cent. and 0.0 per cent., respectively. The approved tariff readjustment includes the reimbursement of the second of three annual tranches of 28 million reais related to the postponing of the EDP Bandeirante's Tariff Review for the period 2011-15 which led to the tariff freezing for the period from 23 October 2011 to 22 October 2012. The last installment will be paid in the tariff adjustment in 2014.

United States

Federal, state and local laws and regulations govern the development, ownership, business organisation and operation of electric generating facilities in the United States. In addition, the federal government regulates wholesale sales of electricity and certain environmental and permitting matters, and the state and local governments regulate the construction of electric generating facilities, retail electricity sales and environmental and permitting matters.

Federal electricity regulations

The federal government regulates wholesale power sales and the transmission of electricity in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act, as amended (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978, as amended ("PURPA 1978"), and the Energy Policy Act of 2005, which, among other things, repealed and replaced the Public Utility Holding Company Act of 1935 with the Public

Utility Holding Company Act of 2005 ("PUHCA 2005").

Electricity generation

All of the Group's project companies in the United States operate as exempt wholesale generators ("EWGs") under PUHCA 2005 and/or as owners of qualifying facilities ("QFs") under PURPA 1978. In addition, most of the project companies have market-based rate authorisation from FERC. Such market-based rate authorisation allows the project companies to make wholesale power sales at negotiated rates to any purchaser that is not an affiliated public utility with a franchised electric service territory.

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. An EWG cannot make retail sales of electric energy or engage in other business activities that are not incidental to the generation and sale of electric energy at wholesale. An EWG may own or operate only those limited interconnection facilities necessary to connect its generating facility to the grid.

Under the FPA, FERC has exclusive rate-making jurisdiction over ″public utilities″ that engage in wholesale sales of electric energy or the transmission of electric energy in interstate commerce. With certain limited exceptions, the owner of a renewable energy facility that has been certified as an EWG in accordance with FERC's regulations is subject to the FPA and to FERC's rate-making jurisdiction. FERC typically grants EWGs the authority to charge market-based rates as long as the EWG can demonstrate that it does not have, or has adequately mitigated, market power and it cannot otherwise erect barriers to market entry. Currently, none of the Group's project companies or their affiliates has been found by FERC to have the potential to exercise market power in any U.S. markets. In the event that that analysis changes or if certain other conditions of market-based rate authority are not met, FERC has the authority to withhold or rescind market-based rate authority and require sales to be made based on cost-of-service rates which could result in a reduction in rates.

FERC generally grants EWGs with market-based rate authority waivers from many of the accounting requirements that are otherwise imposed on traditional public utilities under the FPA. However, EWGs with market-based rate authority are subject to ongoing review of their rates under FPA sections 205 and 206, advance review of certain direct and indirect dispositions of FERC-jurisdictional facilities under FPA section 203, regulation of securities issuances and assumptions of liability under FPA section 204 (subject to certain blanket preauthorisations), and supervision of interlocking directorates under FPA section 305. FERC has authority to assess substantial civil penalties (i.e. up to $1 million per day per violation) for failure to comply with the conditions of market-based rate authority and the requirements of the FPA.

Certain small power production facilities may qualify as QFs under PURPA 1978. A wind-powered generating facility with a net generating capacity of 80 MW or less (or the aggregation of all such facilities owned or operated by the same person or its affiliates and located within one mile of each other) may be certified by FERC or self-certified with FERC as a QF. Certain QFs, including renewable energy facilities with a net generating capacity of 30 MW or less, are exempt from certain provisions of the FPA, including the accounting and reporting requirements. Additionally, renewable energy QFs with a net generating capacity of 20 MW or less are exempt from FERC's rate-making authority under the FPA. QFs that are not located in competitive markets have the right to require an electric utility to purchase the power generated by such QFs. QFs also have the right to require an electric utility to interconnect it to the utility's transmission system, and to sell firm power service, back-up power, and supplementary power to the QF at reasonable and non-discriminatory rates. Finally, a renewable energy QF with a net capacity of 30 MW or less is exempt from regulation under PUHCA 2005 and the state laws and regulations respecting the rates of electric utilities and the financial and organisational regulation of electric utilities.

FERC also implements the requirements of PUHCA 2005, which imposes certain obligations on ″holding companies″ that own or control 10 per cent. or more of the direct or indirect interests in companies that own or operate facilities used for the generation of electricity for sale, including renewable energy facilities. As a general matter, PUHCA 2005 imposes certain record-keeping, reporting and accounting obligations on such holding companies and certain of their affiliates. However, holding companies that own only EWGs, QFs or foreign utility companies are exempt from the federal access to books and records provisions of PUHCA 2005.

Energy transactions in the United States are either bilateral in nature, which allows two parties to freely contract for the sale and purchase of energy, or take place within a single, centralised clearing market for spot energy purchases and sales and which facilitates the efficient distribution of energy. Given the limited interconnections between transmission systems in the United States and differences among market rules, regional markets have formed within the transmission systems operated by independent system operators or regional transmission

organisations ("ISOs"), such as the Midcontinent, California, New York, PJM Interconnection, and New England ISOs.

Our project companies typically sell power and the associated renewable energy credits (″RECs″) from our electric generation facilities under long-term bilateral power purchase agreements. However, additional energy or ancillary services may be sold on a short-term basis to the market, generally at short-term clearing prices. In addition, our project companies may sell RECs under long-term or short-term bilateral agreements. All of our electric generating facilities are typically interconnected to the grid through long-term interconnection agreements, under which transmission-owning utilities (in combination with any ISO in which the utility is a member) agree to construct and maintain system-operated interconnection facilities and provide interconnection service to the facilities. As such, successful and timely completion of our projects and electric sales from our projects are dependent on the performance of our counterparties under the interconnection agreements.

NERC reliability standards

The Energy Policy Act of 2005 amended the FPA to grant FERC jurisdiction over all users, owners, and operators of the bulk power system for purposes of approving and enforcing compliance with certain reliability standards. Reliability standards are requirements to provide for the reliable operation of the bulk power system. Pursuant to its authority under the FPA, FERC certified the North American Electric Reliability Corporation ("NERC") as the entity responsible for developing reliability standards, submitting them to FERC for approval, and overseeing and enforcing compliance with reliability standards, subject to FERC review. FERC authorised NERC to delegate certain functions to eight regional entities. All users, owners and operators of the bulk power system that meet certain materiality thresholds are required to register with the NERC and comply with FERC-approved reliability standards. Violations of mandatory reliability standards may result in the imposition of civil penalties of up to $1 million per day per violation. All of EDP's project companies in the United States that meet the relevant materiality thresholds have registered with NERC as Generation Owners and/or Generation Operators and Purchasing and Selling Entities, and are required to comply with the applicable reliability standards. NERC may require generators that own certain interconnection facilities also to register as Transmission Owners and/or Transmission Operators. Such a change may impose additional reliability standards on our project companies.

State electricity regulations

State regulatory agencies have jurisdiction over the rates and terms of electricity service to retail customers. As noted above, an EWG is not permitted to make retail sales. States may or may not permit QFs to engage in retail sales.

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 additional 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 authorisations may involve a more extensive approval process, possibly including an environmental impact evaluation, and are subject to opposition by interested parties or utilities.

Renewable Portfolio Standards ("RPS")

The marked growth in the U.S. wind energy industry has been driven primarily by federal and state government policies designed to promote the growth of renewable energy, including wind power. In the United States, the federal government currently supports renewable energy primarily through tax incentives and a grant programme to reimburse a portion of eligible capital costs. In addition, many state governments have implemented Renewable Portfolio Standards (''RPS'') that typically require that, by a specified date, a certain percentage of a utility's electricity supplied to consumers within such state is to be from renewable sources. Historically, the main tax incentives have been the federal production tax credit (''PTC'') and the five-year depreciation for eligible assets under the Modified Accelerated Cost Recovery System (''MACRS''). In February 2009, a new U.S. federal law allowed renewable energy projects that forego PTCs to elect an investment tax credit (''ITC''), or a cash grant equal to 30 per cent. of the capital invested in the project (although the 2013 automatic spending cuts have reduced this amount by 8.7 per cent. for all grants awarded on or after 1 March 2013 through 30 September 2013, regardless of when the application was submitted). Under the new law, renewable energy projects placed in service before the credit termination date can choose among the PTC, ITC or cash grant, although only projects that began construction before the end of 2011 and applied for the credit before 1 October 2012 will be eligible for the cash grant. In January 2013, the PTC and ITC for wind projects were extended through 31 December 2013. In addition, the expiration date for qualified renewable energy facilities was modified such that qualified projects will be eligible for the PTC or ITC if the

construction of such projects begins before 1 January 2014. The PTC legislation was first enacted in 1992 and has historically been extended by the U.S. Congress for one- to four-year periods. While in the past the PTC has consistently been extended, it has been allowed to expire three times before being subsequently extended, thereby creating a lapse period. In each case, the U.S. Congress applied the PTC retroactively to cover such lapse period; however the periodic expiration and uncertainty of the legislative process with respect to extensions affected industry participants.

No comparable legislative history exists for the ITC or grant programme since they were not options for wind energy projects until 2009. There can be no assurance that the PTC, the ITC or the cash grant programme will be extended beyond their current expiration dates. With respect to asset depreciation under MACRS, in February 2008, a new U.S. federal law provided for a temporary 50 per cent. bonus depreciation with 5-year MACRS utilised to recover the remaining basis that expired on 31 December 2013. This temporary bonus depreciation has been extended four times since 2008; however, there can be no assurance that the 50 per cent. bonus depreciation will be extended beyond its current expiration. While the underlying MACRS system has been in place since 1986, and EDP expects the system to remain unchanged going forward, there can be no assurance that MACRS treatment will not be discontinued in the future. EDP's ability to take advantage of the benefits of the PTC, ITC and depreciation incentives (but not the cash grant program) is based in part on the investment structures that EDP entered into with institutional investors in the United States (the ''Partnership Structures''). Even assuming that the PTC, ITC and depreciation incentives continue to be available in the future, there can be no assurance that (1) EDP will have sufficient taxable income in the United States to utilise the benefits generated by these tax incentives or (2) EDP will otherwise be able to realise the benefits of these incentives. In particular, there can be no assurance that EDP will be able to realise the benefits of these incentives through Partnership Structures entered into with investors who offer acceptable terms and pricing (or that there will be a sufficient number of such suitable investors).

At the state level, RPS provide support for EDP's business by mandating that a certain percentage of a utility's energy supplied to consumers within the state must come from renewable sources by a specified date (such as between 15 per cent. and 25 per cent. by 2020 or 2025) and, in certain cases, make provision for various penalties for non-compliance. According to the DSIRE as of March 2013, 29 states and the District of Columbia have mandatory RPS targets, and eight states have voluntary, rather than mandatory, targets. Although additional states may consider the enactment of RPS, there can be no assurance that they will decide to do so, or that the existing RPS will not be discontinued or adversely modified. In particular, a number of states currently are considering legislation that would pare back mandatory RPS targets.

Environmental compliance

Construction and operation of wind generation facilities and the generation and transport of renewable energy are subject to environmental regulation by U.S. federal, state and local authorities. Typically, environmental laws and regulations require a lengthy and complex process for obtaining licences, permits and approvals prior to construction, operation or modification of a project or generating facility. Prior to development, permitting authorities may require that wind project developers consider and address, among other things, impact on birds and other biological resources, noise impact, paleontological and cultural impact, wetland and water quality impact, compatibility with existing land uses and impact on visual resources. In addition, projects which propose to impact federal land or require some federal license or permit, or federal funding, generally require that the appropriate federal agency prepare an environmental document describing the environmental impacts of the project and alternatives. Such a document must be drafted in compliance with the National Environmental Policy Act (″NEPA″), which requires public review and involvement in the project's permitting process. For those projects located on Federal Bureau of Land Management (″BLM″) land holdings, BLM has prepared a form of environmental impact statement intended to reduce the time required to obtain permits to construct wind projects on their land.

Permits from other federal agencies may be required if federal lands, federally regulated natural resources, endangered species, or other areas of federal competence are involved or may be impacted by the construction or operation of a renewable energy facility. For example, wind farms which exceed 200 feet in height must meet the lighting and safety regulations of the Federal Aviation Administration. In addition, federal agency guidelines have been implemented to deal with endangered and other species. Regulations exist that govern waters of the United States and may require permits from the U.S. Army Corps of Engineers. It is possible that wind farms may in the future be subject to further federal restrictions intended to minimise interferences with military radar systems and endangered and other species.

Various states have also implemented environmental laws and regulations that impact renewable energy projects. Certain state environmental laws require the preparation of an environmental impact report similar to

the federal impact statement, while some states require a meeting be held to solicit comments from affected local landowners and local authorities.

IMF/EUROZONE STABILISATION PROGRAMME

In May 2011, the Portuguese government, with the support of the main Portuguese political parties, agreed to the Stabilisation Programme.

The Stabilisation Programme is expected to provide significant financial support of EUR 78 billion over the next years in the form of a cooperative package of IMF and EU funding. On 10 May 2011, the European Commission approved the Stabilisation Programme and, on 16 May 2011, EU finance ministers granted their approval. The funding is subject to quarterly reviews for the duration of the Stabilisation Programme to ensure the conditions of the Stabilisation Programme are being met.

The Stabilisation Programme is based on a three-prong strategy as follows:

Restoring competitiveness: The first priority is to tackle structural problems that have caused Portugal to have low rates of growth over the past decade. This includes measures to reduce public sector involvement in the Portuguese economy and to address the issue of rent-seeking behaviour and excessive profits in the non-tradable sector. These measures may enable an easier entry in the telecommunications market, may include cutting subsidies in the electricity sector, and may reduce the number of regulated professions. In addition, the Stabilisation Programme provides for a major reduction in social security contributions (offset by other tax and expenditure adjustments) aimed at significantly reducing labour costs and making Portugal's goods and services more competitive.

Strengthening fiscal policy: Under the terms of the Stabilisation Programme, a mix of measures are aimed at reducing Portugal's budget deficit and stabilising public sector debt. These measures include reducing public subsidies and transfers, better prioritising of capital spending, shifting the composition of taxation toward indirect and property taxes, broadening Portugal's income tax base and implementing significant savings in current expenditure at all levels of public administration (i.e., general government, local and regional government and state-owned enterprises).

Ensuring the stability of the financial sector. The Stabilisation Programme provides for increasing Portuguese banks' capital positions, strengthening regulation and supervision in the sector and introducing a new solvency support mechanism (fully funded under the Stabilisation Programme).

The measures envisaged by the Stabilisation Programme might have an impact on EDP and/or EDP's business and activities directly or indirectly through the impact on the Portuguese economy as a whole.

Below are some of the measures still to be implemented or in process of implementation, as extracted from the Memorandum of Understanding on Specific Economic Policy Conditionality, in connection with the Stabilisation Programme, that may directly EDP and/or EDP's business and activities:

"[…] Energy markets

[…]

Liberalisation of electricity and gas markets

5.1 Following the adoption of the legal framework regarding the scope of competence of the logistics operator for switching suppliers, implement the plan to create a new gas and electricity logistics operator independent company as presented in the seventh review [Q1-2014].

Ensure sustainability of the national electricity system

5.2 In the context of the measures to reduce excess rents and to address the sustainability of the national electricity system, and following the October information resulting from the regulator's preliminary assessment of access tariffs, provide an update on the tariff debt which analyses the impact of the measures already adopted on the projections of the tariff debt path up to 2020 and takes into account factors such as the reduction in demand and the CMEC annual evolution. Present any additional cost reduction measures that might be necessary to (i) eliminate excess rents and (ii) eliminate the tariff debt by 2020, ensuring a balanced burden sharing across the various stakeholders in the sector [mid-November 2013] .

5.3 Following the report on the CMEC scheme and the process for the extension of the concession of the public hydro resource by the former CAE hydro power plants, analyse the consequences of the report and the need for potential measures [tenth review]; take the necessary measures to comply with EU regulations and decisions [ongoing].

5.4 Accelerate convergence to market-based pricing for co-generation operators in parallel with electricity market developments under the EU internal electricity and gas market legislation. The remuneration scheme for co-generation will be further revised to improve efficiency of the support system in ensuring continued guaranteed access of operators to electricity networks and markets with the calculation of explicit subsidies based on relevant price factors in the context of a competitive electricity market. The revision should ensure that the design of the support scheme allows a dynamic correlation between electricity market prices and the efficiency premium when the values of avoided externalities are not adequately reflected in electricity and other factor prices. This revision will be undertaken in line with the framework of the transposition of the energy efficiency directive [Q4-2013]. Ensure through annual audits that plants not fulfilling the requirements for co-generation do not receive the support, and report on the progress [ongoing].

5.5 For new contracts in renewables, revise downward the feed-in tariffs and ensure that the tariffs do not over-compensate producers for their additional costs as compared to market prices and they continue to provide an incentive to reduce costs further, through digressive tariffs. For more mature technologies develop alternative mechanisms (such as feed-in premiums). Report on action taken will be provided by [Q3-2013]. Decisions on future investments in renewables, in particular in less mature technologies, will be based on a rigorous analysis in terms of its costs and consequences for energy prices. International benchmarks will be used for the analysis and an independent evaluation will be carried out. Report on action taken will be provided by [Q3-2013].

The detailed terms and conditions of implementation of the remaining measures of the Stabilisation Programme are as yet unknown, and when implemented they could have a material adverse effect on the Portuguese economic and financial condition which may, in turn, have a material adverse effect, on entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

In addition, the failure by the Portuguese government to implement the measures described above or other measures, even if unrelated to the energy sector, contained in the Memorandum of Understanding on Specific Economic Policy Conditionality may adversely affect the financial support agreed under the Stabilisation Programme and, as a consequence, could have an adverse impact on the Portuguese economic and financial condition, which may, in turn, have a material adverse effect on the entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

Considering the execution of the Stabilisation Programme and Portugal's current economic and financial situation, additional measures affecting the electricity sector, including measures aiming to lower the cost of electricity for consumers, could be enacted. If any such measures are enacted, they may have an adverse impact, either directly or indirectly through the impact on the Portuguese economy as a whole, on the entities operating in the electricity sector, including EDP, and on EDP's business, financial condition, prospects or results of operations.

COMPETITION

Iberian Peninsula

All companies within the EU, including EDP, are subject to the competition rules of the Treaty on the Functioning of the European Union (the "Treaty") and applicable secondary legislation. The European Commission is empowered by the Treaty to apply competition rules, and the European Commission has a number of investigative powers to that end (e.g., inspection of business and non-business premises, written requests for information, etc). It may also impose fines on companies that violate EU antitrust rules. Since 1 May 2004, all national competition authorities are also empowered to apply fully the provisions of the Treaty in order to ensure that competition is not distorted or restricted. National courts may also apply these prohibitions to protect the individual rights conferred upon citizens by the Treaty. Mergers between companies with combined annual turnover that exceeds specified thresholds in terms of global and European sales are subject to prior authorisation by the European Commission. Portugal, in 2003, and Spain, in 2007, adopted new competition rules and set up independent authorities empowered to fully apply such rules and also the equivalent national provisions, respectively: the "Autoridade da Concorrência", and the "Comisión Nacional de la Competencia". In 2012, the Portuguese competition rules were reviewed, giving more powers to the national competition authority.

Until 1988, EDP had a monopoly in the generation, transmission, distribution and supply of electricity in Portugal, although a very small number of municipalities distributed and supplied low-voltage electricity to consumers. Since 1988, measures have been taken to encourage competition in power generation in Portugal and to spin-off the transmission assets to a fully independent company acting as the transmission system operator (REN). Since then, the sector has been gradually liberalised, having reached full liberalisation with a functioning market regime (in generation and supply activities) by 2007.

One of the contributing aspects to this liberalisation process was the creation of an independent energy regulator – ERSE – that, as of 1999, has been implementing measures to encourage competition in the supply of electricity in Portugal.

In addition, as a result of political and regulatory developments, especially within the context of the creation of MIBEL, EDP already operates in a highly competitive environment, competing with Spanish electricity companies.

Evidence of this competitive environment are the generation licenses awarded by the Portuguese State to national and international operators (for instance, Galp, Iberdrola and Endesa).

Concerning the supply activity, in December 2005, five qualified suppliers were authorised to operate in the Portuguese liberalised sector, four of which were Spanish companies: Endesa Energia, S.A., Iberdrola, S.A., Union Fenosa Comercial, and Sodesa - Comercializacao de Energia, S.A., and EnelViesgo, an Italian company. Currently, there are additional qualified suppliers in Portugal, including Portuguese companies, such as Galp, and French companies, such as EDF.

The enactment of the Electricity Sector Act gradually changed the Spanish electricity sector from a state-controlled system to a free-market system with elements of free competition and liberalisation. The Electricity Sector Act is intended to guarantee that the supply of electricity in Spain is provided at high quality and the lowest possible cost. Under this regulatory framework, operating generation facilities in Spain requires permits and licenses from public authorities before operating. Since 2010, supply activity only requires a responsibility declaration. As a result, there has been a constant increase of Spanish and Portuguese agents.

Brazil

The electric industry in Brazil is divided into four sectors, called Distribution, Generation, Transmission and Commercialization (trading). Each of these sectors has its own rules and peculiarities.

EDP's generation companies can sell their electric output in two markets, named Regulated Contracting Environment (ACR) and Free Contracting Environment (ACL). The first consists of public auctions where power plants compete to sell their electric production to the distributors. This results in regulated PPAs for a term of one to 15 years. Also, in the Regulated Contracting Environment, there are auctions for new power plants, which occur three to five years in advance of the supply start. In those auctions, generation entrepreneurs compete to win concession contracts in order to build new power plants and operate them for 30 years. Thus, the PPAs from those auctions last for a 15, 20 or 30 year term, depending on the source of energy.

In the free market, the sale of electricity takes place by negotiation, in which prices and conditions are freely agreed upon by the parties. In this environment, competition exists between generation concessionaires and permit-holders, traders and electricity importers. Distributor cannot buy in this market, being obliged to buy from the regulated market. The buyers in this market consist mostly of free customers, which are the customers with enough power need to be able to buy freely, according to Brazilian law.

The electricity distribution network operates as a legal monopoly, and services are compensated by the tariff for use of the distribution system ("TUSD"). Thus, customers located in the concession areas of EDP's electricity distribution companies, both captive and free, must use its distribution network to gain access to electricity, paying EDP's distribution companies through the TUSD. Customers that are not allowed to access the free market must also buy their electricity from the distribution companies. Those companies, however, do not profit from this sale, as the electricity is sold at the same price the companies bought it at the regulated auctions.

The transmission of electricity is also a legal monopoly with a regulated tariff for its use. EDP does not own a transmission company in Brazil.

EDP Comercializadora, and other electricity trading companies, compete for the acquisition of electricity from various sources in the free market, and there is no restriction applicable to the purchase of electricity from generation companies that belong to the same economic group. Trading companies also compete in the trading and intermediation of the sale of electricity to free consumers. EDP's main trading competitors are AES Infoenergy Ltda., CPFL Comercializaçãcao Brasil S.A., Delta Comercializadora de Energia Ltda. and NC Energia S.A.

United States

The United States is one of the most attractive markets globally for wind energy generation in terms of total installed wind capacity and year on year growth. The U.S. wind industry is second in cumulative wind capacity behind China, and has nearly twice as much cumulative wind capacity as the third largest country, Germany. Further, the U.S. wind energy industry installed 13,131 MW in 2012, which according to the American Wind Energy Association, accounted for approximately 42 per cent. of the country's new power-producing capacity in2012. The new installations expanded U.S. total wind power generating capacity by 28 per cent. in one year, bringing U.S. total installed wind power capacity to 60,007 MW as at 31 December 2012. According to the American Wind Energy Association, EDP Renováveis was the fourth largest owner of wind projects, based on installed capacity, in the United States at the end of 2012. EDP Renováveis's main competitors, based on installed capacity, in the United States include NextEra Energy Resources, Iberdrola Renewables, MidAmerican Energy, and E.ON Climate & Renewables.

EMPLOYEES

As of 30 June 2013, EDP Group had 12,143 employees worldwide, including 8,905 employees in the Iberian Peninsula. This includes 55 members of EDP's executive corporate bodies and excludes 57 members of the EDP's non-executive corporate bodies. The total number of employees at EDP has been increasing slightly in recent years as a result of organic growth in the Brazilian market and in the renewable sector in all countries. This increase was partially offset by a reduction in the headcount in the Iberian Peninsula due to attrition.

Approximately 64 per cent. of EDP's employees in Portugal are members of a union. Its non-management employees in Portugal are represented by 26 unions, three of which represent the majority of employees. Most of the unions are members of one of the two principal confederations in Portugal: CGTP-Intersindical and UGT. EDP's non-management employees in Spain are represented by five unions, and its non-management employees in Brazil are represented by two unions. The unions assume responsibility for annually negotiating salary levels, negotiating the collective bargaining agreements and ensuring that the collective bargaining agreements are correctly applied. In May 2000, EDP entered into a collective bargaining agreement with all of the unions representing its employees in Portugal which provides for, among other things, higher entry level compensation across professional categories and greater opportunities for seniority-related compensation increases within individual professional categories. The May 2000 agreement and related agreements provide for certain salary increases for employees in Portugal determined on an annual basis. The average salary increases negotiated with the trade unions for employees in EDP's electricity business companies in Portugal were 1.5 per cent. in 2010, 1.79 per cent. in 2011 and 1.7 per cent. in 2012. The average salary increases negotiated in EDP's electricity business companies in Spain were 3.5 per cent. in 2010, 3.15 per cent. in 2011 and 3.4 per cent. in 2012. In Brazil, the average salary increases negotiated were 6.5 per cent. in 2010, 8.3 per cent. in 2011 and 6.3 per cent. in 2012. Future increases will be negotiated on an annual basis.

The May 2000 agreement was repealed by EDP in July 2012, and management introduced a proposal of a new labour agreement covering all the companies wholly owned by EDP. Negotiations on the new agreement began in September 2012 and are expected to be over by 2014. The May 2000 agreement remains in force until the conclusion of the negotiation of the new agreement.
In 2010, there was one strike in Portugal that involved 547 workers and 3,375 hours of strike time (i.e., the number of persons striking multiplied by the hours of each strike). This strike was held to protest certain policies of the Portuguese government. In Spain, there were two strikes that involved 125 workers and 1,014 hours of strike time.

In 2011, a strike in Portugal involved 406 workers of EDP and 2,505 hours of strike time. This strike was held to protest certain policies of the Portuguese government. In Spain, there was one strike that involved 7 workers and 61 hours of strike time.

In 2012, two strikes occurred that involved a total of 763 workers of EDP and 4,708 hours of strike time. These strikes were held to protest certain policies of the Portuguese government. In Spain, there were three strikes that involved 502 workers and 4,144 hours of strike time.

In the first half of 2013, there was one strike in Portugal, which involved 313 workers of EDP and 2,379 hours of strike time. This strike was held to protest certain policies of the Portuguese government.

None of the strikes in 2010 through 2013 regarded negotiations between EDP and its employees, as EDP employees were participating in strikes concerning policies or laws adopted or enacted directly by the Portuguese government. Accordingly, none of these strikes resulted in concessions relating to EDP's labour agreements.

LITIGATION

See "*General Information—Legal Proceedings*".

PROPERTY

At 30 June 2013, EDP had generating plants consisting of thermal, hydroelectric and other renewable resources facilities. EDP owns electricity distribution networks in Portugal, Spain and Brazil, as well as gas distribution networks in Iberia. It also owns facilities for renewable energy generation in the Iberian Peninsula, United States, Brazil, France, Belgium, Poland, Romania and Italy. For a description of EDP's property, see note 16 of EDP's financial statements for the six months ended 30 June 2013.

Management believes that EDP's significant properties are in good condition and that they are adequate to meet its needs.

INSURANCE

EDP has taken out insurance in respect of its activities, assets and liabilities and, based on the coverage provided under such insurance, believes it has a customary degree of insurance for its business as currently conducted. However, the scope of its business interruption insurance is limited.

MANAGEMENT

CORPORATE GOVERNANCE MODEL

EDP S.A.'s shareholders approved its current corporate governance model at the Annual General Shareholders Meeting held on 30 March 2006, which entered into force on 30 June 2006. The corporate governance model is structured as a two-tier system, composed of an executive board of directors (the *"*Executive Board of Directors*"*) and a general and supervisory board (the *"*General and Supervisory Board*"*). The Executive Board of Directors is EDP S.A.'s managing body and is responsible for its management and for developing and pursuing EDP S.A.'s strategy. The Executive Board of Directors must be composed of at least five and no more than seven directors, all of whom undertake executive positions. For the current mandate of 2012-2014, the Executive Board of Directors is composed of seven directors who were elected at the Annual General Shareholders Meeting held on 20 February 2012. The General and Supervisory Board is a supervisory and consulting body and is responsible for, among other things, supervising the Group's activities and reviewing and approving important transactions involving the Group. The General and Supervisory Board must be composed of at least nine members and must at all times have more members than the Executive Board of Directors. All members of the General and Supervisory Board undertake non-executive positions. For the current mandate of 2012-2014, the General and Supervisory Board is composed of 23 members who were elected by the shareholders at the Annual General Shareholders Meeting held on 20 February 2012 and at the Annual General Shareholders Meeting held on 6 May 2013, after two members resigned. EDP S.A. complies with the corporate governance provisions included in the Portuguese Securities Code. Furthermore, EDP S.A. adopted in full the corporate governance recommendations contained in the Corporate Governance Code approved by the Portuguese Securities Market Commission (the "CMVM"), with the exception of the two following recommendations:

(a) Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: (1) have shares without voting rights; (2) establish that, above a certain threshold, voting rights cast by one single shareholder or related to him/her, should not be accounted for.

(b) Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of that statutory provision shall be put to deliberation by the General Meeting – without the need for a quorum greater than the legal quorum – and that, all the votes cast shall count in this deliberation without that limitation.

Even though it is EDP S.A.'s understanding that adequate shareholder participation is ensured through the statutory principle of one vote per share, EDP S.A. did not fully adopt recommendation (a) above in the sense that there may be limits on the number of shares with which each shareholder can vote in a General Meeting. However, the principle of proportionality between the number of shares held and the corresponding voting rights must be assessed in relative terms rather than in absolute terms. The limit specified in Article 14(3) of EDP S.A.'s Articles of Association reflects the shareholders' choice to protect specific interests of the company.

On the basis of the foregoing considerations:

a) At the General Meeting held on 25 August 2011, the shareholders resolved to maintain such restriction on the counting of voting rights but increased its threshold from 5 per cent. to 20 per cent. Such General Meeting also resolved to remove the special rights granted to B shares, which are subject to privatisation and may only be held by the Portuguese state or Government-related entities. Holders of 72.25 per cent. of the share capital participated in such General Meeting, and 94 per cent. of votes cast approved the motion. Further to the removal of the special rights granted to B shares, both ordinary shares and B shares were subject to the 20 per cent. limitation.

b) The current Articles of Association of EDP S.A. were amended by the General Meeting held on 20 February 2012, which maintained the restriction on the counting of the voting rights but increased its threshold from 20 per cent. to 25 per cent. (article 14, no. 3 of the Articles of Association). Holders of 71.52 per cent. of the share capital were present or represented – including votes by correspondence – representing 66.03 per cent. of the voting rights, and 89.65 per cent. of votes cast approved the motion. Such General Meeting also resolved to amend article 10 of EDP S.A.'s By-Laws through the inclusion of a new number 10, which establishes that a shareholder that individually holds at least 20 per cent. of the share capital of EDP S.A., and that, directly or through a legal person is in a domain relationship with it, enters into and maintains a medium or long term

strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favourable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP S.A. Holders of 71.52 per cent. of the share capital were present or represented – adding the correspondence votes – representing 66.03 per cent. of the voting rights, and 89.69 per cent. of votes cast approved the motion.

EDP S.A. did not adopt recommendation (b) above on the basis that it does not seem reasonable to link the principle reflected in this recommendation to the existence of limitation mechanisms in respect of the exercise of voting rights (which is, in fact, dealt with in recommendation (a) above). Therefore, the interests of EDP S.A.'s shareholders, reflected in the limitation set out in article 14 of the Articles of Association, justify the non adoption of such recommendation. In addition, in terms of EDP S.A.'s control measures, the Executive Board of Directors and the General and Supervisory Board of EDP S.A. understand that: (1) in the face of a takeover bid, the Executive Board of Directors and the General and Supervisory Board shall assess the referred proposal in the light of EDP S.A.'s interests; (2) the position to be taken by the Executive Board of Directors will be subject to favourable prior opinion from the General and Supervisory Board and (3) the Executive Board of Directors and the General and Supervisory Board shall avoid taking any measure or position that may unfairly constitute an obstacle to the proper weighting of the takeover bid.

Executive Board of Directors

The Executive Board of Directors, together with EDP S.A.'s executive officers, manages EDP S.A.'s affairs and monitors the daily operation of EDP S.A.'s activities in accordance with Portuguese law and EDP S.A.'s Articles of Association. Executive officers are in charge of EDP S.A.'s various administrative departments and report directly to the Executive Board of Directors. Companies within the Group are managed by their respective boards of directors. The names of the current directors on the Executive Board of Directors, along with their principal affiliations and certain other biographical information, are set forth below:

Name	Year of Birth	Position	Year Originally Elected	Last Election
António Luís Guerra Nunes Mexia	1957	Chief Executive Officer	2006	2012
Nuno Maria Pestana de Almeida Alves	1958	Chief Financial Officer	2006	2012
João Manuel Manso Neto	1958	Executive Director	2006	2012
António Manuel Barreto Pita de Abreu	1950	Executive Director	2006	2012
António Fernando Melo Martins da Costa	1954	Executive Director	2006	2012
João Manuel Verísssimo Marques da Cruz	1961	Executive Director	2012	2012
Miguel Stilwell de Andrade	1976	Executive Director	2012	2012

António Luís Guerra Nunes Mexia was appointed as EDP S.A.'s Chief Executive Officer in March 2006 and was last reappointed in February 2012. He is also Chairman of the board of directors of EDP Brasil and of EDP Renováveis. Between July 2004 and March 2005, he served as Minister of Public Works, Transportation and Communications of Portugal's 16th constitutional government. Mr. Mexia was the CEO of GALP between 2001 and 2004 and the Chairman and CEO of Gás de Portugal and of Transgás between 1998 and 2001. In 1990, he joined Banco do Espirito Santo Sociedade de Investimento S.A., the investment bank of the Espírito Santo group, and served as a member of its executive board of directors in charge of the equity capital markets and project finance divisions until 1998. Previously, he was Vice-Chairman of ICEP, the Portuguese board of external trade and foreign investment, between 1988 and 1990, and Assistant to the Secretary of State for Foreign Trade between 1986 and 1988. Mr. Mexia holds a degree in Economics (1980) from the University of Geneva. During his career, he has been a Professor of Economics at the University of Geneva, Lisbon's Universidade Católica Portuguesa and Universidade Nova de Lisboa.

Nuno Maria Pestana de Almeida Alves was appointed EDP S.A.'s Chief Financial Officer in March 2006 and was last reappointed in February 2012. He is also the Chairman of EDP Imobiliária and EDP – Estudos e Consultoria. Previously, he was an executive board member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets (2000-2006); Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF (1999); Co-Head of the Investment Banking Division (1997) and Head of the Capital Markets Division (1996) of Banco CISF (then Millennium BCP Investimento). In 1991, Mr. Alves was appointed the

Investor Relations Officer for Millennium BCP, and in 1994, he joined the retail network as Coordinating Manager. He joined the Planning and Strategy Department of Millennium BCP (1988) and in 1990 became an Associate Director of the bank's Financial Investments Division. Mr. Alves holds a degree in naval architecture and marine engineering and an MBA from the University of Michigan.

João Manuel Manso Neto was appointed to EDP S.A.'s Executive Board of Directors in March 2006 and was last reappointed in February 2012. Mr. Manso Neto is also the Vice Chairman of the board of directors of EDP Renováveis and CEO of its executive committee. He joined EDP in July 2003 as a General Manager. He was Chairman of the board of directors and Chairman of the executive committee of EDP Produção and CEO of Hidrocantábrico. From 1981 to 2003, he worked in banking, mainly in what is now the BCP Group (in Portugal and in Poland), where he was General Manager in charge of several areas, including Treasury and Capital Markets and Large Corporate Clients. Mr. Manso Neto holds a degree in economics from Instituto Superior de Economia de Lisboa, a post-graduate degree in European economics from Universidade Católica de Lisboa and the academic component of the masters degree in economics from Universidade Nova de Lisboa. Until 1993, he also taught economics in Universidade Nova de Lisboa.

António Manuel Barreto Pita de Abreu was appointed to EDP S.A.'s Executive Board of Directors in March 2006 and was last reappointed in February 2012. He is a member of the board of EDP – Estudos e Consultoria and Chairman of the board of Directors of EDP Produção and EDP Serviner. Previously, he was a director on the Executive Board of Directors (2000-2003); General Manager (2003-2006); General Secretary; Company Secretary; Chairman of EDPP, EDPD, REN (2000), CPPE, TER, TERGEN and EDP Cogeração, Onitelecom (1998-2000), Oni Açores, Onisolutions (1999-2000), Edinet (1997-1999), ACE, MRH (2000-2001), Sãvida (2000-2001), ENAGAS and NQF Gás; a member of the board of directors of Optep (1997-1998), NQF PTE and NQF Energia, 093x (2000-2002); Vice-President of Turbogás, S.A.; Executive Director of REN (1994-1997); a director of DORE-Direcção Operacional da Rede Eléctrica (1991-1994); and had several roles in EDP's divisions in charge of the Portuguese National Grid (1977-1991). He was Vice-Chairman of the board of directors of EDP Brasil. Mr. Pita de Abreu holds a degree in electrotechnical engineering from Instituto Superior Técnico de Lisboa.

António Fernando Melo Martins da Costa was appointed to EDP S.A.'s Executive Board of Directors in March 2006 and was last reappointed in February 2012. He is also the Chairman of EDP – Soluções Comerciais, EDP Gás SGPS and Labelec. He started his professional career in 1976 as a lecturer at the Superior Engineering Institute of Porto and joined EDP in 1981. In 1989, Mr. Martins da Costa moved to the financial sector, assuming the position of General Manager and Executive Board Member of insurance companies, pension funds and asset management operations of BCP and director of Eureko BV (Holland). Since 1999, he also has been deputy CEO and Vice-President of the executive board of PZU (Poland), the biggest insurance company and asset manager in Central and Eastern Europe. He holds a degree in civil engineering and an MBA from the Universidade do Porto and has completed executive education studies at INSEAD (Fontainebleau, France), AESE (University of Navarra, Spain) and the AMP of the Wharton School (University of Pennsylvania).

João Manuel Veríssimo Marques da Cruz was appointed to EDP S.A.'s Executive Board of Directors in February 2012. He is also the Chairman of EDP Valor, EDP Ásia Investimento e Consultadoria e and EDP Ásia Soluções Energéticas. Born on 23 May 1961, Mr. Marques da Cruz holds a degree in Management (1984) from Lisbon's Instituto Superior de Economia da Universidade Técnica de Lisboa, a MBA (1989) from Universidade Técnica de Lisboa and a post graduate qualification in Marketing and Management of Airlines (1992) from the Bath University/International Air Travel Association, UK. He began his career at the TAP Group (*Transportes Aéreos de Portugal*) in 1984 and held several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, including EMEF. From 2002 and 2005, he became CEO of an airline company AirLuxor and from 2005 and 2007 he was chairman and CEO of ICEP — *Instituto do Comércio Externo de Portugal*, a Portuguese state owned agency for international trade and promotion. Mr. Marques da Cruz was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company.

Miguel Stilwell de Andrade was appointed to EDP S.A.'s Executive Board of Directors in February 2012. He is also the Chairman of EDP Comercial, EDP Serviços and Home Energy II. Mr. Stilwell de Andrade gained a M.Eng with Distinction in Mechanical Engineering at the University of Strathclyde (Glasgow, Scotland) and has a MBA from MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in M&A and participated in various projects in Europe (including Portugal) as well as in Japan, Thailand and Brazil. He lived in Scotland, Italy, England, Portugal and USA between 1994 and 2003. In 2000 Mr. Stilwell de Andrade joined EDP, where he has held several roles within the Group. Between 2005 and

2009 he was Head of the Corporate Development/M&A team for the EDP Group. During this period, he coordinated and managed various M&A and capital market transactions for EDP. Key transactions in which he participated or coordinated include the acquisition of many of the companies that gave rise to EDP Renewables; the acquisition of Hidrocantábrico; the share capital increase in 2004; the different phases of EDP's privatisation; the divestment of many of EDP's non-core assets; the EDP Energias do Brazil IPO in 2005; and the EDP Renewables IPO in 2008. Between 2009 and 2011, he was also Chairman of InovGrid ACE. Mr. Stilwell de Andrade is currently a member of the EDP Distribuição Board of Directors, having been nominated in January 2009. He is also a non-executive member of the Board of Directors of EDP Inovação, EDP Ventures and EDP Gas EDP Distribuição.

General and Supervisory Board

The General and Supervisory Board is responsible for continuous oversight of the Group's management and for providing advice and support to the Executive Board of Directors, primarily with respect to strategy, reaching objectives and complying with applicable laws. The General and Supervisory Board also carries out other supervisory and control functions relating to the Group's activities, and it maintains a mandatory audit committee composed of five of its members, which is responsible for overseeing the financial data and auditing of EDP S.A.

The names of the members of the General and Supervisory Board, along with their principal affiliations and certain other biographical information, are set forth below:

Name	Year of Birth	Position	Year Originally Elected	Last Election
Eduardo de Almeida Catroga	1942	Chairman	2006 (as a Member)	2012
China Three Gorges Corporation (represented by Dingming Zhang)	1963	Vice-Chairman	2012	----
China International Water & Electric Corp. (represented by Guojun Lu)	1956	Member	2012	----
China Three Gorges New Energy Co., Ltd. (represented by Ya Yang)	1962	Member	2012	----
CWEI (Europe) S.A. (represented by Shengliang Wu)	1971	Member	2012	----
Cajastur Inversiones, S.A. (represented by Felipe Fernández Fernández)	1952	Member	2008	2012
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	1944	Member	2011	2012
Senfora, SARL (represented by Mohamed Al Fahim)	1976	Member	2010	2012
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach) (represented by Harkat Abderezak)	1972	Member	2007	2012
José Maria Espírito Santo Silva Ricciardi	1954	Member	2006	2012
Alberto João Coraceiro de Castro	1952	Member	2006 (as Vice-Chairman)	2012
António Sarmento Gomes Mota	1958	Member	2009	2012
Maria Celeste Ferreira Lopes Cardona	1951	Member	2012	----
Augusto Carlos Serra Ventura Mateus	1950	Member	2013	----
Nuno Manuel da Silva Amado	1957	Member	2013	----

Name	Year of Birth	Position	Year Originally Elected	Last Election
Fernando Masaveu Herrero	1966	Member	2012	----
Ilídio da Costa Leite de Pinho	1938	Member	2012	----
Jorge Braga de Macedo	1946	Member	2012	----
Manuel Fernando de Macedo Alves Monteiro	1957	Member	2006	2012
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	1960	Member	2012	----
Vasco Joaquim Rocha Vieira	1939	Member	2012	----
Vítor Fernando da Conceição Gonçalves	1955	Member	2006	2012
Chairman of the General Meeting (Rui Eduardo Ferreira Rodrigues Pena)	1939	Member	2007	2012

Eduardo de Almeida Catroga, currently the Chairman of EDP S.A.'s General and Supervisory Board (appointed in February 2012) was previously appointed as a member of this Board, in 2006 and reappointed in April 2009. Since 2002, Mr. Catroga has been the President of Sapec, a holding company with activities in Portugal and Spain, where he was previously Vice-President (1996-2002) and CEO (1981-1993). He has also been a board member of Banco Finantia (an investment bank) and Nutrinveste SGPS, S.A. (a consumer products company) since 1996. From 1993 to 1995, he was Minister of Finance of Portugal. He was a member of the board of directors of BP – Portugal – Comércio de Combustíveis e Lubrificantes, S.A. (Portuguese subsidiary of the BP Group) (1983-1988), a board member of Cel-Cat (a cable manufacturer company) (1982-1993), President of the Portuguese Association of Chemical Companies (1982-1988), Vice-President of Quimigal (a chemical company) (1978-1980), member of the executive committee of Companhia União Fabril, SGPS, S.A. (CUF) (1975-1977), Executive Director of CUF (1974-1975), an economist at Group CUF Holding company (the largest conglomerate in Portugal until 1974) (1968-1973) and a Consultant at the Ministry of Finance (1967). He has been a professor of business strategy at ISEG – Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa since 1990 and was also an assistant professor of general management (1974-1986). Mr. Catroga holds a degree in finance from the Instituto Superior de Ciências Económicas e Financeiras, Universidade Técnica de Lisboa (currently ISEG) and a PMD from Harvard Business School.

Dingming Zhang was appointed to EDP S.A.'s General and Supervisory Board in May 2012, as a representative of China Three Gorges Corporation. Mr. Zhang was born in 1963 in Hubei, China. He received his bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 2001. From 1984 to 1994, he served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China, working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994 – 2002) before he became Deputy Director of Power Production Department of China Three Gorges Corporation. He then worked as Executive Vice President of China Yangtze Power Company (2002 – 2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008 – 2011). His past experience also includes being a Director of the Board of Guangzhou Development Industry (Holding) Co., Ltd and a Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation.

Guojon Lu was appointed to EDP S.A.'s General and Supervisory Board in May 2012, as a representative of China International Water & Electric Corp. Mr. Lu was born in 1956 in Jiangsu, China. He has a bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of China Three Gorges International Corporation and Director of International Department of China Three Gorges Corporation.

Ya Yang was appointed to EDP S.A.'s General and Supervisory Board in May 2012, as a representative of China Three Gorges New Energy Co., Ltd. Mr. Yang was born in China in 1962. He received his bachelor's degree in Finance from Changsha University of Electricity. He later got his DESS from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower; and Auditor of Beijing Office of PricewaterhouseCoopers. Currently he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation and Chairman of Supervisory Committee of China Yangtze Power Company.

Shengliang Wu was appointed to EDP S.A.'s General and Supervisory Board in May 2012, as a representative of China Three Gorges International (Europe), S.A. Mr. Wu was born in 1971 in Anhui, China. He received a Bachelor's degree in Engineering from Wuhan University of Hydraulic and Electrical Engineering in 1992 and a Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as a technician and an engineer in Gezhouba Hydropower Plant (1992-1998), as Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002), as Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003), as Information Disclosure Manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006) as Deputy Director and as Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience also includes serving as Director of the Board of Daye Non-ferrous Metals Co., Ltd. (2008-2011) and as Executive Vice President of Beijing Yangtze Power Capital Co., Ltd. (2008-2011). In 2011, he served as Deputy Director of Strategic Planning Department in China Three Gorges Corporation.

Felipe Fernández Fernández was appointed to EDP S.A.'s General and Supervisory Board in February 2012, as Cajastur Inversiones, S.A, representative. He was born on 21 December 1952 in Salas, Asturias. He has a degree in Economics and Business Administration (1975) from the Faculty of CC.EE. at the University of Bilbao (*Universidad de Bilbao*). He lectured Statistics and Econometric Analysis at the School of Economics and Business at Universidad of Oviedo between 1979 and 1984. He was Chairman of CUOTA (Commission of Urban Planning and Territory Planning of Asturias) between January 1990 and July 1991. From July 1986 to January 1990 he was a member of the Board of Directors and Vice-Chairman of the Society Asturian of Economic Studies and Industrial Studies. He was also Member of the Board of Directors and Vice-Chairman of the construction company SEDES, S.A. between May 1988 and January 1990. He was a member of the Board of Directors and the Executive Committee of Caja de Ahorros of Asturias (October 1986 - January 1990), Regional Director of Economy and Planning of the Principality of Asturias (1984 – 1990) and Advisor for Territory Planning, Urbanism and Habitation of the Principality of Asturias (January 1990 – July 1991). He was Advisor for Rural and Fisheries of the Principality of Asturias (July 1991 – June 1993). Between 1993 and 1998 he was Head of Management Control of HidroCantábrico, Head of Management Control, Supply and Quality (1998 – 2001) and was Chairman of Gás of Asturias (June 2001 - February 2003). Between June 2001 and June 2002, he was the Head of the Areas of Support and Control of HidroCantábrico. Between June 2002 and January 2004, he was Head of Administration and Finance of HidroCantábrico and has been Chairman of Capital, Sole Director of Hidrocantábrico Servicios, Adviser for Naturcorp, Gas de Asturias, SINAE, Canal Energía, Telecable and Sociedad Regional de Promoción of Asturias. He is currently Head of Business Corporation of Liberbank, Principal Manager of Caja de Ahorros de Asturias, Chairman of Infocaja, Adviser for HC Energía, Ahorro Corporación, Indra, Tudela Veguín and Sociedad Promotora de las Comunicaciones of Asturias.

Luís Filipe da Conceição Pereira was appointed to EDP S.A.'s General and Supervisory Board as José de Mello Energia S.A. as representative in 2011, and reappointed in February 2012. He was born on 29 October 1944. Since 2006, Mr. Pereira has been CEO of Efacec; previously he was CEO of ADP (1997-2002) and CUF (since 2005); Mr Pereira was, between 1998 and 2000, non-executive director of Banco Mello and previously he was vice chairman of the board of directors of EDP (1989-1991) and of Quimigal Adubos (1996-1997). In this last company he was deputy general director (1984-1986) and head of planning and financial and administrative management (1979-1984). Previously, Mr. Pereira was the head of financial, administrative and human resources at Sovena (1973-1979). Mr. Luís Filipe Pereira is an invitee professor at Instituto Universitário de Lisboa (since 1979) and taught at Instituto Superior de Economia e Gestão (1978-1979). Mr. Pereira was designated for several offices at Portuguese government: he was Minister Health of the 15th and the 16th constitutional governments, secretary of state of Energy of the 12th constitutional government and secretary of state of Social Security of the 10th and 11th constitutional governments. He is president of Associação Portuguesa dos Industriais Grandes Consumidores de Energia Eléctrica (1996-2011 and from 2005). Mr. Luís Filipe Pereira holds a degree in economy.

Mohamed Ali Al-Fahim was appointed to EDP S.A.'s General and Supervisory Board on 16 April 2010 as representative of the shareholder SENFORA, SARL, and he was reappointed in February 2012. Mr. Al-Fahim

was born on 4 March 1976. Mr. Al-Fahim has a degree in finance from the University of Suffolk, Boston (1999) and started his professional career at Abu Dhabi National Oil Company ("ADNOC"), where he worked from 2000 to 2008. His role was focused on identifying and defining investment strategies for a balanced investment portfolio of ADNOC, aimed at meeting the ADNOC group requirements for cash flow and returns. During that time, he also worked as Corporate Finance Consultant for KPMG Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager at the Finance & Accounts Department of International Petroleum Investment Company.

Augusto Carlos Serra Ventura Mateus was appointed to EDP S.A.'s General and Supervisory Board on 6 May 2013. He was first appointed as Chaiman of EDP's Environment and Sustainability Committee in 2012 (he resigned on Abril 2013), Economists Degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. He is President of the Consulting Company Augusto Mateus & Associados. Guest Professor at ISEG with current teaching responsibilities in the areas of European Economy, Economic Policy and Industrial and Competitiveness Policy, at the level of degrees and Master's degrees; Professor in Master's degrees and post graduated courses, as part of collaborations with other Universities and higher education institutions, namely the Superior Institute of Work and Company Science, University of Beira Interior, National Institute of Administration and the Economics' Faculties of Porto's and Coimbra's Universities. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitivess, business strategy, program evaluation and policy development. Responsible for the coordination of several studies of evaluating programs and policies (In particularly, Ex-ante evaluation of the Operational Programme (2007-2013), Competitiveness Factors, Interim Evaluation of the Operational Programmes (2000-2006), of Economy, of the Region of Lisbon and Vale Tagus, and of Culture, PME2000 Final Assessment Program, Final Evaluation of the System of Incentives for Micro companies (RIME), Interim Evaluation of the Initiative for the Modernization of the Textile Industry (IMIT), Evaluation of the Integrated Development Operation of Setubal's Peninsula and Evaluation of the Relevance and Effectiveness of the PEDIP Program). Responsible for the coordination of several research projects and studies in applied economics (particularly in the framework of the latest preparation the QREN 2007-2013, "Territorial Competitiveness and Economic and Social cohesion of Portuguese Regions" and "The Portuguese Economics and the Enlargement of the European Union"). He has held the positions of Secretary of State for Industry (October 1995-March 1996) and Minister of Economy (March 1996-December 1997). Consultant of many institutions and agencies, national and foreign. Editor and member of the editorial boards of specialized technical publications, national and foreign. Author for more than one hundred communications at seminars and specialized Symposia and extensive work broadcast on national and international scientific communities.

Nuno Manuel da Silva Amado, was appointed to EDP S.A.'s General and Supervisory Board on 6 May 2013. Born in August 14th 1957. He holds a Licentiate Degree in Companies Organisation and Management from ISCTE - Instituto Superior das Ciências do Trabalho e da Empresa. Advanced Management Programme at INSEAD, FontainebleauHe is Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português. Member of the Board of Curators of Fundação Millennium BCP and Vice-Chairman of the "Supervisory Board" of the Bank Millennium, S.A. (Poland). He is also Member of the Management of APB – Associação Portuguesa de Bancos, representing Banco Comercial Português, S.A.**;** Member of the Institut International D'Études Bancaires; Member of the Tax Board of the Fundação Bial. From 1980 to 1985 – Employee of KPMG Peat Marwick, Audit and Consulting Department; from 1985 to 1990 – Citibank Portugal, with the positions of Financial Controller, Treasurer and Head of Financial Markets; from 1990 to 1992 – Advisor of the Board of Directors of Banco Fonsecas & Burnay, Delegate-Director of BFB Leasing and Secretary-General of BFB,with special responsibilities in the bank's privatisation process; from 1993 to 1997 – Member of the Board of Directors of Deutsche Bank Portugal, with responsibilities on Human Resources and Infra-structures areas; from 1997 to 2004 – Member of the Executive Committee of BCI – Banco de Comércio e Indústria / Banco Santander Portugal; from 2001 to 2004 – Vice-Chairman of the Executive Committee and between 2000 and 2004 – Member of the Board of Directors of Crédito Predial Português; from 2001 to 2004 – Vice-Chairman of the Executive Committee and between 2000 and 2004 – Member of the Board of Directors of Banco Totta & Açores; from 1997 to 2006 – Member of the Executive Committee and of the Board of Directors of Banco Santander de Negócios Portugal; from 2005 to 2006 - Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, S.A.; from 2005 to 2006 - Vice-Chairman of the Executive Committee and Member of the Board of Directors of Banco Santander Totta, SGPS; from August 2006 to January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal; from August 2006 to January 2012 – General Manager and Member of the Management Committee of Banco Santander Central Hispano; from August 2006 / January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A.; from August 2006 to January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander

Totta, SGPS; from February 28th 2012 to October 19th 2012 - Vice-Chairman of the Board of Directors of Fundação Millennium BCP

Harkat Abderezak was appointed Member of the EDP S.A.'s General and Supervisory Board, representing Sonatrach, on 20 February 2012. He is 40 years old. He has a bachelor's degree in Mathematics and a degree in Industrial Engineering from the Polytechnic School in Algiers, Algeria. Moreover, he has a post-graduate masters in Finance-Banking obtained from the Institute of Finance and Development in Tunis, Tunisia. From 1998 to 2009 his work comprised of financing projects and investment budgeting. From 2007 to 2009 he was Board member of Enterprise de Gestion de la Zone Industrielle Skikda, in Algeria, and from December 2008 to November 2009 he was President of the Board of Sonatrach International Finance & Development in Luxembourg. He was General Manager of Sonatrach International Petroleum Exploration & Production. Currently he is President of the Board of Sonatrach Gas Commercializadora in Spain (since 2006), Board member of Sofert, in Algeria (2009) and General Manager of Sonatrach International Holding Corporation (since January 2012).

José Maria Ricciardi was appointed to EDP S.A.'s General and Supervisory Board in 2006 and his last reappointment was in February 2012. He is currently President and Chief Executive Officer of Banco Espírito Santo de Investimento, S.A., the merchant bank of the Espírito Santo financial group. He has been with the Espírito Santo Group since 1979, where he has served as member of the board of directors and the executive committee of Banco Espírito Santo, S.A., with responsibility for global risk management; Vice-Chairman of the executive board of Banco Espírito Santo de Investimento, S.A. (formerly Espírito Santo Sociedade de Investimentos, S.A.); Director of Espírito Santo Sociedade de Investimentos, S.A.; General Manager of the Corporate Finance Department and Manager of the Merchant Banking – Capital Markets Department of Banco Internacional de Crédito; Co-Manager of Bank Espírito Santo International Limited and Financial Controller and Assistant to the General Financial Controller of Espírito Santo Group Worldwide. From 1978 to 1979, he was an economic consultant at Ytong Portuguesa, a civil construction equipment manufacturing corporation. Mr. Ricciardi graduated with honours in *sciences economiques appliqués* at the Institute of Business Administration of the Catholic University of Louvain – Belgium, where he presented his graduation thesis on *La Banque et la Prise de Décision d'Octroi de Crédits d'Investissement*

Alberto Castro was appointed to EDP S.A.'s General and Supervisory Board in 2006 and his last reappointment was in February 2012. Mr. Castro is currently the Head of the Centre for Applied Management and Economics of the School of Economics and Business Administration at Oporto's Universidade Católica Portuguesa. He is also a non-executive member of the board of directors of Douro Azul SGPS; President of Ciencinvest, a consultant for APICCAPS (Footwear Industrialists Association) and Quaternaire Portugal; a member of the board of directors of the Portuguese Business Association; a member of the board of directors of the Oporto Trade Association; Coordinator of Contacto@ICEP, an international internship programme sponsored by ICEP Portugal; a member of the board of directors of the Association for the Museum of Transportation and Communications; a member of the board of directors of the Association of the Universities of the North of Portugal, representing the Universidade Católica Portuguesa; a member of the steering committee of the International Working Party on Labour Market Segmentation; and a member of the European Association of Research in Industrial Economics. Previously, he was a member of the advisory board of PROINOV (Portugal Innovation Programme) and Head of the management unit of RIS Norte – Regional Innovation Strategy. Mr. Castro is the author of several publications, academic and professional, in the areas of industrial economics, economics of the firm, labour economics, regional economics, international economics and business strategy. He holds a degree in economics from the Universidade do Porto and a PhD. in economics from the University of South Carolina.

António Sarmento Gomes Mota was appointed to EDP S.A.'s General and Supervisory Board in 2009 and was reappointed in February 2012. He has been the Head of ISCTE Business School and INDEG/ISCTE since 2003 and 2005, respectively. In addition, since 2005, he has been a professor at ISCTE Business School. Mr. Gomes Mota has been the Chairman of the general board of Fundo de Contragarantia Mútua since 1999. Moreover, he has been a member of the EU Presidency Steering Committee in the EFMD – European Foundation for Management Development since 2006. Since 2008, he has been a member of the Network Academic Board of EABIS – European Association of Business and Society. Previously, Mr. Gomes Mota has undertaken other leading roles at ISCTE, having created several masters and post-graduate courses, including an EMBA and masters courses in finance, market and financial assets, corporate finance and company management post-graduate courses, among others. He has also carried out and coordinated significant consulting projects for companies, financial institutions and other entities. Mr. Gomes Mota holds a PhD in management from ISCTE, an MBA from Universidade Nova de Lisboa and a degree in company organisation and management from ISCTE. Mr. Gomes Mota has also published several books and academic articles.

Maria Celeste Ferreira Lopes Cardona was appointed to EDP S.A.'s General and Supervisory Board in February 2012. Born on 30 June 1951, she holds a doctorate degree in law from the Faculdade de Direito da Universidade de Lisboa, having been an Assistant Professor in the same university. Within the Ministry of Finance, she was a member of the Fiscal Study Center and a Portuguese representative on the OECD. She was Minister of Justice of the XV Constitutional Government. She was awarded the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998 by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos, S.A. Mrs. Celeste Cardona has published articles and opinions in specialty magazines, namely in Ciência e Técnica Fiscal. She is also author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos" and "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a senior partner in M.C. Cardona & Associados, a law firm, and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions.

Fernando Masaveu Herrero was appointed to EDP S.A.'s General and Supervisory Board in February 2012**.** He was born in Oviedo in 1966. He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where he held various roles. He currently holds the following positions, among others: Chairman of Masaveu Corporation; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Advisor at EGEO, S.G.P.S.; Chairman of Masaveu de Investigación y desarrollo; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética. Additionally, he is director of several companies of Masaveu group. Formerly, he also made relevant contributions in several sectors, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector, the real estate sector, as well as significant assistance in several foundations focus on social responsibility.

Ilídio da Costa Leite de Pinho was appointed to EDP S.A.'s General and Supervisory Board in February 2012**.** He is 73 years old. He obtained a degree in Electronics and Machinery Engineering from Instituto Industrial do Porto with a final grade of 16 in 1964. Grã-Cruz Order of Merit Honorary member of the Industrial Order of Merit. Honorary member of AIP (Associação Industrial Portuense) and a member of the Ordens Honoríficas Portuguesas from 1996 to 1999. He was granted a Gold Medal and Honorary Citizen award by the city of Vale de Cambra in 1999, a Gold Medal and University Benefactor award by Universidade Católica Portuguesa in 2002 and a Golden Badge by the Portuguese Association of Voluntary Firemen in 2002. Between 1986 and 1991 he was a non-executive member of the Board of Directors of ICEP in representation of the National Industry. He was President of the City Hall Council of Vale de Cambra, between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of Universidade Católica Portuguesa – Oporto, University Counsel of Universidade de Aveiro, Senate Member of Universidade do Porto and a member of the board of several business associations. He was a member of the Board of Directors of METALPACK GmbH from 1985 to 1994 and a Member of the Trilateral Commission between 1988 and 1996. He was founder and Chairman of the Board of Directors of COLEP PORTUGAL, S.A., COLEP ESPAÑA, SA, COLEP/VULCANO, S.A., COLEP/INDÚSTRIAS, S.A., CMB/COLEP-Embalagens, S.A., COLEP/TRADING, Lda, COLEPINOVA-Sociedade de Capital de Risco, S.A., NACIONALGÁS-Empresa de Transporte e Distribuição de Gás, S.A., LUSITÂNIAGÁS-Companhia de Gás do Centro, S.A., EGA-Empresa de Gás de Aveiro, EGL-Empresa de Gás de Leiria, S.A., EMPORGÁS-Empresa Portuguesa de Gás, Lda, EDISOFT-Empresa de Desenvolvimento de Software, S.A. (in association with TAP), TRANSINSULAR-Transportes Marítimos Insulares, S.A., MEGASIS-Sociedade de Serviços e Engenharia Informática, S.A. (in association with PHILIPS and TAP). He was founder and member of the Board of Directors of several Portuguese financial institutions and a non-executive member of the Board of Directors of Banco Espirito Santo, S.A. Shareholder of CEM – Companhia de Electricidade de Macau, SARL. Founder and Chairman of the Board of Directors of the companies of Ilídio Pinho Group. Chairman of the Board of Directors of ASIAINVEST-Investimentos e Participações, SARL and PORTULAND-Investimentos Imobiliários, S.A. Chairman of the Strategy Committee of FOMENTINVEST-S.G.P.S., S.A. Founder and Chairman of the Board of Directors and of the Board of Trustees of FUNDAÇÃO ILÍDIO PINHO.

Jorge Braga de Macedo was appointed to EDP S.A.'s General and Supervisory Board in February 2012**.** He was born on 1 December 1946. He has a law degree from Universidade de Lisboa (1971). At Yale University, he completed an M.A. in International Relations (1973) and also has a PhD in Economics (1979). He graduated from the Faculty of Economics from Universidade de Lisboa in 1982. From 1999 to 2004, he belonged to the Organisation for Economic Cooperation and Development and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs from 1994 to 1995 and Minister of Finance from 1991 to 1993. He has taught at the Centre Européen d'Education Permanente in Fontainebleau, at the Catholic University of Lisbon and at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics at Universidade Nova de Lisboa, teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalisation and Governance at the Nova School of Business and Economics from the Universidade Nova de Lisboa, President of Institute of Tropical Research and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada.

Manuel Fernando Macedo Alves Monteiro was appointed to EDP S.A.'s General and Supervisory Board in 2006 and was last reappointed in February 2012. Mr. Alves Monteiro is a non-executive board member of the listed companies NOVABASE and Jerónimo Martins, and unlisted companies CIN, Douro Azul – SGPS, PPH-Porto Património Mundial – Emp. Imob., S.A. and Boats 4U – Projectos Fabricação Embarcações, Lda. He is Chairman of IPCG – Portuguese Corporate Governance Society. He is also an advisory board member of BPP – Banco Privado Português, S.A. and FEP-Faculty of Economics of the Universidade do Porto. Other current roles include audit committee member of NOVABASE, President of the remuneration committee of Douro Azul – SGPS and consulting services for public organisations and private companies. Mr. Alves Monteiro graduated in law and is a member of the Portuguese Bar Association. Previously, he was Chairman of Euronext Lisbon (the Portuguese Stock Exchange) and held various senior managing positions as a board member of Euronext Holding (Holland), Euronext Paris, Euronext Brussels, Euronext Amsterdam and Clearnet. He was also Chairman and CEO of Interbolsa (Portugal), as well as CEO of the Portuguese Futures and Options Exchange. Additionally, he acted as Chairman of the managing board of Casa da Música/Porto 2001, S.A. Mr. Alves Monteiro has performed different roles in the executive bodies of international organisations connected to capital markets issues (Ibero-American Federation of Stock Exchanges, Committee of Options and Futures Exchanges, International Finance and Commodities Institute (Committee Founder), European Capital Markets Institute). He has also been involved with several Portuguese companies and other organisations connected with the Portuguese financial markets (President of the board of directors of Portuguese Association for the Development of the Capital Market, Vice-President of the board of directors of Company Administrators Forum, council member of the National Capital Market (chaired by the Finance Minister) and a member of the advisory committee of Portuguese Securities and Exchange Commission). In 2003 he was awarded with the distinction *Chevalier de L'Ordre National de la Légion d'Honneur* by order of the President of France.

Paulo Jorge de Assunção Rodrigues Teixeira Pinto was appointed to EDP S.A.'s General and Supervisory Board in February 2012**.** He was born on 10 October 1960. He has a law degree from Universidade de Lisboa (1983) and post-graduate degree in History of Law from Universidad Complutense de Madrid, having also attended a Programme for Corporate Strategy at INSEAD in Fontainebleau and a Programme for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a speaker for the Portuguese government. He represented the Portuguese government at the Programme of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of Banco Comercial Português, S.A., having also held several roles within the BCP group, and Vice-President of the Portuguese Banking Association. He was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, S.A., Vice Chairman of Abreu Advogados, Member of the Board of directors of LENA, SGPS, S.A., Senior Advisor of the Eurogroup Consulting, Vice President of the General Council of the University of Lisbon, member of the Advisory Board of the Faculty of Arts, University of Coimbra and President of the Board of the Portuguese Association of Publishers and Booksellers. He also teaches the disciple of Strategy at Universidade Católica Portuguesa. He is a member of the *Academia de Artes e Letras*, author of several books and articles on law, history, political science, economics, poetry and painting.

Vasco Joaquim Rocha Vieira was appointed to EDP S.A.'s General and Supervisory Board in February 2012**.** Born on 16 August 1939. He has a degree in Civil Engineering from Instituto Superior Técnico of the Universidade Técnica de Lisboa. He took several courses and specialties, including General Course of Staff

(1969/1970), Complementary Course of General Staff (1970/1972), Course of Command and Direction for Official General (1982/1983) and the Course of National Defense (1984). In 1984 he was promoted to Brigadier and later, in 1987, he was promoted to General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government in 1974/75. He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council between 1976 and 1978, National Military Representative at NATO Supreme Headquarters Allied Powers in Europe, in Belgium, and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores, between 1986 and 1991, and Governor of Macau, where he served from 1991 until 1999. Currently, he is member of the Board of Engineers, Member of the Academy of Engineering, Vice-President of the Luso-Brazilian Foundation for the development of Portuguese-speaking world and Representative of Portugal in ASEF, Former Chancellor of the Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa.

Vítor da Conceição Gonçalves was appointed to EDP S.A.'s General and Supervisory Board in 2006 and was last reappointed in February 2012. He has been a Full Professor of business administration at Instituto Superior de Economia e Gestão ("ISEG"), Universidade Técnica de Lisboa since 1994. He has been the Dean of ISEG since 2003, President of the executive council of Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais since 2003, and the President of the general meeting of Centro de Estudos de Gestão since 1996. He is currently the scientific director of several post-graduate programmes in management at ISEG. Mr. Gonçalves was a member of the board of directors of Promindustria – Sociedade de Investimento S.A. (1994-1996) and a member of the board of directors of Instituto de Formação Empresarial Avançada S.A. (1998-2003). He has acted as a senior consultant to several Portuguese and international companies and also to several government organisations. He was the president of the international "expert group" that evaluated the "European research area" programme for the European Commission (2001-2002). Mr. Gonçalves holds a degree in management from ISEG, a doctorate degree in business administration from Universidad de Sevilla and the Aggregate title from the Universidade Técnica de Lisboa.

Rui Eduardo Ferreira Rodrigues Pena was appointed to EDP S.A.'s General and Supervisory Board in 2007 and he was last reappointed in February 2012. He was admitted to the Portuguese Bar Association in 1964. Mr. Pena has been the Chairman of *Instituto das Sociedades de Advogados* (Institute of Law Firms) since 2006, and was a founding partner of Rui Pena, Arnault & Associados (2002). His professional experience includes being founding partner of Pena, Machete, Nobre Guedes, Botelho Moniz, Ruíz & Associados (1999-2002) and founding partner of Pena, Machete & Associados (1987-1999). He was a member of the Legal Council at the Portuguese State Oil Group (Sacor) between 1964 and 1975. Mr. Pena holds a degree in law from the Universidade de Lisboa. He was Portugal's Minister of National Defence (2001-2002), member of the general council of the Portuguese Bar Association (1987-1989), lecturer of the Administrative Law I and Administrative Law II Chairs at the Universidade Autónoma de Lisboa (1987), elected as member of the Lisbon Municipal Board (1986), as well as appointed by the Portuguese government for the Board of Referees and Mediators of the ICSID (International Center for the Settlement of Investment Disputes) (1985). He was also Chairman of the Portuguese group at the Interparliament Union (1980-1982); lecturer of administrative law at the Universidade Livre de Lisboa (1978-1981); assistant professor in administrative law at the Universidade de Lisboa (1978-1980); Portuguese Minister for the Reform of Administration (1978); assistant professor in civil law at the Universidade de Lisboa (1977-1978); Member of the Portuguese Parliament – Whip for the CDS MP Group (1976-1983); appointed as non-executive director of several industrial and business corporations (1973-2005) and lecturer on the history of political ideas at Instituto Superior de Línguas e Administração – Lisbon (1962-1963).

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 their main mission the specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or 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 meetings of 21 February 2012, 18 April 2012 and 9 May 2013.

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.

COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

The Committee on Financial Matters/Audit Committee consists of at least 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.

Currently, the Committee on Financial Matters/Audit Committee comprises the following members:

- Eduardo de Almeida Catroga (Chairman)
- Vítor Fernando da Conceição Gonçalves (Vice-Chairman)
- António Sarmento Gomes Mota
- Manuel Fernando de Macedo Alves Monteiro
- Maria Celeste Ferreira Lopes Cardona

In accordance with the EDP S.A.'s 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; and
- To exercise any other powers that may be conferred upon it by law, or as expressly conferred by the General and Supervisory Board.

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 relationship or contractual bond with EDP S.A. and its subsidiaries, shareholders with a stake of 2 per cent. 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.

REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP S.A.'s 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 no. 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 an internal regulation approved by the General and Supervisory Board.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings. Currently the Remuneration Committee of the General and Supervisory Board is composed of:

- Alberto João Coraceiro de Castro (Chairman)
- José Maria Espírito Santo Silva Ricciardi
- Ilídio da Costa Leite de Pinho
- Guojon Lu
- Paulo Jorge de Assunção Rodrigues Teixeira Pinto

In the Annual General Meeting held on 17 April 2012 in accordance with Law no. 28/2009 of 19 June 2009 and EDP S.A.'s by-laws, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

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 S.A. and its shareholders;
- Defining appropriate criteria and competences to serve as standards for EDP S.A.'s structures and internal bodies and their impact on the composition thereof; and
- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as 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 and the human resources and succession plans management.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The committee currently consists of the following members:

- Manuel Fernando de Macedo Alves Monteiro (Chairman)
- Ilídio da Costa Leite de Pinho
- Maria Celeste Ferreira Lopes Cardona
- Shengliang Wu
- Vasco Joaquim Rocha Vieira

STRATEGY COMMITTEE

The Strategy Committee is a specialised committee of the General and Supervisory Board with powers defined in terms of strategy, particularly in terms of investment, financing and strategic partnerships. The work of the Strategy Committee is governed by an internal regulation approved by the General and Supervisory Board. The committee currently consists of the following members:

- Eduardo de Almeida Catroga (Chairman)
- Dingming Zhang (Vice-Chairman)
- Augusto Carlos Serra Ventura Mateus
- Felipe Fernández Fernández
- Harkat Abderezak
- Jorge Braga de Macedo
- José Maria Espírito Santo Silva Ricciardi
- Mohamed Ali Al-Fahim
- Nuno Manuel da Silva Amado
- Shengliang Wu

PERFORMANCE AND COMPETITIVENESS REVIEW COMMITTEE

The Performance and Competitiveness Review Committee is a specialised committee of the General and Supervisory Board with powers defined in the analysis of performance and competitiveness of EDP S.A. in the context of markets where it operates. The work of the Performance and Competitiveness Review Committee is governed by an internal regulation approved by the General and Supervisory Board. The committee currently consists of the following members:

- Luís Filipe da Conceição Pereira (Chairman)
- Ya Yang
- Alberto João Coraceiro de Castro
- António Sarmento Gomes Mota
- Fernando Masaveu Herrero
- Nuno Manuel da Silva Amado
- Shengliang Wu

EXECUTIVE OFFICERS

EDP S.A. has 22 executive officers in charge of various business and administrative departments at the holding company level of EDP S.A. (Corporate Centre) which report directly to the Executive Board of Directors. Selected information for the executive officers in charge of EDP's principal business activities is set forth below:

Name	Year of	Year of	Position

	Birth	Appointment	
SUPPORT TO GOVERNANCE AREA			
Maria Teresa Pereira	1965	2005	Company Secretary and Head of Legal Department
Martim Fortuny Martorell Salgado	1984	2013	Chief of Staff of the Chairman of the Executive Board
Azucena Viñuela Hernández	1965	2006	Head of Internal Audit Department
STRATEGIC AREA			
Pedro Neves Ferreira	1975	2007	Head of Energy Planning Department
Duarte Castro Bello	1979	2011	Head of Mergers and Acquisitions Department
José Allen Lima	1947	2006	Head of Risk Management Department
Joana Simões	1961	2004	Head of Regulation and Competition Department
FINANCIAL AREA			
Paula Cristina Santos Guerra	1973	2008	Head of Financial Management Department
Nuno Miguel Chung	1976	2007	Head of Planning and Control Department
Miguel Ribeiro Ferreira	1967	2004	Head of Consolidation, Accounting and Tax Department
Miguel Henriques Viana	1972	2006	Head of Investor Relations Department
SYSTEMS AND ORGANISATIONAL AREA			
José Filipe Esteves Saraiva Santos	1967	2012	Head of Organisational Development Department
Vergílio Domingues Rocha	1952	2010	Head of Information Systems Department
HUMAN RESOURCES AREA			
Paula Carneiro	1967	2013	Head of Human Resources Department
Eugénio Purificação Carvalho	1954	2007	Head of Labour Relations Coordination Office
Vasco Coucello	1951	2011	EDP University
MARKETING AND COMMUNICATION AREA			
Maria Inês Lima	1972	2008	Head of Customer Relations and Marketing Department
Paulo Campos Costa	1965	2006/2012	Head of Brand and Communication Department (since 2006) and Head of Global Coordination of the Trademark and Communication Area (since 2012)
Miguel Coutinho	1965	2012	Head of Institutional Relations and Stakeholders Management Department
SUSTAINABILITY, ENVIRONMENT AND ETHICS AREA			
António Neves de Carvalho	1950	2004	Head of Sustainability and Environment Department
Carlos Alberto Loureiro	1946	2009	Ethics Ombudsman
BUSINESS UNITS			
Carlos Manuel Sola Pereira da Mata	1963	2012	Head of Energy Management Business Unit

The business address of each member of the Executive Board of Directors and each executive officer of EDP S.A. is Praça Marquês de Pombal, 12, 1250-162 Lisbon, Portugal. The business address of each member of the

General and Supervisory Board and each member of the Specialised Committees of the General Supervisory Board described above is Avenida José Malhoa, Lote A-13, 1070-157 Lisbon, Portugal.

CONFLICTS OF INTEREST

The members of the Executive Board of Directors, the General and Supervisory Board, the Specialised Committees of the General Supervisory Board described above and the executive officers of EDP S.A. do not have any conflicts, or any potential conflicts, between their duties to EDP S.A. and their private interests or other duties.

PRINCIPAL SHAREHOLDERS OF EDP S.A.

Share Capital

EDP S.A. has an authorised and issued share capital of €3,656,537,715 comprised of 3,656,537,715 shares divided into two categories with a par value of €1.00 per share each.

Shareholders

The following table sets forth information concerning the ownership of EDP S.A.'s share capital as at 23 December 2013.

Name of Shareholder	Number of Ordinary Shares Owned	Percentage of Outstanding Ordinary Shares
China Three Gorges	780,633,782	21.35%
Iberdrola Energia S.A.U.	243,395,875	6.66%
Oppidum Capital, S.L.	263,046,616	7.19%
Capital Group Companies, Inc	183,792,530	5.03%
José de Mello – Sociedade Gestora de Participações Sociais, S.A.	168,097,034	4.60%
Senfora SARL	148,431,999	4.06%
Millennium BCP Group ("BCP Group") and BCP's Pension Fund	122,667,974	3.35%
Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach")	87,007,443	2.38%
Qatar Holding LLC	82,868,933	2.27%
Massachusetts Financial Services Company	78,599,362	2.15%
BlackRock, Inc	73,268,245	2.00%
Treasury shares	27,644,802	0.76%

EDP is not aware of any other shareholder owning more than 2.0 per cent. of its share capital.

Shareholders of Category A Shares and Category B Shares

There are no limits on the transferability of EDP shares, given that shares traded in the market are freely transferable. However, in accordance with the Portuguese Securities Code, EDP's Articles of Association contain rules limiting the exercise of voting rights that apply to Category A shares.

Ordinary (or Category A) shares are not subject to any limitation on their transferability, given that, pursuant to the Portuguese Securities Code, shares traded in the market are freely transferrable, although EDP's Articles of Association contain rules on limitations on the exercise of voting rights applicable to ordinary (Category A) shares and Category B shares.

Pursuant to Article 4.4 of EDP's Articles of Association, Category B shares are to be reprivatised and are subject to restriction on their ownership. They may only be held by the state or public sector entities. Once Category B shares are transferred to non-public shareholders, they will automatically be converted to Category A shares. This conversion does not require the approval of the respective holders or any corporate action by EDP. Currently, there are no Category B shares issued and outstanding.

Pursuant to Article 14.3 of EDP's current Articles of Association, consideration will not be given to votes cast by a shareholder on his own or a third party's behalf exceeding 25 per cent. (twenty-five percent) of the total number of votes in the share capital.

Transactions with Shareholders

In the ordinary course of business, EDP enters into transactions with BCP and BES in the nature of customary commercial banking transactions, such as deposits and loans. EDP believes that all such transactions have been entered into on arm's length terms and conditions.

As at 23 December 2013, EDP and BCP have cross-shareholdings. EDP and EDP's Pension Fund together own 2.99 per cent. of BCP's share capital. BCP owns 0.01 per cent. of EDP's share capital, and BCP Group's Pension Fund owns 3.35 per cent. of EDP's share capital.

Agreements among Shareholders

In accordance with Article 7 of EDP's Articles of Association, full information of shareholders agreements relating to the company must be delivered to the Executive Board of Directors and to the General and Supervisory Board by the subscribing shareholders within 30 (thirty) days following execution.

On 11 May 2012, with the entry into force of the strategic partnership agreement signed with the China Three Gorges Corporation in December 2011, this company (as well as three other companies in the Group) became members of the General and Supervisory Board of EDP.

Subsequently and in the scope of the implementation of this partnership, an agreement was concluded between EDPR Europe and CTGI HK in which the parties agree on the sale of a 49 per cent. stake in EDPR PT.

On the basis of the information provided to EDP by shareholders, the Executive Board of Directors has knowledge of one shareholders agreement, which was signed on 11 April 2007 by Parpública, CGD and Sonatrach.

Under the aforementioned Shareholders Agreement, which was the object of public disclosure, Parpública and CGD took on the following obligations:

A. To support the election of Sonatrach (or a person appointed by it) to EDP's General and Supervisory Board at the General Shareholders' Meeting of 12 April 2007 under the condition that a strategic partnership between EDP and Sonatrach be formed;

B. To support the permanence of Sonatrach (or the person appointed by it) as a member of EDP's General and Supervisory Board, provided that Sonatrach holds at least 2 per cent. of EDP's share capital and the aforementioned strategic partnership remains in effect; and

C. To abstain from promoting, supporting and/or voting favourably on any amendment to EDP's Articles of Association that would prevent Sonatrach (or the person appointed by it) from remaining on the General and Supervisory Board.

In December 2013, EDP Group reached agreements in relation to the progress of the EDP/CTG Strategic Partnership established in December 2011. In particular, Energias do Brasil, S.A. signed with CWEI, a fully owned subsidiary of CTG, a Memorandum of Understanding that establishes the key guidelines of a partnership aiming at future co-investments between EDP Brasil and CWEI and governs the participation of the parties thereto in joint energy projects in Brazil. In this context, CWEI signed an agreement to: (i) acquire a 50% stake in the company holding the rights to develop the Cachoeira Caldeirão hydro power plant project (219 MW); and (ii) to acquire 50% in the company holding the rights to develop the Jari hydro power plant project (373 MW), for a value of R$490 million, assuming additional equity commitments estimated at R$81 million until the end of construction of the project. The conclusion of these transactions is subject to customary regulatory approvals with closing expected to occur in the first half of 2014.

In addition, EDP and EDPR, through its subsidiary EDPR Europe, also signed a Memorandum of Understanding with CTG and CWEI (Hongkong) Company Limited, a subsidiary of CTG, envisaging the sale of 49% of the equity and shareholder loans directly or indirectly owned by EDPR Europe in the ENEOP consortium. In light of the anticipated restructuring of ENEOP's assets, the agreed transaction is expected to occur in 2015.

EDP FINANCE B.V.

INCORPORATION, DURATION AND DOMICILE

EDP Finance B.V. (hereinafter EDP B.V.), a wholly-owned subsidiary of EDP, is incorporated under Dutch law as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) in Amsterdam, The Netherlands, on 1 October 1999 for an unlimited period of time.

EDP B.V. has its registered office at Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands (telephone number +31 20 575 5600) and its statutory seat is in Amsterdam, The Netherlands. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce for Amsterdam under file number: 34121496.

OBJECTS AND ACTIVITIES

The main objects of EDP B.V. are to assist EDP and the EDP Group in raising funds in the international markets and to provide financial and investment services to group companies.

MANAGEMENT

The management of EDP B.V. is conducted by a management board that may consist of one or more members. Members of the management board are elected by the general meeting of the shareholders of EDP B.V. and may be recalled from this position at any time.

The current management board is composed of four members: EDP, Jacob Cornelis Willem van Burg, Myrthe Marie Louise Görtzen and TMF Netherlands B.V. Details of the directors of EDP can be found in "Management".

The details of the individual directors of EDP B.V. are as follows:

Name	Date of Birth	Position	Elected
Jacob Cornelis Willem van Burg	24 -04-1959	Director	2007
Myrthe Marie Louise Görtzen	07-12-1974	Director	2012

TMF Netherlands B.V. may be represented by:

i) any two managing directors acting jointly;

ii) any proxy holder A acting jointly with a managing director or a proxy holder B; or

iii) any proxy holder B acting jointly with a managing director or a proxy holder A.

For a recent update of all appointed managing directors, proxy holders A and proxy holders B, a reference is made to the registration of TMF Netherlands B.V. in the Commercial Register of the Chamber of Commerce for Amsterdam under number: 33126512. The contact address for the managing directors, proxy holders A and proxy holders B of TMF Netherlands is (including the individual directors of EDP B.V.) Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands (telephone number: +31 20 575 5600).

EDP B.V. may be legally represented by the entire management board being: EDP, Mr. J.C.W. van Burg, TMF Netherlands B.V. and Mrs. M.M.L. Görtzen, acting jointly, or two members of the management board acting jointly.

CONFLICTS OF INTEREST

The members of the management board of EDP B.V. do not have any conflicts, or any potential conflicts, between their duties to EDP B.V. and their private interest or other duties.

ANNUAL GENERAL MEETING OF THE SHAREHOLDERS

The annual general meeting of shareholders must be held in Amsterdam, The Netherlands, within six months following the end of each fiscal year. Each outstanding share is entitled to one vote.

FINANCIAL STATEMENTS AND DISTRIBUTION OF PROFITS

EDP B.V.'s fiscal year coincides with the calendar year. The annual general meeting of the shareholders determines the use of the annual surplus.

TREND INFORMATION

There has been no material adverse change in EDP B.V.'s prospects since 31 December 2012.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which (subject to modification and except for paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes.

The US$750,000,000 5.250 per cent. Notes due 2021 (the "Notes", which expression shall in these Terms and Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 16 and forming a single series with the Notes) issued by EDP Finance B.V. (the "Issuer") are constituted by a Fourteenth Supplemental Trust Deed dated on or about 14 January 2014 (the "Fourteenth Supplemental Trust Deed") supplemental to a Trust Deed dated on or about 14 March 2001 (as modified and/or supplemented and/or restated from time to time, the "Principal Trust Deed", and the Principal Trust Deed as supplemented by the Fourteenth Supplemental Trust Deed being referred to herein as the "Trust Deed") and each made between the Issuer, EDP – Energias de Portugal, S.A. ("EDP S.A.") and Deutsche Trustee Company Limited (the "Trustee", which expression shall include any successor as Trustee).

The Notes have the benefit of a Supplemental Issue and Paying Agency Agreement dated on or about 14 January 2014 supplemental to an Issue and Paying Agency Agreement dated 23 October 2007 (each such issue and paying agency agreement as so supplemented and as further amended and/or restated from time to time referred to together as the "Agency Agreement") and each made between the Issuer, EDP S.A., Deutsche Bank AG, London Branch as issue and principal paying agent and agent bank (the "Issue and Paying Agent", which expression shall include any successor agent), Deutsche Bank Luxembourg S.A. as registrar and as paying agent (the "Registrar", which expression shall include any successor registrar and together with the Issue and Paying Agent, unless the context otherwise requires, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The Notes have the benefit of a Keep Well Agreement (the "Keep Well Agreement") dated 14 March 2001 between EDP S.A. and the Issuer.

The Trustee acts for the benefit of the Holders (as defined below) for the time being of the Notes (the "Holders", which expression shall, in relation to any Notes, mean the person in whose name such Notes are registered in the register maintained by the Registrar).

Copies of the Trust Deed, the Keep Well Agreement and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at 14 January 2014 at Winchester House, 1 Great Winchester Street, London EC2N 2DB) and at the specified office of each of the Paying Agents. The Holders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Keep Well Agreement and the Agency Agreement that are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail.

The owners shown in the records of Euroclear, Clearstream, Luxembourg and the DTC of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Keep Well Agreement and the Agency Agreement applicable to them.

1. Form and Denomination

The Notes are issued in registered form in denominations of US$200,000 each (the "Specified Denomination") and integral multiples of US$1,000 in excess thereof (referred to as the "principal amount" of a Note). A note certificate (each a "Certificate") will be issued to each Holder in respect of its registered holdings of Notes. Each Certificate will be numbered serially with an identifying number that will be recorded on the relevant Certificate and in the register, which the Issuer will procure to be kept by the Registrar.

The Notes are not issuable in bearer form.

2. Title and Transfer

2.1 *Title to Notes*: Title to Notes passes only by registration in the register, which the Issuer shall procure be kept by the Registrar.

For a description of certain restrictions on transfers of interests in the Notes, see "Transfer Restrictions".

2.2 *Holder as Owner*: The Holder of any Note will (except as otherwise required by applicable law or regulatory requirement) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest thereof or therein, any writing thereon, or any theft or loss thereof) and no person shall be liable for so treating such Holder.

2.3 *Transfer of Notes*: A Note may, upon the terms and subject to the conditions set forth in the Agency Agreement, be transferred in whole or in part only (provided that such part is, or is an integral multiple of, the Specified Denomination) upon the surrender of the Certificate to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar or any other Paying Agent. A new Certificate will be issued to the transferee and, in the case of a transfer of part only of a Note, a new Certificate in respect of the balance not transferred will be issued to the transferor.

2.4 *New Certificates*: Each new Certificate to be issued upon the transfer of a Note will, within five Relevant Banking Days of the transfer date, be available for collection by each relevant Holder at the specified office of the Registrar or, at the option of the Holder requesting such exchange or transfer be mailed (by uninsured post at the risk of the Holder(s) entitled thereto) to such address(es) as may be specified by such Holder. For these purposes, a form of transfer received by the Registrar or another Paying Agent after the Record Date in respect of any payment due in respect of the Notes shall be deemed not to be effectively received by the Registrar or such other Paying Agent until the day following the due date for such payment.

For the purposes of these Terms and Conditions:

"Relevant Banking Day" means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in the place where the specified office of the Registrar is located; and

the "transfer date" shall be the Relevant Banking Day following the day on which the relevant Certificate shall have been surrendered for transfer in accordance with Condition 2.3.

2.5 *No Charges upon Transfer*: The issue of new Certificates on transfer will be effected without charge by or on behalf of the Issuer, the Registrar or any other Paying Agent, but upon payment by the applicant of (or the giving by the applicant of such indemnity as the Issuer, the Registrar or such other Paying Agent may require in respect of) any tax, duty or other governmental charges which may be imposed in relation thereto.

3. Status of the Notes

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

4. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed), neither the Issuer nor EDP S.A. will create or, save only by operation of law, have outstanding any mortgage, lien, pledge or other charge (each a "Security Interest") other than any Permitted Security (as defined below) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Loan Stock of any Person or to secure any obligation of any Person under any guarantee of or indemnity or purchase of indebtedness undertaking in respect of any Loan Stock of any other Person without at the same time or prior thereto at the option of the Issuer either (i) securing the Notes or securing EDP S.A.'s obligation under the Keep Well Agreement in each case equally and ratably with such Loan Stock, guarantee, indemnity or purchase of indebtedness undertaking to the satisfaction of the Trustee or (ii) providing such other security for or other arrangement in respect of the Notes or EDP S.A.'s obligations under the Keep Well Agreement as the Trustee

shall in its absolute discretion deem not materially less beneficial to the interests of the Holders or which shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Holders.

For the purposes of these Terms and Conditions:

"Loan Stock" means indebtedness (other than the Notes) having an original maturity of more than one year which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other debt securities (not comprising, for the avoidance of doubt, preference shares or other equity securities) which for the time being are, or are intended to be with the consent of the issuer thereof, quoted, listed, ordinarily dealt in or traded on any stock exchange and/or quotation system or by any listing authority or other established securities market other than any such indebtedness where the majority thereof is initially placed with investors domiciled in Portugal and who purchase such indebtedness in Portugal.

"Permitted Security" means:

(i) in the case of a consolidation or merger of EDP S.A. with or into another company (the "Combining Company"), any Security Interest over assets of EDP S.A. if it is the surviving company or the company (if other than EDP S.A.) surviving or formed by such consolidation or merger provided that: (i) such Security Interest was created by the Combining Company over assets owned by it, (ii) such Security Interest is existing at the time of such consolidation or merger, (iii) such Security Interest was not created in contemplation of such consolidation or merger and (iv) the amount secured by such Security Interest is not increased thereafter; or

(ii) any Security Interest on or with respect to assets (including but not limited to receivables) of the Issuer or EDP S.A., which is created pursuant to any securitisation or like arrangement in accordance with normal market practice and whereby the indebtedness secured by such Security Interest or the indebtedness in respect of any guarantee or indemnity which is secured by such Security Interest is limited to the value of such assets; or

(iii) any Security Interest securing any indebtedness incurred in relation to any asset for the purpose of financing the whole or any part of the acquisition, creation, construction, improvement or development of such asset where the financial institutions to whom such indebtedness is owed have recourse solely to the applicable project borrower (where such project borrower is formed solely or principally for the purpose of the relevant project) and/or such asset (or any derivative asset thereof) and/ or the shares held in such project borrower.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state, agency of a state or other entity, whether or not having separate legal personality.

5. Interest

Each Note bears interest from and including 14 January 2014 (the "Issue Date" and the "Interest Commencement Date") at the rate of 5.250 per cent. per annum (the "Rate of Interest") payable in arrears on 14 January and 14 July of each year (each an "Interest Payment Date").

If interest is required to be calculated for a period ending other than on an Interest Payment Date, such interest shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying such sum by the Day Count Fraction and rounding the resultant figure to the nearest US$0.01 with US$0.005 being rounded upwards.

"Calculation Amount" means US$200,000 in principal amount of the Notes.

"Day Count Fraction" means the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

5.1 *Accrual of interest*

Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

6. Payments

6.1 *Method of payment*: Payments of principal and interest will be made by credit or transfer to an account in U.S. dollars by the payee with, or, at the option of the payee, by a cheque in U.S. dollars drawn on a bank in New York City.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto.

6.2 *Payments on final redemption*: Payments of amounts (including accrued interest) due on the final redemption of the Notes will be made against presentation and, save in the case of a partial redemption, surrender of the relevant Certificates at the specified office of the Registrar.

Payments of amounts (whether principal, interest or otherwise) due in respect of the Notes will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in the register kept by the Registrar as at opening of business (Luxembourg time) on the fifteenth Luxembourg business day (the "Record Date") before the due date for such payment provided that the amounts due in respect of the Notes under Condition 10 will be paid to the Holders thereof (or, in the case of joint Holders, the first-named) as appearing in such register as at opening of business (Luxembourg time) on the date on which such payment is made.

6.3 *Payment Day*: If the date for payment of any amount in respect of any Note is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and New York City.

6.4 *Interpretation of principal and interest*: Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertakings or covenants given in addition thereto or in substitution therefore pursuant to the Trust Deed;

(ii) the Final Redemption Amount of the Notes (as defined in Condition 7.1);

(iii) the Early Redemption Amount of the Notes (as defined in Condition 7.2 and 7.4); and

(iv) any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7.3 or under any undertakings or covenants given in addition thereto or in substitution thereof pursuant to the Trust Deed.

7. Redemption and Purchase

7.1 *Redemption at maturity*: Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its principal amount (the "Final Redemption Amount") on 14 January 2021 (the "Maturity Date").

7.2 *Redemption for tax reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Trustee, the Issue and Paying Agent and, in accordance with Condition 14, the Holders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that:

(i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any political subdivision of, or any authority in, or of, the relevant Tax Jurisdiction having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 7 January 2014; and

(ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisors of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above in which event they shall be conclusive and binding on the Holders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their principal amount (the "Early Redemption Amount") together with interest accrued to but excluding the date of redemption.

7.3 *Redemption at the option of the Issuer (Issuer Call)*: The Issuer may, having given:

(i) not less than 15 nor more than 30 days' notice to the Holders in accordance with Condition 14; and

(ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Issue and Paying Agent, the Registrar and the Trustee;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on such date (each an "Optional Redemption Date") and at a redemption price equal to the greater of (i) 100 per cent. of the nominal amount of the Notes to be redeemed plus accrued and unpaid interest thereon, if any, to (but excluding) the date of redemption of the Notes or (ii) as determined by an Independent Investment Banker, the sum of the present values of the remaining scheduled payments of principal of the Notes to be redeemed and interest thereon discounted to the date of redemption of the Notes on a semi-annual basis (using the same interest rate convention as that used in computing interest on the Notes) at the Treasury Rate plus 0.50 per cent., plus accrued and unpaid interest on such Notes (or any portion thereof) being redeemed and additional amounts, if any, to (but excluding) the date of redemption of the Notes (or any portion thereof) being redeemed.

"H.15 (519)" means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

"Independent Investment Banker" means an independent investment banking institution of international standing in the U.S. Dollar denominated bond markets appointed by the Issuer and EDP S.A.

"Treasury Rate" means the annual rate equal to the semi-annual yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes being redeemed and trading in the public securities markets either:

- as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public security markets,
  - one maturing as close as possible to, but earlier than, the stated maturity of the Notes being redeemed and
  - the other maturing as close as possible to, but later than, the stated maturity of the Notes being redeemed, in each case as published in the most recent H.15 (519), or

- if the weekly average yield to maturity for United States Treasury securities maturing on the stated maturity of the Notes being redeemed is reported in the most recent H.15 (519), this weekly average yield to maturity as published in such H.15 (519).

Any such redemption must be of a nominal amount not less than US$200,000 (the "Minimum Redemption Amount"). In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). A list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.4 *Redemption at the option of the Holders (Investor Put):* If at any time while any Notes remain outstanding there occurs a Change of Control and within the Change of Control Period a Rating Downgrade as a result of that Change of Control occurs (together, a "Put Event"), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with Condition 7.2 (*Redemption for tax reasons*) or Condition 7.3 (*Redemption at the option of the Issuer (Issuer Call)*)) to require the Issuer to redeem or purchase each of the Notes held by such Holder on the Mandatory Redemption Date at its principal amount (the "Early Redemption Amount") together with interest accrued to but excluding the Mandatory Redemption Date.

Upon EDP S.A. becoming aware that a Put Event has occurred, EDP S.A. shall promptly notify the Issuer of such fact and the Issuer shall give notice (a "Put Event Notice") to the Holders in accordance with Condition 14 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this Condition 7.4.

To exercise the option to require redemption or purchase of a Note under this Condition 7.4, the holder of that Note must deliver the Certificate for such Note (or evidence satisfactory to the Paying Agent concerned that the Certificate for such Note will, following the delivery of the Put Option Notice (as defined below), be held to its order or under its control), on any business day in the city of the specified office of the Registrar or the relevant Paying Agent falling within the Put Period, at the specified office of the Registrar or the relevant Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current which may, if the Certificate for such Note is held in a clearing system, be any form acceptable to the clearing system delivered in any manner acceptable to the clearing system) obtainable from the specified office of any Paying Agent or the Registrar (a "Put Option Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 7.4.

The Registrar or the Paying Agent to which such Certificate and Put Option Notice are delivered will issue to the holder concerned a non-transferable receipt (a "Put Option Receipt") in respect of the Certificate so delivered. The Issuer shall redeem the Notes in respect of which Put Option Receipts have been issued on the Mandatory Redemption Date, unless previously redeemed and purchased. Payment in respect of any Put Option Receipt will be made on the Mandatory Redemption Date by transfer to the bank account (if any) specified in the Put Option Notice and in every other case on or after the Optional Redemption Date, in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Registrar or Paying Agent in accordance with the provisions of this Condition 7.4.

For the purposes of this Condition 7.4:

A "Change of Control" shall be deemed to have occurred at each time (whether or not approved by the management board or supervisory board of EDP S.A.) that any person (or persons) ("Relevant Person(s)") acting in concert or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly:

(a) acquires or becomes entitled to exercise control over EDP S.A.; or

(b) acquires or owns, directly or indirectly more than 50 per cent. of the issued voting share capital of EDP S.A.,

provided that the foregoing shall not include the control, or ownership of issued voting share capital, exercisable by and/or owned by the Portuguese Republic, or by the Portuguese Republic and/or by any entity or entities (together or individually) controlled by the Portuguese Republic from time to time, or in respect of which the Portuguese Republic owns directly or indirectly more than 50 per cent. of the issued voting share capital.

A Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person(s) are also, or immediately prior to the event which would otherwise constitute a Change of Control were, all of the shareholders of EDP S.A.

"Change of Control Period" means the period ending 120 days after the Date of Announcement.

"Date of Announcement" means the date of the public announcement that a Change of Control has occurred.

"Fitch" means Fitch Ratings Limited.

"Investment Grade Rating" means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least BBB- (or equivalent thereof) in the case of Fitch or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency.

"Investment Grade Securities" means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

"Mandatory Redemption Date" is the seventh day after the last day of the Put Period.

"Moody's" means Moody's Investor Services Limited.

"Put Period" means the period of 45 days from and including the date on which a Put Event Notice is given.

"Rated Securities" means:

(a) the Notes; or

(b) such other comparable long-term debt of the Issuer or EDP S.A. selected by the Issuer from time to time for the purpose of this definition which possesses a rating by any Rating Agency.

"Rating Agency" means S&P, Fitch and Moody's or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by EDP S.A.

"Rating Downgrade" means either:

(a) within the Change of Control Period:

(i) any rating assigned to the Rated Securities is withdrawn; or

(ii) the Rated Securities cease to be Investment Grade Securities; or

(iii) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one full rating notch by any Rating Agency (for example from BB+ to BB by S&P or Fitch and Ba1 to Ba2 by Moody's or such similar lower of equivalent rating),

provided that no Rating Downgrade shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating announces or confirms that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

(b) if at the time of the Date of Announcement, there are no Rated Securities and either:

(i) EDP S.A. does not use all reasonable endeavours to obtain, within 45 days of the Date of Announcement, from a Rating Agency a rating for the Rated Securities; or

(ii) if EDP S.A. does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

"S&P" means Standard and Poor's Rating Services, a division of The McGraw Hill Companies Inc.

7.5 *Purchases*: EDP S.A., the Issuer or any subsidiary of EDP S.A. may at any time purchase Notes at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

7.6 *Cancellation*: All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and Notes purchased and cancelled pursuant to Condition 7.5 cannot be reissued or resold.

8. Taxation

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the relevant Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note:

(i) for which a Certificate is presented for payment by or on behalf of a Beneficial Owner who is liable for such taxes or duties in respect of such Note by reason of his having some connection with the relevant Tax Jurisdiction other than the mere holding of such Note;

(ii) for which a Certificate is presented for payment, in the relevant Tax Jurisdiction;

(iii) for which a Certificate is presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6);

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive;

(v) for which a Certificate is presented for payment by or on behalf of a Beneficial Owner who would have been able to avoid such withholding or deduction by presenting the relevant Certificate to another Paying Agent in a Member State of the European Union; or

(vi) for which a Certificate is presented for payment by or on behalf of a Beneficial Owner of Notes who would not be liable for or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority.

As used in these Terms and Conditions:

(i) "Tax Jurisdiction" means in the case of EDP S.A., the Portuguese Republic or any political subdivision or any authority thereof or therein having power to tax and, in the case of the Issuer, The Netherlands or any political subdivision or any authority thereof or therein having power to tax or in either case any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax in which EDP S.A. or, as the case may be, the Issuer becomes tax resident;

(ii) the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Issue and Paying Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Holders in accordance with Condition 14; and

(iii) "Beneficial Owner" means a holder of Notes who is the effective beneficiary of the income attributable thereto.

9. Prescription

The Notes will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 9) therefore.

10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the Holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Holders of the Notes shall (subject in each case to being indemnified to its satisfaction), give written notice to the Issuer that the Notes are, and they shall accordingly thereupon immediately become, due and repayable at their principal amount, together with accrued interest (if any) as provided in the Trust Deed, if any one or more of the following events (each an "Event of Default") shall occur and is continuing:

(i) the Issuer fails to pay any amount of principal or interest due in respect of the Notes or any of them and the default continues for a period of seven days in the case of principal and 14 days in the case of interest; or

(ii) the Issuer fails to perform or observe any of its other obligations under the Trust Deed or these Terms and Conditions or EDP S.A. fails to perform or observe any of its obligations under the Trust Deed or these Terms and Conditions and (A) such failure is, in the opinion of the Trustee, incapable of remedy or in respect of which, in the opinion of the Trustee, remedial action satisfactory to the Trustee cannot be taken or (B) such failure is, in the opinion of the Trustee capable of remedy or in respect of which, in the opinion of the Trustee, such remedial action can be taken and the failure continues for the period of 30 days (or such longer period as the Trustee may permit) after the Trustee has given written notice to the Issuer requiring the same to be remedied; or

(iii) any other Indebtedness of the Issuer or EDP S.A. or any Indebtedness of any Material Subsidiary becomes due and payable prior to the stated maturity thereof as a result of a default thereunder or any such Indebtedness is not paid at the maturity thereof or any guarantee or indemnity in respect of Indebtedness or performance given by any such company is not honoured when due and called upon or any security interest, present or future, over the assets of any such company becomes enforceable provided that no such event in relation to such Indebtedness or any guarantee or indemnity in respect of such Indebtedness shall constitute an Event of Default unless the relative Indebtedness either alone or when aggregated with other Indebtedness relative to all (if any) other such events which shall have occurred shall amount to at least US$50,000,000 (or its equivalent in any other currency) and provided further that, for the purposes of this Condition 10(iii), neither the Issuer nor EDP S.A. nor any Material Subsidiary shall be deemed to be in default with respect to such Indebtedness, guarantee or security interest until expiration of the applicable grace or remedy period, if any, or if the Trustee is satisfied that it shall be contesting in good faith by appropriate means its liability to make payment thereunder; or

(iv) any steps are taken with a view to the liquidation or dissolution of the Issuer, EDP S.A. or any Material Subsidiary, or the Issuer, EDP S.A. or any Material Subsidiary becomes insolvent or admits in writing its inability to pay its debts as and when the same fall due, or a receiver, liquidator or similar officer shall be appointed over all or any part of the Issuer's, EDP S.A.'s or any Material Subsidiary's assets or an application shall be made for a moratorium or an arrangement with creditors of the Issuer, EDP S.A. or any Material Subsidiary or proceedings shall be commenced in relation to the Issuer, EDP S.A. or any Material Subsidiary under any legal reconstruction, readjustment of debts, dissolution or liquidation law or regulation, or a distress shall be levied or sued out upon all or any part of the Issuer's, EDP S.A.'s or any Material Subsidiary's assets and shall remain undischarged for 60 days, or anything analogous to the foregoing shall occur under the laws of any applicable jurisdiction provided that no such event shall constitute an Event of Default if the Trustee is satisfied that it is being contested in good faith by appropriate means by the Issuer, EDP S.A. or the relevant Material Subsidiary, as the case may be, and the Issuer, EDP S.A. or such Material Subsidiary as the case may be, has been advised by recognised independent legal advisors of good repute that it is reasonable to do so; or

(v) save for the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Holders, the Issuer, EDP S.A. or any Material Subsidiary or the Issuer, EDP S.A. and the Material Subsidiaries taken as a whole cease or threaten to cease to carry on the whole or a major part of the business conducted by it or them at 7 January 2014 ; or

(vi) any authorisation, approval, consent, license, decree, registration, publication, notarisation or other requirement of any governmental or public body or authority necessary to enable or permit the Issuer or EDP S.A. to comply with its obligations under the Notes, the Keep Well Agreement, the Trust Deed or, if required for the validity or enforceability of any such obligations, is revoked, withdrawn or withheld or otherwise fails to remain in full force and effect or any law, decree or directive of any competent authority of or in Portugal or The Netherlands is enacted or issued which materially impairs the ability or right of the Issuer or EDP S.A. to perform such obligations; or

(vii) EDP S.A. shall cease to own directly or indirectly more than 50 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in any Material Subsidiary or 100 per cent. of the issued share capital or voting rights attached thereto or similar right of ownership in the Issuer or EDP S.A. shall cease to have direct or indirect control of any Material Subsidiary or the Issuer; or

(viii) the Keep Well Agreement is terminated or any provision of the Keep Well Agreement is amended or waived in circumstances where such amendment or waiver would have, in the opinion of the Trustee, an adverse effect on the interests of the Holders or is not enforced in a timely manner by the Issuer or is breached by EDP S.A. provided that in the case of such non-enforcement or breach this has, in the opinion of the Trustee, an adverse effect on the interests of the Holders,

provided that, in the case of any Event of Default other than those described in paragraphs (i), (vi) and (vii) above, the Trustee shall have certified to the Issuer that, in its opinion, such Event of Default is materially prejudicial to the interests of the Holders.

In these Terms and Conditions:

"Group" means EDP S.A. and its Subsidiaries;

"Indebtedness" means, with respect to any person, any indebtedness or obligation (whether present or future, actual or contingent) created, issued, guaranteed, incurred or assumed by such person for money borrowed or raised;

"Material Subsidiary" means a Subsidiary:

(a) whose operations include the generation and/or distribution of electricity in Portugal; and

(b) (i) at any time whose total assets, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the total assets of the Group (as shown in the latest audited consolidated accounts of the Group); or

(ii) at any time whose revenues, as calculated from the then latest annual financial statements, audited if prepared, of that Subsidiary (consolidated in the case of a Subsidiary which itself has subsidiaries) represent not less than 5 per cent. of the consolidated revenues of the Group (as shown in the latest audited consolidated accounts of the Group).

A report by the directors of EDP S.A. that in their opinion, a Subsidiary is or is not, was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties. Such report may, if requested, be accompanied by a report from the Auditors (as defined in the Trust Deed) addressed to the directors of EDP S.A. as to the proper extraction of figures used by the directors of EDP S.A. in determining a Material Subsidiary and as to the mathematical accuracy of the calculations; and

"Subsidiary" means an entity from time to time of which EDP S.A. (a) has the right to appoint the majority of the members of the board of directors or similar board or (b) owns directly or indirectly more than 50 per cent. of the share capital or similar right of ownership.

11. Enforcement

The Trustee may, at its discretion and without further notice, take such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under the Trust Deed and the Notes or the obligations of EDP S.A. under the Keep Well Agreement, but it shall not be bound to take any such proceedings or any other action unless (a) it shall have been so directed by an Extraordinary Resolution of the Holders or so requested in writing by the Holders of at least one-quarter in nominal amount of the Notes outstanding and (b) it shall have been indemnified to its satisfaction. No Holder shall be entitled to proceed directly against the Issuer or to take proceedings to enforce the Keep Well Agreement unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

12. Replacement of Certificates

Should any Certificate be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13. Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

(a) there will at all times be an Issue and Paying Agent and a Registrar;

(b) so long as the Notes are listed, traded and/or quoted by or on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant listing authority, stock exchange and/or quotation system;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a Member State of the European Union other than a Tax Jurisdiction.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and, in certain limited circumstances, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Holders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

14. Notices

14.1 *Notices to Holders of Notes*: Notices to Holders of Notes will be deemed to be validly given if sent by first class mail (or equivalent) or (if posted to an overseas address) by air mail to them (or, in the case of joint Holders, to the first-named in the register kept by the Registrar) at their respective addresses as recorded in the

register kept by the Registrar, and will be deemed to have been validly given on the fourth weekday after the date of such mailing or, if posted from another country, on the fifth such day.

14.2 *General*: The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system on which the Notes are for the time being listed, traded and/or quoted.

14.3 *Publication not practicable*: If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

14.4 *Notices from Holders*: Notices to be given by any Holder shall be in writing and given by lodging the same, together with the relative Certificate or Certificates, with the Issue and Paying Agent, and in the case of Condition 7.4, the relevant Paying Agent.

15. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Holders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Holders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Holders, to:

(a) any modification of the Notes or the Trust Deed that is not, in the opinion of the Trustee, materially prejudicial to the interests of the Holders; or

(b) any modification of the Notes or the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Trustee may also, without any consent as aforesaid, determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such which, in any such case, is not in the opinion of the Trustee, materially prejudicial to the interests of the Holders.

Any such modification, waiver, authorisation or determination shall be binding on the Holders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Holders in accordance with Condition 14 as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 8 and/or any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The Trustee may, without the consent of the Holders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes and the Trust

Deed of another company, being a Subsidiary of the Issuer, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Issuer or having the benefit of a Keep Well Agreement by EDP S.A. on the same basis as that on which they had such benefit immediately prior to the substitution or the substitute Issuer being EDP S.A., (b) the Trustee being satisfied that the interests of the Holders will not be materially prejudiced by the substitution and (c) certain other conditions set out in the Trust Deed being complied with.

16. Further Issues

The Issuer shall be at liberty from time to time without the consent of the Holders to create and issue further Notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Holders and the holders of instruments of other series in certain circumstances where the Trustee so decides.

17. Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from any obligation to take proceedings to enforce repayment unless indemnified to its satisfaction. The Trustee may enter into business transactions with the Issuer or any person or corporate body associated with the Issuer without accounting for any profit made or benefit received.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999.

19. Governing Law and Submission to Jurisdiction

19.1 *Governing law*: The Trust Deed, the Agency Agreement, the Keep Well Agreement, the Notes and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Keep Well Agreement and the Notes are governed by, and shall be construed in accordance with, English law.

19.2 *Submission to jurisdiction*: Each of the Issuer and EDP S.A. has in the Trust Deed irrevocably and unconditionally agreed, for the exclusive benefit of the Trustee and the Holders, that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Notes (including any dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes) and that accordingly any suit, action or proceedings (together referred to as "Proceedings") arising out of or in connection with the Trust Deed and the Notes (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed and the Notes) may be brought in such courts.

Each of the Issuer and EDP S.A. has in the Trust Deed irrevocably and unconditionally waived any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in any such court and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer or EDP S.A. in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

19.3 *Appointment of Process Agent*: Each of the Issuer and EDP S.A. has in the Trust Deed appointed The Law Debenture Corporate Services Limited at its registered office for the time being (being at 14 January 2014 at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process, and undertaken that, in the event of The Law Debenture Corporate Services Limited ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.4 *Other documents*: Each of the Issuer and EDP S.A. has in the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

BOOK ENTRY; DELIVERY AND FORM

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes, which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.

1. The Global Notes

The Regulation S Notes will be evidenced on issue by a Regulation S Global Note (the "Regulation S Global Note") deposited with, and registered in the name of BT Globenet Nominees for a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Book-Entry Procedures for the Global Notes*" below. By acquisition of a beneficial interest in the Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40 day distribution compliance period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. Person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who is eligible to take delivery in the form of an interest in a Rule 144A Global Note. See "*Transfer Restrictions*".

The Rule 144A Notes will be evidenced on issue by one or more Rule 144A Global Notes (the "Rule 144A Global Notes") deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Notes may only be held through DTC at any time. See "*Book-Entry Procedures for the Global Notes*" below. By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a "qualified institutional buyer" (as defined in Rule 144A under the Securities Act ("QIB")) and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "*Transfer Restrictions*".

Beneficial interests in a Global Note will be subject to certain restrictions on transfer set forth therein and in the Trust Deed and the relevant Global Note will bear the applicable legends regarding the restrictions set forth under "*Transfer Restrictions*". A beneficial interest in the Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note only in denominations greater than or equal to the minimum denominations applicable to interests in a Rule 144A Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. Person and in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in a Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note will, upon transfer, cease to be an interest in a Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in a Global Note will not be entitled to receive physical delivery of Certificates. The Notes are not issuable in bearer form.

In addition, each Global Note will contain a provision which modifies the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note. The following is a summary of this provision:

"So long as any Notes are represented by a Global Note and the Global Note is held on behalf of a clearing system:

(a) notices to the Holders may be given by delivery of the relevant notice to the clearing system for communication by it to Accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of this Global Note except that, so long as the Notes are admitted to trading on the Irish Stock Exchange, notice must also be filed in the Companies Announcement Office of the Irish Stock Exchange"; and

(b) notices to be given by any Accountholder may be given to the Issue and Paying Agent through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Issue and Paying Agent and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose".

Payments of principal, interest and any other amount in respect of the Global Notes will, in the absence of provision to the contrary, be made to the person shown on the register kept by the Registrar as the registered holder of the Global Notes at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January. None of the Issuer, any Paying Agent, the Trustee or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

2. Exchange for Certificates

(a) Exchange

Each Global Note will be exchangeable, in whole but not in part only and at the request of the Holder of such Global Note, for Certificates, (a) if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Trustee is available or (b) an Event of Default (as defined in Condition 10) occurs or (c) DTC has notified the Issuer that it is unwilling or unable to continue to act as depositary for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). The circumstances described in (a), (b) and (c) are each herein referred to as an "Exchange Event". Upon the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Note) or the Trustee may give notice to the Issue and Paying Agent requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Issue and Paying Agent.

(b) Delivery

In such circumstances, the Global Note shall be exchanged in full for Certificates and the Issuer will cause sufficient Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the Holders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB. Certificates issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfer pursuant to Rule 144A, as set out under "*Transfer Restrictions*".

(c) Legends

The holder of a Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Paying Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Certificate bearing the legend referred to under "*Transfer Restrictions*", or upon specific request for removal of the legend on a Rule 144A Certificate, the

Issuer will deliver only Rule 144A Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

3. Book-Entry Procedures for the Global Notes

(a) Euroclear, Clearstream, Luxembourg and DTC

Custodial and depository links have been established between Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "*Book Entry Ownership – Settlement and Transfer of Notes*".

(b) Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("Direct Participants") or indirectly ("Indirect Participants" and together with Direct Participants, "Participants") through organisations which are accountholders therein.

(c) DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organisations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such participant or participants has or have given such direction. However, in the circumstances described under "*Exchange for Certificates*", DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A).

4. Book-Entry Ownership

(a) Euroclear and Clearstream, Luxembourg

The Regulation S Global Note will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg.

(b) DTC

The Rule 144A Global Notes will have an ISIN and a CUSIP number and will be deposited with a custodian (the "Custodian") for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System.

(c) Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by or on behalf of the Issuer to the holder of such Global Note and in relation to all other rights arising under the Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

(d) Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "Beneficial Owner") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Notes held within a clearing system, are exchanged for Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect

Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

(e) Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

(f) Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in U.S. Dollars, or free of payment, if payment is not effected in U.S. Dollars. Where payment is not effected in U.S. Dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

(g) Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12.00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of a Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

(h) Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case maybe, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of a Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment

to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Notes; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee, the Registrar or any Paying Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

KEEP WELL AGREEMENT

The Keep Well Agreement is not, and should not be regarded as equivalent to, a guarantee by EDP S.A. of any payment in respect of the Instruments. However, following an Event of Default, the Trustee will be entitled, on behalf of the Holders, to enforce EDP B.V.'s rights under the Keep Well Agreement against EDP S.A. in accordance with the terms of the Trust Deed. Enforcement in the English courts will be subject, among other things, to the powers of such courts to stay proceedings and other principles of law and equity of general application.

EDP S.A. has entered into a Keep Well Agreement dated 14 March 2001 with EDP B.V. (the "Keep Well Agreement") governed by English law. The following is the text of the Keep Well Agreement:

"KEEP WELL AGREEMENT

This Keep Well Agreement is made on 14 March 2001 by and between:

(1) EDP – ELECTRICIDADE DE PORTUGAL, S.A. ("EDP"); and

(2) EDP FINANCE B.V. ("EDP B.V.").

WHEREAS:

(A) EDP B.V. is a direct wholly-owned subsidiary of EDP;

(B) Bankers Trustee Company Limited (the "Trustee", which expression shall wherever the context so admits include any successor as trustee for holders of the Instruments as defined below), EDP and EDP B.V. (each an "Issuer" and together the "Issuers") have entered into a trust deed dated 14 March 2001 (the "Trust Deed") relating to the €5,000,000,000 Programme for the Issuance of Debt Instruments (the "Programme");

(C) The Issuers may issue Instruments after the date hereof pursuant to the Programme (the "Instruments", which expression as used herein shall include Instruments whether in global or definitive form and any receipts, coupons or talons appertaining to such Instruments) which will be constituted by the Trust Deed as modified and/or supplemented and/or restated from time to time;

(D) EDP B.V. may also hereafter assume from time to time obligations under swap agreements which will be related to the Instruments issued by EDP B.V. (any obligation of EDP B.V. in respect of each swap agreement entered into by EDP B.V. and any Instrument issued by EDP B.V. under the Programme being herein referred to as a "Debt Obligation" and the obligations together being herein referred to as "Debt Obligations"); and

(E) EDP B.V. entered into the Programme as Issuer for its own benefit and also for the benefit of EDP.

NOW, THEREFORE, EDP and EDP B.V. hereby covenant and agree as follows:

1. In consideration of the sum of £1 paid by EDP B.V. to EDP (receipt of which EDP hereby acknowledges), EDP shall own, directly or indirectly, all of the issued and outstanding share capital of EDP B.V. and will control the composition of the board of directors of EDP B.V. so long as any Debt Obligation is outstanding and shall not pledge, grant a security interest in, encumber or alienate any of such share capital.

2. For so long as EDP B.V. has outstanding Instruments under the Programme, EDP shall, with effect on and from the date of this Agreement, cause EDP B.V. to maintain a Tangible Net Worth (as hereinafter defined), as determined in accordance with generally accepted accounting principles in The Netherlands applied on a consistent basis as shown on EDP B.V.'s most recent audited balance sheet (commencing with EDP B.V.'s audited balance sheet at 31 December 2001), of at least one Euro.

"Tangible Net Worth" shall mean the total assets of EDP B.V. less the sum of intangible assets and total liabilities of EDP B.V. A certificate of the auditors of EDP B.V. as to the amount of Tangible Net Worth shall, in the absence of manifest error, be final and conclusive.

3. For so long as EDP B.V. has outstanding Instruments under the Programme, if EDP B.V. at any time shall have insufficient funds or other liquid assets to meet its payment obligations (including in respect of any Debt Obligations) or to repay borrowings then maturing or subsequently to mature, upon receipt of notice from EDP B.V. to such effect, EDP shall make, or have made, available to EDP B.V., before the due date of such payment obligations or borrowings, funds sufficient to enable EDP B.V. to meet such payment obligations or to repay such borrowings, as the case may be, in full as they fall due. EDP B.V. shall use the funds made available to it by EDP hereunder solely for the fulfilment of its payment obligations and the repayment at maturity of its borrowings.

4. Any and all funds from time to time provided by EDP to EDP B.V. pursuant to Clause 3 above shall, at the option of EDP, be either (1) by way of subscription for and payment of share capital (other than redeemable share capital) of EDP B.V., or (2) by way of subordinated loan, that is to say, a loan which, and interest on which, is not permitted to be, and is not capable of being, repaid or paid unless all other debt of EDP B.V. has been fully satisfied and is subordinated on a winding-up of EDP B.V. to all of the unsecured and unpreferred creditors of EDP B.V. other than EDP.

5. EDP warrants and agrees that its payment obligations which may arise hereunder constitute unsecured and unsubordinated obligations of EDP and rank pari passu with all other unsecured and unsubordinated obligations of EDP other than those obligations which are preferred by law.

6. This Agreement is not, and nothing herein contained and nothing done by EDP pursuant hereto shall be deemed to constitute, a guarantee, direct or indirect, by EDP of any Debt Obligation or any other debt of EDP B.V. (or of any subsidiary of EDP B.V.) or of any instrument issued by EDP B.V. or of any subsidiary of EDP B.V.

7. If EDP B.V. shall be in liquidation, administration or receivership or other analogous proceedings (including if EDP B.V. is declared bankrupt ("faillissement") or is granted a moratorium of payment ("surséance van betaling") or enters into winding-up proceedings ("ontbinding")) and EDP shall be in default of its obligations hereunder, EDP shall be liable to EDP B.V. by way of liquidated damages for such default in an amount equal to the sum that EDP would have paid had it performed in full all of its obligations hereunder, and EDP B.V. and any liquidator, administrator or receiver of EDP B.V. or other analogous officer or official shall be entitled to claim accordingly.

8. This Agreement may be modified, amended or terminated only by the written agreement of EDP and EDP B.V. provided, however, that no such modification, amendment or termination shall be made which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any such Instrument or Debt Obligation is outstanding.

9. EDP and EDP B.V. each hereby covenant and agree as follows:

   (i) it will not consent, either orally or in writing, to any modification, amendment or termination of this Agreement which may have any adverse effect upon the holders of the Instruments issued by EDP B.V. or the holders of any other Debt Obligation taken as a whole while any Instrument or other Debt Obligation remains outstanding;

   (ii) it will give written notice to the Trustee on behalf of the holders of Instruments issued by EDP B.V. and to the holders of any other Debt Obligation at least 30 days prior to any proposed modification, amendment or termination of this Agreement;

   (iii) it will fully and promptly perform its obligations and exercise its rights under this Agreement and, in the case of EDP B.V., (without limitation to the foregoing) exercise its right to enforce performance of the terms of this Agreement by EDP; and

(iv) it will consent to the giving of an order of specific performance or similar relief by any court of competent jurisdiction in the event that any action is brought in respect of this Agreement.

10. (i) This Agreement shall take effect for the benefit of the Trustee on behalf of the holders of Instruments issued by EDP B.V. and the holder of any other Debt Obligation. Apart from the parties to this Agreement and the Trustee, no other person, firm, company or association (unincorporated or incorporated) shall be entitled to any benefit under this Agreement whatsoever.

(ii) This Agreement shall be deposited with and held by the Trustee for so long as the Trust Deed is in force and, if thereafter, any other Debt Obligation remains outstanding it will be deposited with and held by a reputable financial institution on behalf of the holder(s) of such other Debt Obligation. Both parties hereby acknowledge the right of the holder of any Instrument issued by EDP B.V. and any other Debt Obligation to obtain from either party a copy of this Agreement.

(iii) The term "holder" herein has the same meaning in relation to each Instrument as the term "Holder" in the Terms and Conditions of such Instrument.

11. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

12. Each of EDP and EDP B.V. hereby irrevocably agrees that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and that accordingly any suit, action or proceedings (together "Proceedings") arising out of or in connection with this Agreement may be brought in such courts. Each of EDP and EDP B.V. hereby irrevocably waives any objection which it may have to the laying of the venue of any Proceedings in any such courts and any claim that any such Proceedings have been brought in an inconvenient forum and hereby further irrevocably agree that a judgment in any Proceedings brought in the English courts shall be conclusive and binding upon EDP and EDP B.V. and may be enforced in the courts of any other jurisdiction. Nothing contained herein shall limit any right to take Proceedings against EDP or EDP B.V. in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not. Each of EDP and EDP B.V. hereby appoints The Law Debenture Trust Corporation p.l.c. at its registered office for the time being (being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX) as its agent for service of process and agrees that, in the event of The Law Debenture Trust Corporation p.l.c. ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings.

13. This Agreement shall be governed by, and construed in accordance with, the laws of England".

TAX CONSIDERATIONS

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of Notes including, without limitation, the consequences of receipt of interest and premium, if any, on, and sale or redemption of, the Notes or any interest thereon.

PORTUGUESE TAXATION

The following is a general summary of the Issuer understanding of current law and practice in Portugal as in effect on the date of this Offering Memorandum in relation to certain current relevant aspects to Portuguese taxation of the Notes and is subject to changes in such laws, including changes that could have a retroactive effect. The following summary is intended as a general guide only and is not exhaustive. It is not intended to be, nor should it be considered to be, legal or tax advice to any beneficial owner of the Notes. It does not take into account or discuss the tax laws of any country other than Portugal and relates only to the position of persons who are the absolute beneficial owners of Notes. Prospective investors are advised to consult their own tax advisers as to the Portuguese or other tax consequences resulting from the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws of Portugal and each country where they are, or are deemed to be, residents.

The reference to "interest", "other investment income" and "capital gains" in the paragraphs below means "interest", "other investment income" and "capital gains" as understood in Portuguese tax law. The statements below do not take any account of any different definitions of "interest", "other investment income" or "capital gains" which may prevail under any other law or which may be created by the "Terms and Conditions of the Notes" or any related documentation.

The summary below in relation to the Notes assumes that such Notes would be treated by the Portuguese tax authorities as corporate bonds (*obrigações*) as defined under Portuguese law. If the Portuguese tax authorities do not treat the Notes as *obrigações*, no assurance can be given that the same tax regime would apply.

The tax considerations regarding Corporate Income Tax reflect amendments to be introduced by the CIT Reform as approved by Parliament on 20 December 2013, and that are currently pending publication in the Official Gazette to enter into force.

Interest and other investment income obtained by Portuguese resident individuals on the Notes is subject to individual income tax. If the payment of interest or other types of investment income is made available to Portuguese resident individuals through a Portuguese resident entity or a Portuguese branch of a non resident entity, withholding tax applies at a rate of 28 per cent., which is the final tax on that income unless the individual elects for aggregation to his taxable income, subject to tax at progressive varying from 14.5 per cent. up to 48 per cent. A surcharge of 3.5 per cent. applies in 2014 on the net income that exceeds €6,790 per individual with a deduction based on the number of dependents. An additional surcharge at 2.5 per cent. applies on income in excess than €80,000 up to €250,000 and at 5 per cent. on income in excess of €250,000 in 2014. In this case, the tax withheld is deemed a payment on account of the final tax due. Interest and other investment income paid or made available (*colocado à disposição*) to accounts in the name of one or more accountholders acting on behalf of undisclosed entities is subject to a final withholding tax at 35 per cent., unless the beneficial owner of the income is disclosed, in which case the general rules will apply. If the interest and other investment income on the Notes is not received through an entity located in Portugal, it is not subject to Portuguese withholding tax, but an autonomous taxation rate of 28 per cent. will apply, unless an option for aggregation is made, subject to the aforementioned progressive tax rates and surcharges in 2014.

Capital gains obtained by Portuguese resident individuals on the transfer of the Notes are taxed at a rate of 28 per cent. levied on the positive difference between the capital gains and capital losses realised on the transfer of securities and derivatives of each year. Accrued interest does not qualify as capital gains for tax purposes.

Interest and other investment income derived from the Notes and capital gains obtained with the transfer of the Notes by legal persons resident for tax purposes in Portugal and by non resident legal persons with a permanent establishment in Portugal to which the income or gains are attributable are included in their taxable profits and are subject to Corporate Income Tax at a 23 per cent. tax rate or at a 17 per cent. tax rate for taxable profits up to €15,000 and a 23 per cent. tax rate on profits in excess if the taxpayer is a small or medium enterprise as established in Decree Law no 372/2007, of 6 November, to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable profits. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, at 5 per cent. on taxable profits in excess

of €7,500,000 and up to €35,000,000, and at 7 per cent. on taxable profits in excess of €35,000,000 for the year 2014.

No Stamp Duty applies to the acquisition through gift or inheritance of Notes by an individual.

The acquisition of Notes through gift or inheritance by a Portuguese resident legal person or non resident acting through a Portuguese permanent establishment is subject to Corporate Income Tax at a 23 per cent. tax rate or at a 17 per cent. tax rate for taxable profits up to €15,000 and a 23 per cent. tax rate on profits in excess if the taxpayer is a small or medium enterprise as established in Decree Law no 372/2007, of 6 November, to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income. A state surcharge (*derrama estadual*) also applies at 3 per cent. on taxable profits in excess of €1,500,000 and up to €7,500,000, at 5 per cent. on taxable profits in excess of €7,500,000 and up to €35,000,000, and at 7 per cent. on taxable profits in excess of €35,000,000 for the year 2014. There is neither wealth nor estate tax in Portugal.

Payments made by the Issuer of interest, other investment income or principal on Notes issued by it to an individual or legal person non resident in Portugal for tax purposes without a permanent establishment to which such income may be attributable are not subject to Portuguese income tax.

Capital gains obtained on the transfer of Notes by an individual or a legal person who is neither resident nor engaged in business through a permanent establishment in Portugal to which that gain is attributable are not subject to Portuguese income tax.

EU Savings Directive

Portugal has implemented EC Council Directive 2003/48/EC, of 3 June 2003, on taxation of savings income into the Portuguese law through Decree-Law no. 62/2005, of 11 March, as amended by Law no. 39-A/2005, of 29 July 2005. The forms currently applicable to comply with the reporting obligations arising from the implementation of the EU Savings Directive were approved by Ministerial Order (portaria) no. 563-A/2005, of 28 June 2005, available for viewing and downloading at www.portaldasfinancas.gov.pt.

DUTCH TAXATION

General

The following summary outlines the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of Notes may include an individual or entity who does not have the legal title of these Notes, but to whom nevertheless the Notes or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the Notes or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this Offering Memorandum, and does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

(i) investment institutions (*fiscale beleggingsinstellingen*);

(ii) pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*) or other entities that are not subject to or exempt from Netherlands corporate income tax;

(iii) holders of Notes holding a substantial interest (*aanmerkelijk belang*) or deemed substantial interest (*fictief aanmerkelijk belang*) in the Issuer and holders of Notes of whom a certain related person holds a substantial interest in the Issuer. Generally speaking, a substantial interest in the Issuer arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to

hold (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;

(iv) persons to whom the Notes and the income from the Notes are attributed based on the separated private assets (*afgezonderd particulier vermogen*) provisions of the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) and the Netherlands Gift and Inheritance Tax Act 1956 (*Successiewet 1956*);

(v) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba, to which permanent establishment or permanent representative the Notes are attributable: and

(vi) individuals to whom Notes or the income there from are attributable to employment activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Withholding Tax

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Corporate and Individual Income Tax

Residents of the Netherlands

If a holder of Notes is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are generally taxable in the Netherlands (at up to a maximum rate of 25 per cent.).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes or has opted to be treated as a resident of the Netherlands for individual income tax purposes income derived from the Notes and gains realised upon the redemption, settlement or disposal of the Notes are taxable at the progressive rates (at up to a maximum rate of 52 per cent.) under the Netherlands Income Tax Act 2001, if:

(vii) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the Notes are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the Notes are attributable; or

(viii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the Notes, must determine taxable income with regard to the Notes on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. This deemed return on income from savings and investments is fixed at a rate of 4 per cent. of the individual's yield basis

(rendementsgrondslag) at the beginning of the calendar year (1 January), insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on 1 January. The fair market value of the Notes will be included as an asset in the individual's yield basis. The 4 per cent. deemed return on income from savings and investments is taxed at a rate of 30 per cent.

Non-residents of the Netherlands

If a person is not a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, nor has opted to be treated as a resident of the Netherlands for individual income tax purposes, such person is not liable to Netherlands income tax in respect of income derived from the Notes and gains realised upon the settlement, redemption or disposal of the Notes, unless:

(i) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25 per cent.

(ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the Notes are attributable, or (2) realises income or gains with respect to the Notes that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the Notes that exceed regular, active portfolio management (normaal, actief vermogensbeheer), or (3) is other than by way of securities entitled to a share in the profits of an enterprise which is effectively managed in the Netherlands and to which enterprise the Notes are attributable.

Income derived from the Notes as specified under (1) and (2) is subject to individual income tax at progressive rates up to a maximum rate of 52 per cent. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "*—Residents of the Netherlands*"). The fair market value of the share in the profits of the enterprise (which includes the Notes) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder of a Note, unless:

(iii) the holder of a Note is, or is deemed to be, resident in The Netherlands for the purpose of the relevant provisions; or

(iv) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of a cash payment made under the Notes, or in respect of a transfer of Notes.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL INCOME TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax considerations material to the purchase, ownership and disposition of the Notes. This summary does not describe all of the tax consequences that may be relevant to a U.S. Holder (as defined below) in light of such holder's particular circumstances. For example, it does not address considerations that may be relevant to U.S. Holders that are subject to special tax rules, such as banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, tax-exempt investors, entities taxed as partnerships and parnters therein, holders that have a functional currency other than the U.S. dollar, or certain U.S. expatriates. This summary also does not discuss Notes held as part of a hedge, straddle, conversion, "synthetic security" or other integrated transaction. This summary addresses only holders that purchase the Notes at the issue price in connection with their original issuance and that hold the Notes as capital assets. It does not include any description of any alternative minimum tax consequences or the tax laws of any state or local government or of any foreign government that may be applicable to the Notes.

This summary is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, Internal Revenue Service ("IRS") rulings and pronouncements and administrative and judicial decisions currently in effect, all of which are subject to change (possibly with retroactive effect) or possible differing interpretations.

INVESTORS SHOULD CONSULT WITH THEIR TAX ADVISORS TO DETERMINE THE ANTICIPATED TAX CONSEQUENCES TO THEM OF HOLDING THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAWS.

For the purposes of this summary, a "U.S. Holder" is a beneficial owner of Notes that is an individual who is a citizen or resident of the United States, a U.S. domestic corporation or any other person that is subject to U.S. federal income tax on a net income basis in respect of its investment in the Notes.

U.S. Holders

Payments of Interest

Interest payments on the Notes generally will be taxable to a U.S. Holder as ordinary interest income at the time that such payments are paid or accrued in accordance with such holder's regular method of accounting for U.S. federal income tax purposes. If the Notes are issued with more than a de minimis amount of original issue discount ("OID"), then a U.S. Holder will be required to accrue any such OID on a constant-yield basis over the life of the Notes. The remainder of this discussion assumes that the Notes will not be issued with more than a de minimis amount of OID.

Sale, Exchange, Redemption or Other Disposition

A U.S. Holder will recognise taxable gain or loss upon the sale, exchange, redemption or other taxable disposition of a Note, in an amount equal to the difference, if any, between (i) the amount of cash plus the fair market value of any property received upon such sale, exchange, redemption or other disposition (except to the extent that such cash or property is attributable to accrued interest, which amount will be taxable as ordinary income to the extent not previously included in gross income) and (ii) the holder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in respect of a Note generally will be equal to its original purchase price therefor. Such gain or loss will generally be a long-term capital gain or loss if the U.S. Holder held the Notes for more than one year. Long-term capital gains may be taxed at a lower rate than ordinary income for certain non-corporate U.S. Holders. The deductibility of capital losses is subject to limitations.

Backup Withholding Tax and Information Reporting

Amounts paid in respect of the Notes, and payments of the proceeds of a sale of Notes, paid within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. A holder that is not a U.S. Holder generally will not be subject to information reporting or backup withholding, but may be required to provide a certification to establish its non-U.S. status in connection with payments received within the United States or through certain U.S.-related financial intermediaries.

Information Reporting with Respect to Specified Foreign Financial Assets

Individual U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include the Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations have been proposed that would extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Foreign Account Tax Compliance Act

While the Notes are in global form and held within the clearing systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the common depositary or common safekeeper, given that each of the entities in the payment chain from (but excluding) the Issuer to the clearing systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the clearing systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model intergovernmental agreements, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

UNITED KINGDOM TAXATION

The comments below are of a general nature and are based on current United Kingdom tax law and HM Revenue & Customs practice. They deal only with United Kingdom rules relating to information that may need to be provided to HM Revenue & Customs in respect of certain payments on the Notes. They do not deal with any other tax consequences of acquiring, holding or disposing of the Notes. The United Kingdom tax treatment of prospective holders of the Notes depends on their individual circumstances and may be subject to change in the future. **Any Noteholders who are in doubt as to their own tax position should consult their professional advisers.**

Provision of information

HM Revenue & Customs ("HMRC") have powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid. Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited. Information obtained by HM Revenue & Customs may be provided to tax authorities in other countries.

EUROPEAN UNION DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

Under Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), each Member State of the EU is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entities established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The rate of withholding is 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income. In April 2013, the Luxembourg government announced its intention that Luxembourg will elect out of the withholding system in favour of automatic exchange of information with effect from 1 January 2015.

A number of non-EU countries and certain dependent or associated territories of certain Member States have adopted similar measures to the Directive.

A proposal for amendments to the Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. **Any Noteholders who are in any doubt as to their position under the Savings Directive should consult their professional advisers.**

THE PROPOSED FINANCIAL TRANSACTIONS TAX

The European Commission has published a proposal for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

PLAN OF DISTRIBUTION

The Issuer intends to offer the Notes through the initial purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated 7 January 2014 (the "Purchase Agreement"), among the initial purchasers and the Issuer, each of the initial purchasers has severally agreed to purchase, and the Issuer has agreed to sell to each of the initial purchasers, the principal amount of the Notes set forth opposite each initial purchaser's name below.

Initial purchasers	**Principal Amount of Notes**
Morgan Stanley & Co. LLC	$168,750,000
RBS Securities Inc.	$168,750,000
Société Générale	$168,750,000
UBS Securities LLC	$168,750,000
Banco Espirito Santo de Investimento, S.A. – Sucursal en España	$ 75,000,000
TOTAL	$750,000,000

The Purchase Agreement provides that the obligations of the initial purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The initial purchasers must purchase all of the Notes if they purchase any of the Notes.

The Issuer and EDP S.A. have been advised that the initial purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and to non-U.S. persons outside the United States in reliance upon Regulation S. See "*Transfer Restrictions*". The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*".

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a initial purchaser that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities with no established trading market. Neither the Issuer nor EDP S.A. can assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The initial purchasers have advised the Issuer and EDP S.A. that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, neither the Issuer nor EDP S.A. can assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, the initial purchasers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilising transactions. Over-allotment involves the sale of Notes in excess of the principal amount of Notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve the purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

It is expected that delivery of the Notes will be made against payment therefor on the closing date specified on the cover page of this offering memorandum, which will be the fifth New York business day following the date of this offering memorandum (this settlement cycle being referred to as "T+5"). Under Rule15c6-1 of the

Exchange Act, trades in the secondary market generally are required to settle in three New York business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this offering memorandum or the next succeeding New York business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this offering memorandum or the next succeeding New York business day should consult their own advisor.

The initial purchasers or their respective affiliates have performed, commercial banking, investment banking and advisory services for the Issuer, EDP S.A. and its affiliates from time to time for which they have received customary fees and expenses. The initial purchasers or their respective affiliates may, from time to time in the future, engage in transactions with, and perform investment banking advisory and other services for, the Issuer and its affiliates for which they may receive customary fees and expenses.

Certain of the initial purchasers are not broker-dealers registered with the SEC, and therefore may not make sales of any Notes in the United States or to U.S. persons except in compliance with applicable U.S. laws and regulations. To the extent that any such Initial Purchaser intends to effect sales of the Notes in the United States, it will do so only through one or more affiliated U.S. registered broker dealers, or otherwise as permitted by applicable U.S. law.

Each of the Issuer and EDP S.A. has agreed to indemnify and hold harmless the initial purchasers jointly and severally against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the initial purchasers may be required to make because of those liabilities.

SELLING RESTRICTIONS

United States of America

Each initial purchaser has represented and agreed that it has offered and sold the Notes and will offer and sell the Notes (a) as part of their distribution at any time and (b) otherwise until forty days after the later of the issue date and the completion of the distribution of the Notes, as notified by the Issue and Paying Agent or the Issuer, only in accordance with Rule 903 of Regulation S or Rule 144A under the Securities Act. Accordingly, neither the initial purchasers, their affiliates (if any) nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to Notes, and the initial purchasers, their affiliates (if any) and any person acting on their behalf have complied and will comply with the offering restrictions requirements of Regulation S. Each initial purchaser agrees that, at or prior to confirmation of sale of Notes (other than a sale of Notes pursuant to Rule 144A), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it or through it during the distribution compliance period a confirmation or notice to substantially the following effect:

> "The Notes covered hereby have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to or for the account or benefit of U.S. persons (a) as part of their distribution at any time or (b) otherwise until forty days after the completion of the distribution of the tranche of Notes of which such Notes are a part, as notified by the Issue and Paying Agent or the Issuer, except in either case in accordance with Regulation S or Rule 144A under the Securities Act. Terms used above have the meaning given to them by Regulation S".

Terms used in the above paragraph have the meanings given to them by Regulation S.

In connection with each sale of Notes pursuant to Rule 144A under the Securities Act, neither the relevant initial purchaser nor any person acting on its behalf will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act).

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the U.K. Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of any Notes which are the subject of the

offering contemplated by this offering memorandum (the "Securities") in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom.

Portugal

Each initial purchaser has represented and agreed that this offering memorandum has not been and will not be registered with or approved by the Portuguese Securities Exchange Commission ("*Comissão do Mercado de Valores Mobiliários*", "CMVM") nor has a prospectus recognition procedure been commenced with the Portuguese Securities Exchange Commission. The Notes may not be and will not be offered to the public in Portugal under circumstances which are deemed to be a public offer under the Portuguese Securities Code ("*Código dos Valores Mobiliários*") enacted by Decree-Law no. 486/99, of 13 November (as subsequently amended), unless the requirements and provisions applicable to the public offering in Portugal are met and the above-mentioned registration approval or recognition procedure is made. In addition, each initial purchaser has represented and agreed that (i) it has not directly or indirectly taken any action or offered, advertised, marketed, invited to subscribe, gathered investment intentions, sold or delivered, and will not directly or indirectly take any action, offer, advertise, invite to subscribe, gather investment intentions, sell, re-sell, re-offer or deliver any Notes in circumstances which could qualify as a public offer ("oferta pública") of securities pursuant to the Portuguese Securities Code, notably in circumstances which could qualify as a public offer addressed to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be; (ii) all offers, sales and distributions by it of the Notes have been and will only be made in Portugal in circumstances that, pursuant to the Portuguese Securities Code or other securities legislation or regulations, qualify as a private placement of Notes only ("*oferta particular*"); and (iii) it will comply with all applicable provisions of the Portuguese Securities Code, the Prospectus Directive, the Prospectus Regulation implementing the Prospectus Directive and any applicable CMVM Regulations and all relevant Portuguese securities laws and regulations, in any such case that may be applicable to it in respect of any offer or sale of Notes by it in Portugal or to individuals or entities resident in Portugal or having permanent establishment located in Portuguese territory, as the case may be, including compliance with the rules and regulations that require the publication of a prospectus, when applicable, and that such placement shall only be authorised and performed to the extent that there is full compliance with such laws and regulations.

Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation or cleared by the Italian Securities Exchange Commission (*Commissione Nazionale per le Società e la Borsa* , "CONSOB") and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Memorandum or of any other document relating to the Notes be distributed in Italy, except:

(i) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Financial Services Act") and Article 34-*ter*, first paragraph, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time ("Regulation No. 11971"); or

(ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Memorandum or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of September 1993, as amended (the "Banking Act");

(b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and

(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

Any investor purchasing the Notes in the offering is solely responsible for ensuring that any offer or resale of the Notes it purchased in the offering occurs in compliance with applicable Italian laws and regulations.

The Offering Memorandum and the information contained therein are intended only for the use of its recipient and, unless in circumstances which are exempted from the rules governing offers of securities to the public pursuant to Article 100 of the Italian Financial Services Act and Regulation No. 11971, is not to be distributed, for any reason, to any third party resident or located in Italy.

Chile

The offering of the Notes is subject to the Norma de Carácter General N° 336, dated 27 June 2012 of the Superintendency of Securities and Insurance of Chile ("SVS"). The Notes are not registered with the Securities Registry or the Foreign Securities Registry of the SVS, therefore, they are not subject to the supervision of the SVS. Since the Notes are unregistered securities, the Issuer is not obliged to provide public information with respect to the Notes. The Notes may not be publicly offered unless they were registered with the corresponding Securities Registry.

La oferta de los valores está acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile ("SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública, mientras no sean inscritos en el Registro de Valores correspondiente.

Hong Kong

This Offering Memorandum has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) Notes may not be offered or sold in Hong Kong by means of this Offering Document or any other document other than to "professional investors" as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance of Hong Kong (Cap. 32) or which do not constitute an offer to the public within the meaning of the Companies Ordinance, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA") and each underwriter has represented and agreed that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is: (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except: (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; or (4) as specified in Section 276(7) of the SFA.

Thailand

Each of the underwriters has represented and agreed that it has not offered or sold, and will not offer or sell, the shares to persons in Thailand, other than under circumstances which do not constitute an offer for sale of the shares to the public for the purposes of the Securities and Exchange Act of 1992 of Thailand, or require approval from the Office of the Securities and Exchange Commission of Thailand.

The shares may not be offered or sold to persons in Thailand other than under circumstances which do not constitute an offer for sale of the shares to the public for the purposes of the Securities and Exchange Act of 1992 of Thailand, or require approval from the Office of the Securities and Exchange Commission of Thailand.

Brazil

The Notes may not be offered or sold to the public in Brazil. Accordingly, this Offering Memorandum has not been nor will they be registered with the Brazilian Securities Commission (*Comissão de Valores Mobiliários*) nor have they been submitted to the foregoing agency for approval. Each underwriter has represented and agreed that it has not offered or sold and will not offer or sell the notes publicly (as defined for purposes of the securities laws of Brazil) in Brazil, as the offering of the Notes pursuant to this Offering Memorandum is not a public offering of securities in Brazil. Documents relating to the offer, as well as the information contained therein, may not be used in connection with any offer for subscription or sale of the Notes to the public in Brazil.

General

Each initial purchaser has severally agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this offering memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, EDP S.A. and any other initial purchaser shall have any responsibility therefor.

None of Issuer, EDP S.A. and any of the initial purchasers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

TRANSFER RESTRICTIONS

Because the following restrictions will apply with respect to the Notes, purchasers of the Notes are advised to consult legal counsel prior to making an offer, resale, pledge or transfer of any of the Notes.

The Notes have not been registered under the Securities Act or the laws of any state securities commission and, therefore, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only to (1) "qualified institutional buyers" (as defined in Rule 144A under the Securities Act), commonly referred to as "QIBs", in compliance with Rule 144A under the Securities Act and (2) to non-U.S. persons outside the United States in compliance with Regulation S under the Securities Act.

If you purchase the Notes, you will be deemed to have acknowledged, represented and agreed with the Issuer, EDP S.A. and the initial purchasers as follows:

(1) You understand and acknowledge that the Notes have not been registered under the Securities Act or any other applicable securities law and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities law, including sales pursuant to Rule 144A under the Securities Act, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, or pursuant to an exemption therefrom or in a transaction not subject thereto, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

(2) You are not an "affiliate" (as defined in Rule144 under the Securities Act) of EDP and you are not acting on the Issuer's or EDP's behalf and you are either (i) a QIB and are aware that any sale of Notes to you will be made in reliance on Rule 144A and such acquisition will be for your own account or for the account of another QIB or (ii) not a "U.S. person" (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person (other than a distributor) and you are purchasing Notes in an offshore transaction in accordance with Regulation S under the Securities Act.

(3) You acknowledge that none of the Issuer, EDP S.A. or the initial purchasers, or any person representing the Issuer, EDP S.A. or the initial purchasers, has made any representation to you with respect to the Issuer, EDP S.A. or the offer or sale of any of the Notes, other than the information contained in this offering memorandum, which has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that the initial purchasers make no representation or warranty as to the accuracy or completeness of this offering memorandum. You have had access to such financial and other information concerning the Issuer, EDP S.A. and the Notes as you have deemed necessary in connection with your decision to purchase the Notes, including an opportunity to ask questions of and request information from the Issuer, EDP S.A. and the initial purchasers.

(4) You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act. If in the United States, you agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance thereof will agree, to offer, sell or otherwise transfer such Notes only (a) to the Issuer or EDP, (b) pursuant to a registration statement which has been declared effective under the Securities Act, (c) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of another QIB to whom you give notice that the transfer is being made in reliance on Rule 144A or (d) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the Securities Act, subject in each of the foregoing cases to compliance with any applicable state securities laws. You acknowledge that the Issuer reserves the right prior to any offer, sale or other transfer of the Notes pursuant to clause (d) above, to require the delivery of an opinion of counsel, certifications and/or other satisfactory information.

Each purchaser acknowledges that each 144A Note will contain a legend substantially in the following form:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (A) REPRESENTS THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON).

THIS NOTE IS A GLOBAL NOTE WITHIN THE MEANING OF THE TRUST DEED REFERRED TO HEREINAFTER. THIS GLOBAL NOTE MAY NOT BE EXCHANGED, IN WHOLE OR IN PART, FOR A NOTE REGISTERED IN THE NAME OF ANY PERSON OTHER THAN THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION, (DTC) OR A NOMINEE THEREOF EXCEPT IN THE LIMITED CIRCUMSTANCES SET FORTH IN THIS GLOBAL NOTE, AND MAY NOT BE TRANSFERRED, IN WHOLE OR IN PART, EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THIS LEGEND. BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY NOT BE TRANSFERRED EXCEPT IN ACCORDANCE WITH THE CONDITIONS AND THE AGENCY AGREEMENT.

UNLESS THIS GLOBAL NOTE IS PRESENTED BY AN AUTHORISED REPRESENTATIVE OF DTC TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY REGISTERED NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUIRED BY AN AUTHORISED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL IN AS MUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

(5) If you are a purchaser in a sale that occurs outside the United States within the meaning of Regulation S, you acknowledge that until the expiration of the "40-day distribution compliance period" within the meaning of Rule 903 of Regulation S, any offer or sale of the Notes shall not be made by you to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the Securities Act.

(6) If you purchase the Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in the Notes as well as to holders of the Notes.

(7) You acknowledge that the registrar will not be required to accept for registration of transfer any Notes acquired by you, except upon presentation of satisfactory evidence to us and the registrar that the restrictions set forth herein have been complied with.

(8) You acknowledge that:

(a) the Issuer, EDP S.A., the initial purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations and agreements set forth herein and you agree that if any of your acknowledgements, representations or agreements herein cease to be accurate and complete, you will notify the Issuer, EDP S.A. and the initial purchasers promptly in writing; and

(b) if you are acquiring any Notes as fiduciary or agent for one or more investor accounts, you represent with respect to each such account that:

(i) you have sole investment discretion; and

(ii) you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account and that each such investment account is eligible to purchase the Notes.

(9) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of the Notes.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, EDP or the initial purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this offering memorandum or any other material relating to the Issuer, EDP, the initial purchasers or the Notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Transfer Restrictions*".

(11) Each purchaser and subsequent transferee of a Note will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes constitutes assets of any employee benefit plan subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), any plan, individual retirement account or other arrangement subject to section 4975 of the Code or provisions under any federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code, or any entity whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement or (ii) the purchase and holding of the Notes by such purchaser or transferee will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable similar law.

SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES

The Issuer is a wholly owned subsidiary of EDP S.A. and is a limited liability company organised under the laws of The Netherlands. The documents governing the Notes will be governed by the laws of England and Wales.

All of the Issuer's and EDP S.A.'s directors and key managers reside outside the United States and all or a substantial portion of the assets of such persons and the assets of the Issuer and EDP S.A. are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon any of these directors or key managers named in this offering memorandum or enforce, in the U.S. courts, judgments obtained outside U.S. courts against these directors and key managers in any action.

The United States and The Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be enforceable in The Netherlands. In order to enforce any judgment of a U.S. court in The Netherlands, proceedings must be initiated by way of an action on the judgment of the U.S. court before a court of competent jurisdiction in The Netherlands.

EMPLOYEE RETIREMENT INCOME SECURITY ACT

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") (each, a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the securities offered hereunder. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under ERISA or the U.S. Internal Revenue Code (the "Code").

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as individual retirement accounts, Keogh plans and any other plans that are subject to Section 4975 of the Code (also "Plans"), from engaging in certain transactions involving "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in excise tax or other liabilities under ERISA or the Code for a "party in interest" or a "disqualified person", unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) ("Non-ERISA Arrangements") are not subject to the requirements of Section 406 of ERISA or Section 4975 of the Code but may be subject to similar provisions under applicable federal, state, local, non-U.S. or other laws ("Similar Laws").

The acquisition of the securities that we may offer by a Plan or any entity whose underlying assets include "plan assets" by reason of such Plan's investment in such entity (a "Plan Asset Entity") with respect to which we or certain of our affiliates is or becomes a party in interest or disqualified person may result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, unless those securities are acquired pursuant to an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief, if required, for direct or indirect prohibited transactions that may arise from the purchase or holding of a security offered hereunder. These exemptions are PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers), PTCE 90-1 (for certain transactions involving insurance company pooled separate accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 95-60 (for transactions involving certain insurance company general accounts), and PTCE 96-23 (for transactions managed by in-house asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of the securities offered hereby, *provided that* neither the issuer of the securities offered hereby nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more and receives no less than "adequate consideration" in connection with the transaction (the "service provider exemption"). There can be no assurance that all of the conditions of any such exemptions will be satisfied. The assets of a Plan may include the assets held in the general account of an insurance company that are deemed to be "plan assets" under ERISA.

Any purchaser or holder of any security offered hereunder or any interest therein, and each fiduciary who causes any entity to purchase or hold a security (both in its corporate and fiduciary capacity), will be deemed to have represented by its purchase and holding of the security that it either (1) is not a Plan, a Plan Asset Entity or a Non-ERISA Arrangement and is not purchasing the security on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement or (2) the purchase, holding or disposition of the security will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or a violation of any provision under any applicable Similar Laws.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing the securities offered hereunder on behalf of or with the assets of any Plan, a Plan Asset Entity or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or the potential consequences of any purchase or holding under Similar Laws, as applicable. Purchasers of the securities offered hereunder have exclusive responsibility for ensuring that their purchase, holding or disposition of the securities do not violate the fiduciary or prohibited transaction rules of ERISA or the Code or any similar provisions of Similar Laws. The sale of any security offered hereunder to a Plan, Plan Asset Entity or Non-ERISA Arrangement is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plans, Plan Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement or that such investment is appropriate for such Plans, Plan

Asset Entities or Non-ERISA Arrangements generally or any particular Plan, Plan Asset Entity or Non-ERISA Arrangement.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY OF CERTAIN ERISA IMPLICATIONS OF AN INVESTMENT IN THE NOTES AND DOES NOT PURPORT TO BE COMPLETE. PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL, TAX, FINANCIAL AND OTHER ADVISORS PRIOR TO INVESTING IN THE NOTES TO REVIEW THESE IMPLICATIONS IN LIGHT OF SUCH INVESTOR'S PARTICULAR CIRCUMSTANCES.

INDEPENDENT AUDITORS

The Issuer's auditors are KPMG Accountants N.V., Laan van Langerhuize 1, 1186DS Amstelveen, The Netherlands.

EDP S.A.'s auditors are KPMG & Associados – S.R.O.C., S.A., Edificio Monumental, Av. Praia da Vitória, 71-A, 11, 1069-006 Lisbon, Portugal.

LEGAL MATTERS

Certain legal matters with respect to the Notes offered hereby will be passed on for the Issuer or EDP S.A. by Cleary Gottlieb Steen & Hamilton LLP with respect to U.S. and English matters, by Morais Leitão, Galvão Teles, Soares da Silva & Associados, Sociedade de Advogados, R.L. with respect to Portuguese matters, and by Allen & Overy LLP with respect to Dutch matters. Certain legal matters with respect to the Notes will be passed upon for the initial purchasers by Allen & Overy LLP with respect to U.S. and English matters and by Vieira de Almeida & Associados – Sociedade de Advogados, R.L. with respect to Portuguese matters.

ADDITIONAL INFORMATION

Neither the Issuer nor EDP S.A. are currently subject to the periodic reporting and other information requirements of the Exchange Act.

If you purchase the Notes from the initial purchasers you will be furnished with a copy of this offering memorandum and, to the extent provided to the initial purchasers for such purposes, any related amendments or supplement to this offering memorandum. Where you receive this offering memorandum you acknowledge that:

(1) you have been afforded an opportunity to request from the Issuer and EDP S.A., and to review and have received, all additional information considered by you to be necessary to verify the accuracy and completeness of the information herein;

(2) you have not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with your investigation of the accuracy of such information or your investment decision; and

(3) except as provided pursuant to (1) above, no person has been authorised to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or EDP S.A. or the initial purchasers.

While any Notes remain outstanding, the Issuer and EDP S.A. will make available, upon request, to any holder and any prospective purchaser of Notes, any information required pursuant to Rule 144A(d)(4) under the Securities Act in order to permit sales under Rule 144A, if, at the time of such request, the Issuer and EDP S.A. are reporting companies pursuant to the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder. Any such request should be directed to the Issuer at Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands, attention Mr Gerard Rump, telephone no: +31 20 575 5600.

LISTING AND GENERAL INFORMATION

THE ISSUER

The Issuer is EDP B.V., a wholly owned subsidiary of EDP S.A., and was incorporated under Dutch law as a limited liability company (besloten vennotschap met beperkte aansprakelijkheid) in Amsterdam on 1 October 1999 for an unlimited period of time. EDP B.V. has its registered office at Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands (phone number: +31 20 575 5600) and its statutory seat is in Amsterdam. EDP B.V. is registered in the Commercial Register of the Chamber of Commerce and Industry in Amsterdam under No. 34121496.

EDP S.A.

EDP – Energias de Portugal, S.A. (formerly known as EDP – Electricidade de Portugal, S.A.) is a listed company (*sociedade aberta*) established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under the sole tax payer and commercial registration no. 500.697.256 whose ordinary shares are publicly traded on Eurolist by Euronext Lisbon, Mercado de Cotações Oficiais. EDP S.A. was initially incorporated as a public enterprise (*empresa pública*) in 1976 pursuant to Decree-Law no. 502/1976, of 30 June, as a result of the nationalisation and merger of the principal Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP S.A. was transformed into a limited liability company (*sociedade anónima*) pursuant to Decree-Law no. 7/1991, of 8 January and Decree-Law no. 78-A/1997, of 7 April.

Share capital

The issued share capital of EDP B.V. is €2,000,000 divided into 20,000 ordinary shares with a par value of €100.00 per share.

Directors' interests

None of the directors of the Issuer has any conflict of interest between any of their respective duties to the Issuer and their respective private interests and/or other duties.

Financial statements and auditors' report

The Issuer's statutory annual financial statements are prepared on the basis of a financial year ended on December 31.

The Issuer's and EDP S.A.'s audited annual financial statements and unaudited financial statements as of and for the six month period ended 30 June 2013 and EDP S.A.'s unaudited financial statements for the nine month period ended 30 September 2013, together with English translations, will be available free of charge at the offices of EDP B.V.

Dependence upon other Group entities

EDP S.A. is not dependent upon other entities within the EDP Group.

EDP B.V. is a funding vehicle for the EDP Group and its sole purpose is to raise finance in the international capital markets and provide funds and investment services to the EDP Group companies. In order to meet its financial obligations, EDP B.V. relies on funds received from long term loans from external entities and short term loans from the other EDP Group companies. It does not have any other sources of revenue.

No significant or material adverse change

There has been no significant change in the financial or trading position of EDP B.V. since 30 June 2013, there has been no significant change in the financial or trading position of EDP S.A. or the Group since 30 September 2013, and there has been no material adverse change in the financial position or prospects of EDP S.A., EDP B.V. or the Group since 31 December 2012.

Legal proceedings

Except as disclosed below, none of EDP S.A., EDP B.V. and any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which EDP S.A. or EDP B.V. is aware) in the 12 months preceding the date of this document which may have or have had a significant effect on the financial position and profitability of EDP S.A., EDP B.V. or the Group.

The EDP Group is currently engaged in judicial proceedings contesting a potential tax liability assessed in connection with the tax treatment applied by the EDP Group to capital losses arising as a result of the liquidation of one of its subsidiaries, EDP International SGPS, S.A.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding its 2005 and 2006 taxable income that included an adjustment of €591 million in respect of a capital loss generated by the liquidation of EDP International SGPS, S.A. (whose main assets consisted of investments in operating subsidiaries Escelsa and Enersul). As at 30 September 2013, the contingent tax liability resulting from those assessments is €232.5 million.

The EDP Group has previously received a favourable opinion from the Portuguese tax authorities in relation to the nature of the liquidation that supports the view that such capital loss was tax deductible for income tax purposes in accordance with the relevant law in force at that date. As a result of this and further analysis carried out by the EDP Group and its advisers, the EDP Group considers it unlikely that it will be required as a result of such judicial proceedings to make any additional payments to the relevant tax authorities in connection with the liquidation and therefore no provision for the payment of any such additional amounts has been made in its accounts. Notwithstanding this, should the EDP Group be unsuccessful in contesting the tax assessment and be required to meet all, or a substantial part, of the liability, this could have a significant effect on the EDP Group's financial position.

For further information on these proceedings please see note 36 (Provisions for liabilities and charges) of the Notes to the financial statements for EDP for the six months ended 30 June 2013, and for the nine months ended 30 September 2013, which are included in this offering memorandum.

Auditors

The auditors of the EDP Group are KPMG & Associados, SROC, S.A., independent certified public accountants, who have audited the consolidated financial statements of the EDP Group as of and for the year ended 31 December 2012, as of and for the year ended 31 December 2011 and as of and for the year ended 31 December 2010, in accordance with International Financial Reporting Standards as adopted by the European Union, as stated in the auditors' report, and reviewed the unaudited consolidated financial statements of the EDP Group as of and for the nine month period ended 30 September 2013 and the six month period ended 30 June 2013, appearing elsewhere herein. The auditors of the EDP Group have no material interest in the EDP Group, and they consent to the inclusion of their reports in this document. KPMG & Associados, SROC, S.A. is part of the Portuguese Institute of Statutory Auditors ("*Ordem dos Revisores Oficiais de Contas*").

The current auditors of EDP B.V. are KPMG Accountants N.V., who audited EDP B.V.'s financial statements as of and for the year ended 31 December 2012, as of and for the year ended 31 December 2011, and as of and for the year ended 31 December 2010, in accordance with International Financial Reporting Standards as adopted by the European Union, as stated in their reports, each incorporated by reference herein. The auditors of EDP B.V. have no material interest in EDP B.V. KPMG Accountants N.V. are chartered accountants ("*registeraccountants*") in The Netherlands. The auditors of EDP B.V. are members of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

For the avoidance of doubt, any website referred to in this offering memorandum does not form part of the offering memorandum prepared in connection with the proposed offering of the Notes.

LISTING

It is expected that listing of the Notes on the Official List and admission of the Notes to trading on the Irish Stock Exchange's regulated market will be granted on or about 14 January 2014. The Issuer expects that the total expenses related to the listing and admission of the Notes to trading will be approximately €5,190.

LISTING AGENT

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive. Arthur Cox Listing Services Limited is registered at Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.

CLEARING SYSTEMS

The Global Notes sold pursuant to Regulation S have been accepted for clearance through the facilities of Euroclear and Clearstream Banking under the common code 101486877. The ISIN number for the Global Note sold pursuant to Regulation S is XS1014868779. The Global Note sold pursuant to Rule 144A have been accepted for clearance through the facilities of DTC. The ISIN number for the Global Note sold pursuant to Rule 144A is US26835PAD24. The CUSIP number for the Global Note sold pursuant to Rule 144A is 26835PAD2.

CREDIT RATING

As of 10 January 2014, the Issuer's credit rating was Ba1 (negative outlook) from Moody's Investors Service Limited and BB+ (negative outlook) from Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. and BBB- (negative outlook) from Fitch Ratings Limited.

Moody's Investors Services Limited is established in the European Union and is registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation"). As such, Moody's Investors Services Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. is established in the European Union and has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.

Fitch Ratings Limited is established in the European Union and is registered under the CRA Regulation. As such, Fitch Ratings Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

CONSENTS AND AUTHORISATIONS

The Issuer and EDP S.A. have obtained all necessary consents, approvals and authorisations in their respective jurisdictions of incorporation in connection with the issue and performance of the Notes. The issuance of the Notes was authorised by a resolution dated 3 June 2013 of the Issuer's board of directors. The issuance of the Notes was also approved by a resolution dated 2 May 2013 of EDP S.A.'s executive board of directors.

The entering into of the Keep Well Agreement was authorised by the board of directors of EDP S.A. at a meeting held on 31 March 2001 and by the management board of the Issuer at a meeting held on 8 March 2001.

DOCUMENTS ON DISPLAY

As long as the notes are outstanding, physical copies of the following documents may be inspected at EDP B.V.'s offices at Herikerbergweg 238, Luna Arena, 1101CM Amsterdam Zuidoost, The Netherlands, during usual business hours on any week day (Saturday, Sunday and public holidays excepted) for twelve months following the date of this offering memorandum:

(1) EDP S.A.'s memorandum and articles of association;

(2) EDP B.V.'s articles of association;

(3) for EDP S.A. consolidated financial statements as of and for the fiscal years ended 31 December 2012, 31 December 2011 and 31 December 2010 and the audit reports thereon, and unaudited condensed consolidated financial statements as of and for the nine months ended 30 September 2013 and the six months ended 30 June 2013, and for EDP B.V. company only financial statements as of the fiscal years ended 31 December 2012, 31 December 2011 and

31 December 2010 and the audit reports thereon, and unaudited company only financial statements as of and for the six months ended 30 June 2013;

(4) the Trust Deed;

(5) the Purchase Agreement;

(6) the Keep Well Agreement; and

(7) the Agency Agreement.

INDEX TO THE FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements of EDP S.A. as of and for the nine months ended 30 September 2013	F-2
Unaudited Consolidated Financial Statements of EDP S.A. as of and for the six months ended 30 June 2013	F-84
Audited Consolidated Financial Statements of EDP S.A. as of and for the year ended 31 December 2012	F-160
Audited Consolidated Financial Statements of EDP S.A. as of and for the year ended 31 December 2011	F-273
Audited Consolidated Financial Statements of EDP S.A. as of and for the year ended 31 December 2010	F-385

Condensed Financial Statements

30 September 2013

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the nine-month period ended 30 September 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	11,812,201	12,089,966
Cost of electricity	6	-5,916,757	-6,128,295
Cost of gas	6	-937,190	-1,044,847
Changes in inventories and cost of raw materials and consumables used	6	-742,457	-817,001
		4,215,797	4,099,823
Revenue from assets assigned to concessions	7	267,001	285,765
Expenditure with assets assigned to concessions	7	-267,001	-285,765
		-	-
Other operating income / (expenses):			
Other operating income	8	265,785	219,849
Supplies and services	9	-672,093	-673,325
Personnel costs and employee benefits	10	-491,436	-480,887
Other operating expenses	11	-519,048	-423,020
		-1,416,792	-1,357,383
		2,799,005	2,742,440
Provisions	12	-40,045	-3,410
Depreciation, amortisation expense and impairment	13	-1,105,648	-1,079,511
Compensation of amortisation and depreciation	13	19,986	19,070
		1,673,298	1,678,589
Gains / (losses) on the sale of financial assets		12	2,857
Financial income	15	680,676	559,808
Financial expenses	15	-1,195,613	-1,075,478
Share of profit in associates		24,563	17,440
Profit before income tax		1,182,936	1,183,216
Income tax expense	16	-241,927	-273,133
Net profit for the period		941,009	910,083
Attributable to:			
Equity holders of EDP		792,345	794,526
Non-controlling Interests	33	148,664	115,557
Net profit for the period		941,009	910,083
Earnings per share (Basic and Diluted) - Euros	30	**0.22**	**0.22**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 30 September 2013 and 2012

Thousands of Euros	2013 Equity holders of EDP	2013 Non-controlling Interests	2012 Equity holders of EDP	2012 Non-controlling Interests
Net profit for the period	792,345	148,664	794,526	115,557
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	13,169	-6,687	12,692	3,889
Tax effect from the actuarial gains / (losses)	-1,929	2,274	-2,533	-1,322
	11,240	-4,413	10,159	2,567
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-99,535	-165,049	-71,918	-134,497
Fair value reserve (cash flow hedge)	37,117	8,952	-81,405	-16,528
Tax effect from the fair value reserve (cash flow hedge)	-10,794	-2,670	22,964	4,521
Fair value reserve (available for sale investments)	10,139	153	-255	-341
Tax effect from the fair value reserve (available for sale investments)	-886	-52	363	116
Share of other comprehensive income of associates, net of taxes	3,308	1,012	-3,764	-850
	-60,651	-157,654	-134,015	-147,579
Other comprehensive income for the period (net of income tax)	-49,411	-162,067	-123,856	-145,012
Total comprehensive income for the period	742,934	-13,403	670,670	-29,455

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Condensed Consolidated Statement of Financial Position as at 30 September 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	20,619,135	20,905,340
Intangible assets	18	6,215,583	6,541,862
Goodwill	19	3,303,225	3,318,457
Investments in associates	21	175,984	163,881
Available for sale investments	22	187,413	181,298
Deferred tax assets	23	405,917	340,816
Trade receivables	25	97,655	97,099
Debtors and other assets from commercial activities	26	2,911,082	2,736,902
Other debtors and other assets	27	490,740	534,573
Collateral deposits associated to financial debt	35	455,738	415,045
Total Non-Current Assets		34,862,472	35,235,273
Inventories	24	242,642	377,618
Trade receivables	25	1,794,770	2,280,104
Debtors and other assets from commercial activities	26	2,461,096	2,051,519
Other debtors and other assets	27	294,597	296,674
Current tax assets	28	282,199	435,628
Financial assets at fair value through profit or loss		4,679	390
Collateral deposits associated to financial debt	35	33,477	13,451
Cash and cash equivalents	29	1,824,858	1,695,336
Assets classified as held for sale	42	-	241,851
Total Current Assets		6,938,318	7,392,571
Total Assets		41,800,790	42,627,844
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-86,352	-103,706
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,516,465	3,123,116
Consolidated net profit attributable to equity holders of EDP		792,345	1,012,483
Total Equity attributable to equity holders of EDP		8,382,919	8,192,354
Non-controlling Interests	33	3,134,974	3,239,314
Total Equity		11,517,893	11,431,668
Liabilities			
Financial debt	35	15,035,579	16,715,725
Employee benefits	36	1,837,704	1,933,425
Provisions	37	404,383	382,866
Hydrological correction account	34	8,803	33,644
Deferred tax liabilities	23	939,147	852,054
Institutional partnerships in USA wind farms	38	1,568,363	1,679,753
Trade and other payables from commercial activities	39	1,317,256	1,262,771
Other liabilities and other payables	40	476,054	409,737
Total Non-Current Liabilities		21,587,289	23,269,975
Financial debt	35	5,450,898	3,807,503
Hydrological correction account	34	32,118	22,832
Trade and other payables from commercial activities	39	2,465,057	3,220,599
Other liabilities and other payables	40	220,286	368,143
Current tax liabilities	41	527,249	467,738
Liabilities classified as held for sale	42	-	39,386
Total Current Liabilities		8,695,608	7,926,201
Total Liabilities		30,282,897	31,196,176
Total Equity and Liabilities		41,800,790	42,627,844

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Turnover	3,691,446	3,876,434
Cost of electricity	-1,828,057	-1,955,953
Cost of gas	-277,292	-331,751
Changes in inventories and cost of raw materials and consumables used	-284,853	-278,149
	1,301,244	1,310,581
Revenue from assets assigned to concessions	99,565	106,912
Expenditure with assets assigned to concessions	-99,565	-106,912
	-	-
Other operating income / (expenses):		
Other operating income	74,822	65,480
Supplies and services	-220,915	-227,736
Personnel costs and employee benefits	-153,689	-150,656
Other operating expenses	-159,165	-140,337
	-458,947	-453,249
	842,297	857,332
Provisions	-3,195	3,341
Depreciation, amortisation expense and impairment	-386,588	-362,404
Compensation of amortisation and depreciation	6,450	5,941
	458,964	504,210
Gains / (losses) on the sale of financial assets	-	-
Financial income	151,220	193,621
Financial expenses	-333,268	-356,250
Share of profit in associates	5,770	6,976
Profit before income tax	282,686	348,557
Income tax expense	-51,867	-114,193
Net profit for the period	230,819	234,364
Attributable to:		
Equity holders of EDP	189,126	212,758
Non-controlling Interests	41,693	21,606
Net profit for the period	230,819	234,364
Earnings per share (Basic and Diluted) - Euros	**0.05**	**0.06**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013		2012	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	189,126	41,693	212,758	21,606
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	321	312	-69	-66
Tax effect from the actuarial gains / (losses)	-110	-106	24	23
	211	206	-45	-43
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-40,417	-74,838	-6,906	-27,945
Fair value reserve (cash flow hedge)	8,098	357	-29,856	-7,328
Tax effect from the fair value reserve (cash flow hedge)	-2,518	-171	8,065	1,814
Fair value reserve (available for sale investments)	1,518	925	-564	6
Tax effect from the fair value reserve (available for sale investments)	-570	-315	-17	-2
Share of other comprehensive income of associates, net of taxes	256	222	-697	77
	-33,633	-73,820	-29,975	-33,378
Other comprehensive income for the period (net of income tax)	-33,422	-73,614	-30,020	-33,421
Total comprehensive income for the period	155,704	-31,921	182,738	-11,815

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 30 September 2013 and 31 December 2012

Thousands of 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	Non-controlling interests
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	910,083	-	-	-	794,526	-	-	-	-	794,526	115,557
Changes in the fair value reserve (cash flow hedge) net of taxes	-70,448	-	-	-	-	-58,441	-	-	-	-58,441	-12,007
Changes in the fair value reserve (available for sale investments) net of taxes	-117	-	-	-	-	-	108	-	-	108	-225
Share of other comprehensive income of associates, net of taxes	-4,614	-	-	-	-	-3,093	-	-671	-	-3,764	-850
Actuarial gains/(losses) net of taxes	12,726	-	-	-	10,159	-	-	-	-	10,159	2,567
Exchange differences arising on consolidation	-206,415	-	-	-	-	-	-	-71,918	-	-71,918	-134,497
Total comprehensive income for the period	641,215	-	-	-	804,685	-61,534	108	-72,589	-	670,670	-29,455
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-83,331	-	-	-	-	-	-	-	-	-	-83,331
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	-	4,501	-1,388	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Changes resulting from acquisitions/sales and equity increases	3,300	-	-	-	-	-	-		-	-	3,300
Other reserves arising on consolidation	150	-	-	-	100	-	-	-14	-	86	64
Balance as at 30 September 2012	**11,278,227**	**3,656,538**	**503,923**	**578,435**	**3,474,709**	**-88,622**	**41,468**	**48,866**	**-104,913**	**8,110,404**	**3,167,823**
Comprehensive income:											
Net profit for the period	272,072	-	-	-	217,957	-	-	-	-	217,957	54,115
Changes in the fair value reserve (cash flow hedge) net of taxes	3,794	-	-	-	-	4,307	-	-	-	4,307	-513
Changes in the fair value reserve (available for sale investments) net of taxes	2,877	-	-	-	-	-	2,474	-	-	2,474	403
Share of other comprehensive income of associates, net of taxes	-1,670	-	-	-	-	-668	-	-684	-	-1,352	-318
Actuarial gains/(losses) net of taxes	-153,137	-	-	-	-120,006	-	-	-	-	-120,006	-33,131
Exchange differences arising on consolidation	-61,109	-	-	-	-	-	-	-21,997	-	-21,997	-39,112
Total comprehensive income for the period	62,827	-	-	-	97,951	3,639	2,474	-22,681	-	81,383	-18,556
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Dividends attributable to non-controlling interests	-87,023	-	-	-	-	-	-	-	-	-	-87,023
Purchase and sale of treasury stock	531	-	-	-	-676	-	-	-	1,207	531	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/sales and equity increases	1,011	-	-	-	-	-	-	553	-	553	458
Other reserves arising on consolidation	-27	-	-	-	-25	-	-	-	-	-25	-2
Balance as at 31 December 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**
Comprehensive income:											
Net profit for the period	941,009	-	-	-	792,345	-	-	-	-	792,345	148,664
Changes in the fair value reserve (cash flow hedge) net of taxes	32,605	-	-	-	-	26,323	-	-	-	26,323	6,282
Changes in the fair value reserve (available for sale investments) net of taxes	9,354	-	-	-	-	-	9,253	-	-	9,253	101
Share of other comprehensive income of associates, net of taxes	4,320	-	-	-	-	3,393	-	-85	-	3,308	1,012
Actuarial gains/(losses) net of taxes	6,827	-	-	-	11,240	-	-	-	-	11,240	-4,413
Exchange differences arising on consolidation	-264,584	-	-	-	-	-	-	-99,535	-	-99,535	-165,049
Total comprehensive income for the period	729,531	-	-	-	803,585	29,716	9,253	-99,620	-	742,934	-13,403
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-98,156	-	-	-	-	-	-	-	-	-	-98,156
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	-	15,866	8,817	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	224,178	-	-	-	112,859	-	-	-	-	112,859	111,319
Changes resulting from acquisitions/sales and equity increases	-109,121	-	-	-	-4,685	-328	-	-	-	-5,013	-104,108
Other reserves arising on consolidation	22	-	-	-	14	-	-	-	-	14	8
Balance as at 30 September 2013	**11,517,893**	**3,656,538**	**503,923**	**620,069**	**3,767,628**	**-56,730**	**53,195**	**-75,352**	**-86,352**	**8,382,919**	**3,134,974**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed consolidated financial statements

EDP - Energias de Portugal

Condensed Consolidated and Company Statement of Cash Flows
as at 30 September 2013 and 2012

Thousands of Euros	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Operating activities				
Cash receipts from customers	10,940,333	10,926,286	1,646,686	1,409,810
Proceeds from tariff adjustments securitization	1,007,823	167,936	-	-
Payments to suppliers	-8,331,082	-8,693,805	-1,564,901	-1,632,445
Payments to personnel	-607,816	-667,997	-10,127	-20,264
Concession rents paid	-204,528	-182,584	-	-
Other receipts / (payments) relating to operating activities	-214,502	-108,549	81,563	9,445
Net cash from operations	2,590,228	1,441,287	153,221	-233,454
Income tax received / (paid)	-180,172	-70,165	-24,771	28,224
Net cash from operating activities	2,410,056	1,371,122	128,450	-205,230
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	256,113	4,196	-	-
Other financial assets and investments	1,049	4,875	161,580	-
Property, plant and equipment and intangible assets	21,369	5,962	345	2,903
Investment grants	1,620	37,668	-	-
Interest and similar income	48,191	64,386	277,114	249,834
Dividends	19,070	18,636	681,364	708,264
	347,412	135,723	1,120,403	961,001
Cash payments relating to:				
Acquisition of assets / subsidiaries	-144,258	-60,360	-	-
Other financial assets and investments	-5,817	-4,462	-161,508	-2,733
Changes in cash resulting from consolidation perimeter variations	48	4,176	-	-
Property, plant and equipment and intangible assets	-1,680,588	-1,552,458	-23,190	-12,105
	-1,830,615	-1,613,104	-184,698	-14,838
Net cash from investing activities	-1,483,203	-1,477,381	935,705	946,163
Financing activities				
Receipts / (payments) relating to loans	399,211	1,986,475	-562,574	-31,863
Interest and similar costs including hedge derivatives	-622,916	-551,952	-230,723	-210,414
Governmental grants received	91,292	4,516	-	-
Share capital increases / (decreases) by non-controlling interests	-92,736	-	-	-
Receipts / (payments) relating to derivative financial instruments	20,664	-42,195	10,475	17,335
Dividends paid to equity holders of EDP	-670,932	-670,829	-671,212	-670,829
Dividends paid to non-controlling interests	-130,250	-109,519	-	-
Treasury stock sold / (purchased)	8,817	-1,388	10,703	662
Sale of assets / subsidiaries without loss of control	257,954	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-31,347	-11,089	-	-
Net cash from financing activities	-770,243	604,019	-1,443,331	-895,109
Changes in cash and cash equivalents	156,610	497,760	-379,176	-154,176
Effect of exchange rate fluctuations on cash held	-27,088	-21,747	189	-38
Cash and cash equivalents at the beginning of the period	1,695,336	1,731,524	1,305,235	661,609
Cash and cash equivalents at the end of the period (*)	1,824,858	2,207,537	926,248	507,395

(*) See details of "Cash and cash equivalents" in note 29 of the Condensed Financial Statements.

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the nine-month period ended 30 September 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	1,740,296	1,566,209
Cost of electricity	6	-1,393,618	-1,259,924
Changes in inventories and cost of raw materials and consumables used	6	-196,269	-250,564
		150,409	55,721
Other operating income / (expenses):			
Other operating income	8	8,925	10,419
Supplies and services	9	-128,560	-137,678
Personnel costs and employee benefits	10	-11,020	-9,410
Other operating expenses	11	-9,864	-10,276
		-140,519	-146,945
		9,890	-91,224
Provisions	12	-2,741	3,077
Depreciation, amortisation expense and impairment	13	-11,656	-10,247
		-4,507	-98,394
Gains / (losses) on the sale of financial assets	14	12	87,945
Financial income	15	1,386,247	1,186,905
Financial expenses	15	-719,821	-532,211
Profit before income tax		661,931	644,245
Income tax expense	16	-61,863	86,572
Net profit for the period		600,068	730,817

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at 30 September 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	600,068	730,817
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	12,944	-21,017
Tax effect from the fair value reserve (cash flow hedge)	-3,760	6,087
Fair value reserve (available for sale investments)	2,812	-1,947
Tax effect from the fair value reserve (available for sale investments)	45	729
Other comprehensive income for the period, net of income tax	12,041	-16,148
Total comprehensive income for the period	612,109	714,669

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Condensed Company Statement of Financial Position as at 30 September 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	214,955	208,569
Intangible assets		6	8
Investments in subsidiaries	20	9,909,534	9,909,534
Investments in associates	21	-	-
Available for sale investments	22	43,031	40,461
Investment property		9,999	10,490
Deferred tax assets	23	21,262	69,799
Debtors and other assets from commercial activities		2,148	1,555
Other debtors and other assets	27	6,096,620	6,014,090
Collateral deposits associated to financial debt	35	334,497	348,713
Total Non-Current Assets		16,632,052	16,603,219
Inventories		1,105	103
Trade receivables	25	152,407	172,773
Debtors and other assets from commercial activities	26	255,016	269,143
Other debtors and other assets	27	2,519,369	2,294,529
Current tax assets	28	82,630	195,587
Collateral deposits associated to financial debt	35	12,675	12,732
Cash and cash equivalents	29	926,248	1,305,235
Total Current Assets		3,949,450	4,250,102
Total Assets		20,581,502	20,853,321
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-80,257	-97,611
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,157,539	1,990,679
Net profit for the period		600,068	832,682
Total Equity		6,837,811	6,886,211
Liabilities			
Financial debt	35	4,996,000	2,032,437
Provisions	37	23,713	27,882
Hydrological correction account	34	8,803	33,644
Trade and other payables from commercial activities		3,292	3,831
Other liabilities and other payables	40	2,938,197	3,017,085
Total Non-Current Liabilities		7,970,005	5,114,879
Financial debt	35	4,579,305	7,557,620
Hydrological correction account	34	32,118	22,832
Trade and other payables from commercial activities	39	518,262	488,086
Other liabilities and other payables	40	580,924	771,228
Current tax liabilities	41	63,077	12,465
Total Current Liabilities		5,773,686	8,852,231
Total Liabilities		13,743,691	13,967,110
Total Equity and Liabilities		20,581,502	20,853,321

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Turnover	627,634	530,696
Cost of electricity	-503,558	-418,777
Changes in inventories and cost of raw materials and consumables used	-70,279	-89,584
	53,797	22,335
Other operating income / (expenses):		
Other operating income	3,052	3,110
Supplies and services	-42,573	-45,388
Personnel costs and employee benefits	-2,529	-3,228
Other operating expenses	-752	-886
	-42,802	-46,392
	10,995	-24,057
Provisions	34	8,951
Depreciation, amortisation expense and impairment	-3,905	-3,415
	7,124	-18,521
Gains / (losses) on the sale of financial assets	-	87,945
Financial income	181,006	212,103
Financial expenses	-152,791	-161,819
Profit before income tax	35,339	119,708
Income tax expense	1,320	-13,801
Net profit for the period	36,659	105,907

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	36,659	105,907
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	9,033	-269
Tax effect from the fair value reserve (cash flow hedge)	-2,598	78
Fair value reserve (available for sale investments)	299	-1,607
Tax effect from the fair value reserve (available for sale investments)	-43	233
Other comprehensive income for the period, net of income tax	6,691	-1,565
Total comprehensive income for the period	43,350	104,342

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at 30 September 2013 and 31 December 2012

Thousands of 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 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	730,817	-	-	-	730,817	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-14,930	-	-	-	-	-14,930	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-1,218	-	-	-	-	-	-1,218	-
Total comprehensive income for the period	714,669	-	-	-	730,817	-14,930	-1,218	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	4,501
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 30 September 2012	**6,781,288**	**3,656,538**	**503,923**	**578,435**	**2,144,673**	**-12,462**	**8,999**	**-98,818**
Comprehensive income:								
Net profit for the period	101,865	-	-	-	101,865	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,331	-	-	-	-	1,331	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	1,196	-	-	-	-	-	1,196	-
Total comprehensive income for the period	104,392	-	-	-	101,865	1,331	1,196	-
Transfer to legal reserve	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Purchase and sale of treasury stock	531	-	-	-	-676	-	-	1,207
Share-based payments	-	-	-	-	-	-	-	-
Balance as at 31 December 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the period	600,068	-	-	-	600,068	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	9,184	-	-	-	-	9,184	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,857	-	-	-	-	-	2,857	-
Total comprehensive income for the period	612,109	-	-	-	600,068	9,184	2,857	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	15,866
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 30 September 2013	**6,837,811**	**3,656,538**	**503,923**	**620,069**	**2,126,433**	**-1,947**	**13,052**	**-80,257**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1.	Economic activity of EDP Group	37
2.	Accounting policies	39
3.	Critical accounting estimates and judgements in preparing the financial statements	50
4.	Financial-risk management policies	53
5.	Consolidation perimeter	56
6.	Turnover	57
7.	Revenue from assets assigned to concessions	58
8.	Other operating income	58
9.	Supplies and services	59
10.	Personnel costs and employee benefits	59
11.	Other operating expenses	60
12.	Provisions	60
13.	Depreciation, amortisation expense and impairment	60
14.	Gains/ (losses) on the sale of financial assets	61
15.	Financial income and expenses	61
16.	Income tax	62
17.	Property, plant and equipment	64
18.	Intangible assets	66
19.	Goodwill	68
20.	Investments in subsidiaries (Company basis)	69
21.	Investments in associates	69
22.	Available for sale investments	69
23.	Deferred tax assets and liabilities	69
24.	Inventories	70
25.	Trade receivables	70
26.	Debtors and other assets from commercial activities	71
27.	Other debtors and other assets	72
28.	Current tax assets	72
29.	Cash and cash equivalents	72
30.	Share capital and share premium	73
31.	Treasury stock	73
32.	Reserves and retained earnings	74
33.	Non-controlling interests	75
34.	Hydrological account	75
35.	Financial debt	76
36.	Employee benefits	79
37.	Provisions for liabilities and charges	80
38.	Institutional partnerships in USA wind farms	82
39.	Trade and other payables from commercial activities	82
40.	Other liabilities and other payables	83
41.	Current tax liabilities	84
42.	Assets and liabilities classified as held for sale	84
43.	Derivative financial instruments	84
44.	Commitments	85
45.	Share based payments	86
46.	Related parties	87
47.	Fair value of financial assets and liabilities	91
48.	Relevant or subsequent events	91
49.	Recent accounting standards and interpretations issued	92
50.	EDP Branch in Spain	93
51.	Segmental reporting	94
52.	Explanation added for translation	95
	Annex I - EDP Group Activity by Business Segment	96

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. 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 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, energy services and property management.

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors.

During the nine-month period ended 30 September 2013 the following significant changes occurred in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity

Generation

On 27 February, the Law 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 millions of Euros per year, which corresponds to a present value of 120 millions of Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n. 4 of article 5. º).

Activity in the energy sector in Spain

Electricity

Generation

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February) that establishes the procedure for supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution networks. On 27 January 2012 the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfill the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

On 12 July 2013, the Spanish Government approved, the Royal Decree-Law 9/2013, which changes the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste based on standard costs (investment and operation costs) by type of facility. The rate of return on assets will considerer the rate of the Spanish Government ten-year bonds yield, plus 300 b.p. The economic effect of this measure depends on the assumptions for each technology, as well as the number of operation years of each facility. This Royal Decree provides a reduction for the investment incentive in long-term capacity in combined cycle plants for 10,000€ /MW/year against 26,000€ /MW/year previously allocated, besides the extension of tthe applicable period to the double.

Distribution

Law 54/1997 establishes that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation, that connects the distribution network to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution and their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity renumeration will be calculated based on the Spanish Government ten-year bonds yield, plus 100 b.p. during the second quarter of 2013 and 200 b.p. from 2014 forward.

Vulnerable Consumers

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of production, distribution and sale of electricity.

Activity in the energy sector in Brazil

Electricity

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brasil amounts to 20.2% due to government actions: Concession Renewals (13%) and Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintance costs will be considered for the annual allowed revenues calculation.

On 23 January 2013, was published the Provisional Measure 605, which objective is to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of the generation concessions, this measure amended tthe Law 10,438/2002 which establishes the application of CDE resources.

The Decree 7,891 of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference the revenue due to the discounts will no longer be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

CDE is responsible for monthly transfer to the distribution utilities the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013.

On 6 March de 2013, the National Energy Policy Council (CNPE) issued the Resolution CNPE 3/2013 which determined a new methodology for sharing the costs incurred for the dispatch of thermoelectric power plants, due to mechanisms of risk aversion (safety of the system), following the hydrological crisis in Brazil. According to this temporary methodology, 50% of the above mentioned costs will be prorated among the purchase agents in the Short Term Market (MCP) and the remaining 50% will be prorated among all market agents, through the System Services Charge (ESS). Several Brazilian industry associations of electricity generators and traders interpose injuctions against this Resolution, therefore it's effects were suspended and the previous methodology is still being applied, being these costs shared and allocated to the consumers and the distribution companies.

On 7 May 2013, a new regulation (Resolução Normativa 549/2013) was published, determining that the incremental costs with the acquisition of energy and other system charges (ESS) occurred in 2013, would be funded by the Energetic Development Account, the CDE - Conta de Desenvolvimento Energético (positive balances in "Conta de Compensação de Variação de Valores da Parcela A - CVA"). This new regulation establishes the compensation criteria and determines that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through CDE) and referring to the costs and "CVA" charges mentioned above.

On 29 May 2013, the Decree 8,020/2013 was published allowing the transference in advance of seven months of the discounts applied on the distribution tariffs. This measure was taken by the government, anticipating that the Provisional Measure 605, would not be approved timely by the Senate, expiring. With the expiry of the Provisional Measure 605, the transfer of CDE resources that were also used to cover the Involuntary Exposure generated by quotas, ceased. The Provisional Measure 605 was included as an amendment in the Provisional Measure 609, which was converted to the Law 12,839 on 9 July 2013, in that way the CDE resources covers the mentioned transfers.

Activity in the Renewable Energies Sector

Electricity

Generation

Regulatory framework for the activities in Spain

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 that includes a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that Royal Decree-Law2/2013 presents towards the Royal Decree-Law 661/2007 with impact in EDP Renováveis S.A. (EDPR) effective from 1 January 2013 onwards, are as follows:

- Every energy production facilities operating under the special regime are to be remunerated according to current feed-in tariff schemes for the remaining useful life of the asset;
- Energy production facilities operating under the special regime currently remunerated according to the market option were able to chose, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price with no renewable energy premium, and neither cap nor floor prices;
- The index used to annually update all the regulated activities in the electricity sector is the annual inflation excluding energy products and food prices, and any impact of tax changes.

The Spanish government disclosed the Energy Market Reform, which aims to end with the Spanish tariff deficit. The government claims that the reform may eliminate 4.5 billions of Euros/year of the structural deficit by: (i) 2.7 billons of Euros reduction in regulated costs of utilities and renewable energy source companies, and (ii) 0.9 billions of Euros contribution from the Spanish Treasury which will pay throught the Budget 50% of the extra costs of generation in the non-mainland territories.

The complete regulatory package will consist of: (i) a Royal Decree-Law (RD-L 9/2013, published in the Diário Oficial da União on 13 July), (ii) eight Decrees and Orders and (iii) the submission in the Parliament of the Project of Law ("Anteproyecto de Ley").

Until now, RD-L 9/2013 is the only rule approved and published: it outlines the principles that will govern the renewable energy source energy sector but it does not disclose the details of the new remuneration. According to this RD-L, renewable energy source plants will be subject to a new legal and economic framework: previous RD 661 framework will disappear and renewable energy source plants will receive the market price plus a payment per installed MW, so that the return on investment will be equivalent to the Spanish Government 10-year bonds yield plus a spread of 300bp. This Royal Decree-Law also suppresses the renewables remuneration for reactive power (2€/MWh).

On 16 July 2013, the Government submitted to CNMC a draft decree describing the new remuneration scheme for renewables facilities. However, this draft decree does not include the parameters to calculate the remuneration, as these parameters will be published in the future and retrospectively applied since 14 July.

Regulatory framework for the activities in Portugal

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind energy producers can voluntarily invest to secure further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: (i) alternative cap and floor selling prices; (ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently (iii) alternative levels of investment (on a per MW basis) to adhere to the new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh updated with inflation from 2021 onwards, in exchange for a payment of 5,800€/MW from 2013 to 2020. This decree also includes the possibility for wind farms under the new regime (i.e. ENEOP) to adhere to a similar scheme, still in negotiation.

This Decree-Law modifies the remuneration regime applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration regime prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration regime for a period of 25 years from the date they were attributed the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25- year period and as longer as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Regulatory framework for the activities in the United States of America

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the nine-month period ended 30 September 2013 and condensed consolidated and company statement of financial position as at 30 September 2013.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 31 October 2013. The financial statements are presented in thousands of 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 into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's 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 and company condensed financial statements for the nine-month period ended 30 September 2013 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2013 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2012.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 49.

These financial statements also present the third quarter income statement of 2013 with comparative figures for third quarter of previous year.

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.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

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).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the condensed consolidated financial statements.

b) Basis of consolidation

The accompanying condensed 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 attributable to the Group, through the investments in associates.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously acquired is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting 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. Hedge relationship exist 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 of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

This category includes: (i) financial assets at fair value through profit or loss, acquired for negotiation purposes in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried out 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 out at fair value, however, gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received are recognised in the income statement.

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (fair value option).

Impairment

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

For the financial assets taht present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

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

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in 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. For equity instruments, impairment losses can not be reversed and any subsequent event which determines a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

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, regardless 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 there is 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 recognised as non-controlling interests.

h) Property, plant and equipment

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

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

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 sale 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 tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	32 to 75
- Thermoelectric generation	25 to 40
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits occurs flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest 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 expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

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

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of net sale 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 asset.

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

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 determined by using the weighted average method.

CO_2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant retirement complementary benefits for 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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on 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.

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 operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognised as financial results.

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, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. 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, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for 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 the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods 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 the 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.

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 standards, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

v) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

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 Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector 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 Turnover of Electricity and network accesses 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.

Decree-Law 87/2011, approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against Debtors and other assets and Trade and other payables, in the same terms defined for the electric sector as mentioned above.

y) CO_2 licenses and greenhouse gas emissions

The Group holds CO_2 licenses in order to deal with gas emissions resulting from its operational activity and licenses for trading. The CO_2 and gas emissions licenses held for own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

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 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 paid as financing activities and interest and dividends received as investing activities.

aa) Group concession activities

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impracticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of the concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

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 regarding 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 its 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 these Condensed Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the 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.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could generate 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 this 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 thousands of 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 the end 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, during a 10-year period after the termination of the PPAs, the positive and negative variations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each 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 used model, could give rise to different financial results from those considered.

Review of the useful life of the assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric and thermoelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the future maintenance plan. Based on this information, the remaining useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

The regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL) issued on 7 February 2012, the Normative Resolution 474, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL) and the technical and legal opinions and the respective contractual residual indemnification values at the end of each concession period. The remaining period of amortisation and the indemnification values at the end of the concessions, may be influenced by any changes in the Regulatory Legal Framework in Brazil.

Tariff adjustments

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to 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 Turnover - Electricity and network access of the period, the effects of the recognition of the tariff adjustment, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities. 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 and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of the 2007 deficit. 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 September 2011, the EDP Group sold unconditionally tariff adjustment for the additional cost of cogeneration for the period 2009-2011. In December 2012, in accordance with the terms of Decree-Law 109/2011, EDP Distribuição sold without recourse the right to recover 2010 annual adjustment of the compensation due for early termination of the power purchase agreements. In April and May 2013, as referred in the note 26, EDP Group sold without recourse part of the tariff adjustment related to the estimated overcost for the electric energy acquisition to the special regime production for 2012.

In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs would 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 provided for the passage of some costs 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 CO_2 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. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

The Royal Decree Law 14/2010, published in 2010, addressed the correction of the tariff deficit of the electricity sector. As a result, the temporal mismatch of the settlement for 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures to ensure that the various industry players contribute to the reduction, including: the establishment of generation rates, financing plans for energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, the Royal Decree Law 1/2012 was published, establishing a moratorium on adding new facilities in the pre-allocation records for remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit in order to achieve the limit provided for 2012 in the Royal Decree Law 14/2010.

Based on the legislation issued, EDP considers that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

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

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

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

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 could 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 their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period can be five years for annual periods starting from 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is three years, from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in 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, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgement from those referred to could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked, under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

Regulatory changes occurred in Spain

On 12 July 2013, the Spanish Government approved the Royal Decree-Law 9/2013 which comprises a set of relevant changes in the remuneration scheme applicable to the entities operating in the electric sector in Spain, including the one regulated by the Royal Decree-Law 2/2013.

The main changes applicable to renewable energy producers are as following: (i) Derogation of the present remuneration scheme regulated by the Royal Decree-Law 661/2007 and subsequents, (ii) the remuneration of wind energy and cogeneration activity will be determined according to the reasonable rate, which will have in consideration the average of ten-year bond yield, in secondary market, plus 300 b.p, (iii) definition of a standard model for activity income and expenses. This model will determine the remuneration's reasonable rate, considering the standard income of energy sales in market and the standard production costs and investment in standard facilities.

Presently, the Spanish Government is still preparing the specific regulation to rule this new law, which will be retrospectively applied since 14 July 2013. In the absence of specific regulations to implement this law, namely the benchmark to use in the definition of the standard model applicable to wind generation and cogeneration assets, the financial statements as at 30 September 2013 do not include the potencial effects of such legislation in wind generation and cogeneration activity,namely regarding the revenue recognition and the potential impacts regarding the recoverability of assets and goodwill associated with this activity.

Considering that the Royal Decree-Law 9/2013 determines a change in the remuneration scheme applicable to wind and cogeneration producers, with reference to the date of entry into force of the Royal Decree, 14 July 2013, the revenue recognition will be updated with reference to 14 July 2013, in accordance with the regulation still to be issued by the Spanish Government, which will define the new methodology to be applied to the remuneration of such producers. After publication of these regulation, it will also be assessed and quantified any potential impact on the Group's goodwill and / or assets recoverability allocated to this activity in Spain.

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. 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, 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.

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.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON), Canadian Dollars (CAD) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

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 of EDP Energias do Brasil, 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. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF 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.

Sensitivity analysis - exchange rate

Regarding the 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 30 September 2013 and 31 December 2012, would lead to an increase / (decrease) in the EDP Group results and equity as follows:

	Sep 2013			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	34,190	-41,788	-11,586	14,160
RON	891	-1,089	-	-
PLN	18,432	-22,528	-	-
	53,513	-65,405	-11,586	14,160

	Dec 2012			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	40,462	-49,454	-27,842	34,029
RON	5,957	-7,280	-	-
PLN	11,628	-14,213	-	-
	58,047	-70,947	-27,842	34,029

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.

In the floating rate financing context, the EDP Group engages interest rate derivative financial instruments to hedge the 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 engaged 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 engaged, 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 up to 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 45% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged 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 30 September 2013 and 31 December 2012 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Sep 2013			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-25,121	25,121	-	-
Unhedged debt	-76,437	76,437	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	47,919	-54,409
Trading derivatives (accounting perspective)	-3,826	1,116	-	-
	-105,384	102,674	47,919	-54,409

	Dec 2012			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20,121	20,121	-	-
Unhedged debt	-83,238	83,238	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	53,985	-59,599
Trading derivatives (accounting perspective)	-4,016	1,355	-	-
	-107,375	104,714	53,985	-59,599

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 are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

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

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

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

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 35).

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 related to electric energy, carbon emissions (CO_2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions 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 and forwards of electricity and fuels 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 a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. In June 2013, P@R has included wholesale gas business.

As at 30 September 2013 and 31 December 2012, the P@R Distribution by risk factor is as follows:

	P@R Distribution by risk factor	
Thousands of Euros	Sep 2013	Dec 2012
Risk factor		
Negotiation	1,000	-
Fuel	9,000	26,000
CO_2	8,000	2,000
Electricity	17,000	18,000
Hydrological	33,000	38,000
Diversification effect	-32,000	-43,000
	36,000	41,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. 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 30 September 2013 and 31 December 2012 the EDP Group's exposure to credit risk rating is as follows:

	Sep 2013	Dec 2012
Credit risk rating (S&P)		
AAA to AA-	3.14%	6.63%
A+ to A-	67.79%	56.54%
BBB+ to BBB-	12.36%	33.55%
BB+ to B-	1.20%	0.59%
No rating assigned	15.51%	2.69%
	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 30 September 2013 and 31 December 2012 is as follows:

	VaR	
Thousands of Euros	Sep 2013	Dec 2012
Exchange rate risk	2,256	1,309
Interest rate risk	6,871	4,097
Covariation	-2,778	-1,993
	6,349	3,413

5. CONSOLIDATION PERIMETER

During the nine-month period ended 30 September 2013, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables, SGPS, S.A. acquired 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda.;
- EDP Energias do Brasil, S.A. acquired 50% of the share capital of Mabe Construções e Administração de Projetos, Lda.;
- South África Wind & Solar Power, S.L. (which was incorporated in March 2013) acquired 42.5% of the share capital of Modderfontein Wind Energy Project, Ltd., 100% of the share capital of Dejann Trading and Investments Proprietary Ltd., and 100% of the share capital of EDP Renewables South Africa, Proprietary Ltd.;
- EDP Renewables North America L.L.C. acquired 100% of the share capital of EDPR Agincourt L.L.C. and of EDPR Marathon L.L.C.;
- EDP Renewables Polska, S.P. ZO.O acquired 65,1% of the share capital of Mollen Wind II S.P. ZO.O.

Companies sold and liquidated:

- Millenium Energy, S.L. sold by 115,493 thousands of Euros all of its interests in the gas transmission business (Gas Transporte Span, S.L. and Naturgas Energia Transportes, S.A.U.);
- EDP Gestão da Produção de Energia, S.A. sold all of its interests in Soporgen, S.A. by the amount of 5,060 thousands of Euros;
- Arquiled - Projectos de Iluminação, S.A. liquidated Futurcompact, Lda.;
- A 49% share interest in EDP Renováveis Portugal, S.A. was sold by 257,954 thousands of Euros, as part of a transaction totalling 368,483 thousands of Euros deducted of loans totalling 110,529 thousands of Euros, with a loss of share interest held by EDP Group in Eólica de Alagoa, S.A., Eólica de Montenegrelo, S.A., Eólica da Serra das Alturas, S.A. and Malhadizes, S.A. This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 112,859 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies merged:

- Naturgas Energia Participaciones, S.A.U. was merged into Naturgas Energia Grupo, S.A.

Companies incorporated:

- Empresa de Energia Cachoeira Caldeirão, S.A.;
- South África Wind & Solar Power, S.L.;
- Sustaining Power Solutions, L.L.C.;
- Green Power Offsets, L.L.C. *;
- Arquiled Brasil - Projectos de Iluminação Ltda;
- Bourbriac II, S.A.S.;
- EDPR France Holding, S.A.S.;
- Parc Eolien de Montagne Fayel, S.A.S.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally established without share capital and that as at 30 September 2013 do not have any assets, liabilities, or any operating activity.

Other changes:

- EDP Ventures, SGPS, S.A. increased its shareholding from 40.01% to 46.22% in the share capital of Arquiled - Projectos de Iluminação, S.A.;
- Arquiled - Projectos de Iluminação, S.A. increased its shareholding to 96% in the share capital of Arquiservice - Consultoria Serviços, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Greenwind, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Relax Wind Park I, S.P. ZO.O through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- EDP Energias do Brasil, S.A. increased its shareholding to 100% in the share capital of Terra Verde Bioenergia Participações, S.A.;
- Decrease of the financial interest in Principle Power, Inc. from 50.29% to 33.46% through dilution, following a share capital increase not subscribed by EDP Inovação, S.A.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Electricity and network access	10,445,030	10,640,565	1,457,506	1,281,140
Gas and network access	1,243,160	1,348,448	170,382	177,547
Other	124,011	100,953	112,408	107,522
	11,812,201	12,089,966	1,740,296	1,566,209

Turnover by geographical market, for the Group, is analysed as follows:

	Sep 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,870,846	2,284,348	1,870,467	273,084	146,285	10,445,030
Gas and network access	195,040	1,048,120	-	-	-	1,243,160
Other	58,486	31,119	33,945	16	445	124,011
	6,124,372	3,363,587	1,904,412	273,100	146,730	11,812,201

	Sep 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	6,050,776	2,390,306	1,806,682	264,710	128,091	10,640,565
Gas and network access	195,204	1,153,244	-	-	-	1,348,448
Other	63,235	27,261	10,266	-	191	100,953
	6,309,215	3,570,811	1,816,948	264,710	128,282	12,089,966

During the third quarter of 2013, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,388,596 thousands of Euros (income in 30 September 2012: 1,095,911 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 119,546 thousands of Euros (30 September 2012: 376,939 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

The breakdown of Revenue by segment is presented in the segmental reporting (see note 51).

Cost of electricity, Cost of gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Cost of electricity	5,916,757	6,128,295	1,393,618	1,259,924
Cost of gas	937,190	1,044,847	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	350,068	372,732	-	-
Gas	236,036	363,696	174,014	242,430
Cost of consumables used	13,937	14,349	-	-
CO_2 licenses	79,533	5,943	22,241	8,127
Own work capitalised	-53,914	-65,403	-	-
Other	116,797	125,684	14	7
	742,457	817,001	196,269	250,564
	7,596,404	7,990,143	1,589,887	1,510,488

On a company basis, Cost of electricity includes costs of 739,248 thousands of Euros (30 September 2012: 661,302 thousands of 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. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Revenue from assets assigned to concessions	267,001	285,765
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-199,865	-212,436
Personnel costs capitalised (see note 10)	-61,370	-64,628
Capitalised borrowing costs (see note 15)	-5,766	-8,701
	-267,001	-285,765
	-	-

The Revenue from assets assigned to concessions by geographical market is analysed as follows:

	Sep 2013			Sep 2012		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	192,603	74,398	267,001	221,765	64,000	285,765
Expenditure with assets assigned to concessions	-192,603	-74,398	-267,001	-221,765	-64,000	-285,765
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income, for the Group, is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Gains on fixed assets	21,347	10,261
Customers contributions	11,886	35,333
Income arising from institutional partnerships - EDPR NA	91,002	94,225
Gains on disposals	58,305	-
Other operating income	83,245	80,030
	265,785	219,849

Gains on fixed assets include the effect from the sale of a land by Escelsa to Campo Participações Imobiliárias, S.A. generating a gain of 18,600 thousands of Euros (52,000 thousands of Reais).

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 11,305 thousands of Euros (30 September 2012: 33,606 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 38).

Gains on disposals relate with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros (see note 42).

Other operating income includes the power purchase agreements between EDPR NA and its customers which 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 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 30 September 2013, the amortisation for the period amounts to 6,323 thousands of Euros (30 September 2012: 7,439 thousands of Euros). This caption also includes 13,894 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

Other operating income, for the Company, is analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Sep 2012
Gains on fixed assets	50	1,038
Other operating income	8,875	9,381
	8,925	10,419

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Consumables and communications	38,132	41,054	6,162	8,366
Rents and leases	88,007	83,050	34,919	35,184
Maintenance and repairs	235,410	232,199	13,461	13,442
Specialised works:				
- Commercial activity	115,911	110,030	3,033	3,589
- IT services, legal and advisory fees	60,682	70,393	13,609	24,327
- Other services	40,070	40,231	9,703	8,272
Provided personnel	-	-	34,918	32,037
Other supplies and services	93,881	96,368	12,755	12,461
	672,093	673,325	128,560	137,678

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Personnel costs				
Board of Directors remuneration	12,005	12,228	4,614	3,887
Employees' remuneration	373,430	374,010	1,289	1,067
Social charges on remuneration	93,174	90,500	379	299
Performance, assiduity and seniority bonus	57,735	54,759	3,646	2,894
Other costs	18,722	18,095	727	907
Own work capitalised:				
- Assigned to concessions (see note 7)	-61,370	-64,628	-	-
- Other	-45,983	-52,145	-	-
	447,713	432,819	10,655	9,054
Employee benefits				
Pension plans costs	19,904	21,977	208	217
Medical plans costs and other benefits	7,411	6,557	108	97
Cost of rationalising human resources	-	3,744	-	-
Other	16,408	15,790	49	42
	43,723	48,068	365	356
	491,436	480,887	11,020	9,410

Pension plans costs include 8,955 thousands of Euros (30 September 2012: 9,405 thousands of Euros) related to defined benefit plans (see note 36) and 10,949 thousands of Euros (30 September 2012: 12,572 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 7,411 thousands of Euros (30 September 2012: 6,557 thousands of Euros) related to the charge of the period. As at 30 September 2012, the cost of rationalising human resources results essentially from the project for the restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante.

Other employee benefits include costs with medical services of employees in the amount of 5,760 thousands of Euros (30 September 2012: 5,207 thousands of Euros) and costs with tariff discount of active workers in the amount of 8,259 thousands of Euros (30 September 2012: 5,075 thousands of Euros).

11. OTHER OPERATING EXPENSES

Other operating expenses, for the Group, are analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Concession rents paid to local authorities and others	204,725	209,063
Direct and indirect taxes	168,088	83,016
Donations	14,975	14,895
Impairment losses:		
- Trade receivables	34,074	51,841
- Debtors	4,435	1,450
Other operating costs	92,751	62,755
	519,048	423,020

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes, as at 30 September 2013, includes the amount of 80.7 millions of Euros related to a new tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

The caption Other operating costs, as at 30 September 2013, includes the amount of 28,785 thousands of Euros related to fines and penalties recognized for the delay in the start of the commercial activity of Porto de Pecém thermoelectric plant. Additionally, this caption also includes the recognition of an inventories provision in the amount of 10,412 thousands of Euros (29,082 thousands of Reais) based on the preliminary assessment resulting of the ANEEL Resolution 367/09 under which the distributors Bandeirante and Escelsa conducted a physical inventory of assets assigned to concessions.

Other operating expenses, for the Company, are analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Sep 2012
Direct and indirect taxes	742	707
Donations	7,668	7,783
Impairment losses:		
- Trade receivables	-	4
- Debtors	15	14
Other operating costs	1,439	1,768
	9,864	10,276

12. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Charge for the period	71,294	28,827	7,310	6,656
Write-back for the period	-31,249	-25,417	-4,569	-9,733
	40,045	3,410	2,741	-3,077

Provisions for the period, at 30 September 2013, include a net increase in provisions for labor, legal and other contingences in Brazil in the amount of 17.1 millions of Euros, as well as provisions for contractual, legal and other contingences in Spain of approximately 22.2 millions of Euros, which are classified as probable contingencies.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Property, plant and equipment				
Buildings and other constructions	16,431	11,000	2,131	2,175
Plant and machinery	693,959	698,355	19	19
Other	49,503	57,886	9,498	8,047
Impairment loss	11,588	8,979	-	-
	771,481	776,220	11,648	10,241
Intangible assets				
Concession rights and impairment	63,592	58,276	-	-
Intangible assets assigned to concessions - IFRIC 12	268,647	242,528	-	-
Other intangibles	1,928	2,487	8	6
	334,167	303,291	8	6
	1,105,648	1,079,511	11,656	10,247
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-19,986	-19,070	-	-
	1,085,662	1,060,441	11,656	10,247

Impairment losses of 6,647 thousands of Euros (30 September 2012: 8,563 thousands of Euros) and 3,748 thousands of Euros were booked on plant and machinery related to wind generation assets in Spain and in the United States of America, respectively. These impairment losses result from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013, and from the write-off of assets under construction in United States of America (see note 17).

Under the ANEEL Resolution 367/09, during the third quarter of 2013, the distributors Bandeirante and Escelsa conducted a physical inventory on assets assigned to concessions. Based on the preliminary assessment, a loss (write-down) in the amount of 21,610 thousands of Euros (60,255 thousands of Reais) was booked, under the caption amortisation of intangible assets assigned to concessions - IFRIC 12 (see note 18).

The partially-funded property, plant and equipment 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 from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

Gains / (losses) on the sale of financial assets for the Company are analysed as follows:

	Sep 2013		Sep 2012	
Thousands of Euros	Disposal %	Value	Disposal %	Value
Available for sale investments	-	12	-	-
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	-	-	11.23%	87,945
		12		87,945

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, totalling 193,909 thousands of Euros were used as a contribution in kind to subscribe a share capital increase in EDP Investments and Services, S.L. of 281,854 thousands of Euros. In accordance with the company's accounting policy, common control transactions are accounted for in company's separate financial statements in accordance with the fair value accounting method, which determined the recognition of a gain of 87,945 thousands of Euros. In October 2012, the financial investment in EDP Investments and Services, S.L. was allocated to EDP Branch in Spain.

15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, for the Group, are analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Financial income		
Interest income from bank deposits and other applications	33,813	43,330
Interest income from loans to associates	14,269	8,349
Interest from derivative financial instruments	97,020	102,688
Derivative financial instruments	298,355	174,962
Other interest income	34,776	41,693
Foreign exchange gains	31,978	49,847
CMEC	38,471	56,120
Other financial income	131,994	82,819
	680,676	559,808
Financial expenses		
Interest expense on financial debt	666,418	589,471
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-5,766	-8,701
- Other	-95,025	-97,136
Interest from derivative financial instruments	79,327	84,491
Derivative financial instruments	293,062	196,902
Other interest expense	28,177	31,997
Impairment of available for sale financial assets	3,631	9,390
Foreign exchange losses	41,087	67,107
CMEC	14,293	13,680
Unwinding of liabilities	79,857	87,252
Unwinding of pension liabilities (see note 36)	23,008	34,634
Unwinding of medical liabilities and other plans (see note 36)	30,121	33,996
Other financial expenses	37,423	32,395
	1,195,613	1,075,478
Financial income / (expenses)	-514,937	-515,670

The caption Financial income - CMEC totalling 38,471 thousands of Euros includes 12,484 thousands of Euros related to interest on the initial CMEC (30 September 2012: 14,232 thousands of Euros) included in the annuity for 2013 and 25,987 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 September 2012: 41,888 thousands of Euros).

The caption Other financial income includes essentially 71,586 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2012: 57,064 thousands of Euros), 6,165 thousands of Euros (30 September 2012: 4,877 thousands of Euros) related with interest income on tariff adjustment and tariff deficit in Spain and 40,275 thousands of Euros related to gains, as at 30 September 2013, on three securitization operations of part of the 2012 electricity tariff deficit related to the 2012 over cost for the aquisition of electricity from Special Regime Generators (see note 26).

Capitalised borrowing costs 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.

Financial expenses - CMEC, in the amount of 14,293 thousands of Euros (30 September 2012: 13,680 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for generation assets, (ii) the implied financial return in institutional partnership in USA wind farms, and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe.

Financial income and expenses, for the Company, are analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Sep 2012
Financial income		
Interest income from loans to subsidiaries and related parties	362,318	317,837
Derivative financial instruments	384,351	271,045
Income from equity investments	595,160	557,205
Other financial income	44,418	40,818
	1,386,247	1,186,905
Financial expenses		
Interest expense on financial debt	281,589	230,146
Derivative financial instruments	393,283	259,767
Other financial expenses	44,949	42,298
	719,821	532,211
Financial income / (expenses)	666,426	654,694

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods, from the date that the income tax return is filed. In Portugal the limit is 4 years, or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, ingeneral, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is 3 years.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward was extended from 15 to 18 years.

The Law 64-B/2011 of 30 December (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective tax deductible period.

Royal Decree-Law 12/2012, published on 31 March 2012, established a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% limit of the adjusted operational profit. The amount of financial expenses incurred with interest which exceed the above mentioned 30% limit may be deducted in the 18 following years, provided that this limit is not exceeded in each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013.

The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013:
- Companies whose last year income are between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and
- Companies whose last year income exceed 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain are the following:
- Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which is not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and
- Possibility of companies revaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation was taxed in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (revaluation) was tax deductible for the revaluated assets remaining useful life.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP Group paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 29 May 2013, an additional favourable decision was issued regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013.

Following these decisions, as at 30 September 2013, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the administrative and legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Current tax	-252,800	-139,494	-31,612	-6,773
Deferred tax	10,873	-133,639	-30,251	93,345
	-241,927	-273,133	-61,863	86,572

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2013, is analysed as follows:

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,182,936	313,478
Tax losses and tax credits	5.0%	222,502	58,963
Tax benefits	-2.0%	-89,725	-23,777
Non deductible provisions and amortisations for tax purposes	0.7%	30,600	8,109
Accounting revaluations	-14.1%	-629,415	-166,795
Tax differential (includes state surcharge)	5.5%	246,177	65,237
Other adjustments and changes in estimates	-1.1%	-50,143	-13,288
Effective tax rate and total income tax	20.5%	912,932	241,927

The caption Accounting revaluations includes essentially the fiscal revaluation of EDP's assets held in Spain in accordance with Law 16/2012 of 27 December, which does not have accounting impact but led to an increase of the assets' tax basis of 542 millions of Euros. Therefore, the Group recognised deferred tax assets of 160 millions of Euros, that will be recovered through the tax deduction of assets' increased depreciation charge of the year starting on 1 January 2015 and along its remaining useful life. The effect of the revaluation was taxed in 2013 at a 5% flat rate, whose effect was recognised under current income tax, in the total amount of 27 millions of Euros. Consequently, the net effect of this revaluation in the net income for the period is approximately 133 millions of Euros, as presented in the caption Accounting revaluations.

Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 millions of Euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The Law 64-A/2011 of 30 December, modified the above referred tax, where the state surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the maximum corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 and 7.5 millions of Euros, respectively, is 31.5%.

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,183,216	313,552
Tax losses and tax credits	0.7%	33,106	8,773
Dividends	1.2%	54,238	14,373
Tax benefits	-2.0%	-89,740	-23,781
Non deductible provisions and amortisations for tax purposes	-1.2%	-55,506	-14,709
Fair value of financial instruments and financial investments	1.0%	42,996	11,394
Financial investments in associates and subsidiaries	-6.1%	-271,185	-71,864
Tax differential (includes state surcharge)	3.6%	161,300	42,744
Other adjustments and changes in estimates	-0.6%	-27,734	-7,349
Effective tax rate and total income tax	23.1%	1,030,691	273,133

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2013, is analysed as follows:

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	661,931	175,412
Tax losses and tax credits	5.5%	138,332	36,658
Dividends	-25.5%	-637,223	-168,864
Tax differential (includes state surcharge)	3.0%	75,355	19,969
Other adjustments and changes in estimates	-0.2%	-4,949	-1,312
Effective tax rate and total income tax	9.3%	233,446	61,863

As a result of the changes in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits as at 30 September 2013 includes the write-off of deferred tax assets of 27 millions of Euros and the recognition of deferred tax liabilities of 26 millions of Euros related to contingencies on tax losses carried forward in Spain.

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	644,245	170,725
Tax losses and tax credits	-6.2%	-149,785	-39,693
Dividends	-24.0%	-583,611	-154,657
Tax differential (includes state surcharge)	2.6%	62,136	16,466
Financial investments in associates and subsidiaries	-10.5%	-255,181	-67,623
Other adjustments and changes in estimates	-1.8%	-44,491	-11,790
Effective tax rate and total income tax	-13.4%	-326,687	-86,572

Financial investments in associates and subsidiaries include the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution at the transaction date.

The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Profit before tax	1,182,936	1,183,216	661,931	644,245
Income tax	-241,927	-273,133	-61,863	86,572
Effective income tax rate	20.5%	23.1%	9.3%	-13.4%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Cost				
Land and natural resources	177,035	175,796	74,569	74,569
Buildings and other constructions	755,452	654,384	93,144	93,556
Plant and machinery:				
- Hydroelectric generation	8,545,704	8,866,085	254	254
- Thermoelectric generation	7,966,859	7,672,378	-	-
- Renewable generation	11,832,589	11,565,234	-	-
- Electricity distribution	1,393,412	1,360,638	-	-
- Gas distribution	1,145,364	1,136,865	-	-
- Other plant and machinery	126,881	121,409	182	182
Other	792,020	809,611	112,095	117,155
Assets under construction	2,786,125	2,784,191	40,629	26,747
	35,521,441	35,146,591	320,873	312,463
Accumulated depreciation and impairment losses				
Depreciation charge	-759,893	-1,030,086	-11,648	-14,000
Accumulated depreciation in previous years	-14,069,349	-13,147,618	-94,270	-89,894
Impairment losses	-11,588	-54,131	-	-
Impairment losses in previous years	-61,476	-9,416	-	-
	-14,902,306	-14,241,251	-105,918	-103,894
Carrying amount	20,619,135	20,905,340	214,955	208,569

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	175,796	6,694	-648	1,271	-7,464	1,386	177,035
Buildings and other constructions	654,384	159	-1,214	161,651	-59,400	-128	755,452
Plant and machinery	30,722,609	15,232	-15,961	637,774	-355,358	6,513	31,010,809
Other	809,611	8,241	-29,704	12,302	-1,783	-6,647	792,020
Assets under construction	2,784,191	911,188	-27,276	-812,998	-70,106	1,126	2,786,125
	35,146,591	941,514	-74,803	-	-494,111	2,250	35,521,441

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Buildings and other constructions	160,069	16,431	-426	-	-8,328	45	167,791
Plant and machinery	13,461,264	705,547	-10,995	-	-62,372	1,513	14,094,957
Other	619,918	49,503	-27,116	-	-1,242	-1,505	639,558
	14,241,251	771,481	-38,537	-	-71,942	53	14,902,306

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. The subgroup EDP Brasil carried out investments related with Porto de Pecém coal power plant, with Santo Antônio do Jari hydroelectric plant and Cachoeira Caldeirão hydroelectric plant. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Venda Nova III, Salamonde II e Ribeiradio-Ermida).

Charge / Impairment losses include 11,588 thousands of Euros, from which 10,395 thousands of Euros are related with wind generation assets in Spain and in United States of America (see note 13).

Transfers from assets under construction into operation during 2013, refer mainly to wind farms of EDP Renováveis that became operational and to the enter into operation of second group of the thermoelectric plant of Pecém I.

The movement in Exchange differences in the period results mainly from the depreciation of American Dollar (USD), of Polish Zloty (PLN) and Brazilian Real (BRL) against the Euro during the nine-month period ended at 30 September 2013.

Perimeter Variations / Regularisations includes the effect of the acquisition of 100% of the share capital of EDPR Agincourt L.L.C., EDPR Marathon L.L.C., Gravitangle - Fotovoltaica Unipessoal, Lda., Dejann Trading and Investments Proprietary Ltd. and Mollen Wind II S.P. ZO.O.(see note 5).

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 44.

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	176,310	2,447	-554	1,736	-6,233	1,388	175,094
Buildings and other constructions	551,944	893	-3,215	4,099	-25,793	415	528,343
Plant and machinery	29,893,469	7,928	-116,698	413,320	-126,340	-3,165	30,068,514
Other	775,526	11,665	-15,673	13,835	-1,679	-25	783,649
Assets under construction	2,731,386	893,991	-2,460	-432,990	-62,506	950	3,128,371
	34,128,635	916,924	-138,600	-	-222,551	-437	34,683,971

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Buildings and other constructions	155,315	11,000	-2,401	-	-5,626	367	158,655
Plant and machinery	12,699,358	706,918	-113,646	-	-23,693	-2,276	13,266,661
Other	565,649	58,302	-13,965	-	-1,500	568	609,054
	13,420,322	776,220	-130,012	-	-30,819	-1,341	14,034,370

Charge / Impairment losses include an impairment loss of 8,563 thousands of Euros on wind generation assets under construction in Spain (see note 13).

The movement in Exchange differences in the period results mainly from the appreciation of the Polish Zloty (PLN), the depreciation of the Romenian Leu (RON) and Brazilian Real (BRL) against the Euro, during the nine months period ended at 30 September 2012.

Perimeter Variations / Regularisations include the effect of the acquisition of Pietragalla Eolico S.R.L. and of J&Z SP. ZO.O., the effect of the sale of the companies holders of the mini-hydrics in Spain, which generated a gain of 2,857 thousands of Euros recognised under Gains / (losses) on disposal of financial assets, as well the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during the first nine months of 2012.

Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	74,569	-	-	-	-	74,569
Buildings and other constructions	93,556	-	-412	-	-	93,144
Other	117,591	2,861	-9,760	1,839	-	112,531
Assets under construction	26,747	15,727	-	-1,839	-6	40,629
	312,463	18,588	-10,172	-	-6	320,873

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses						
Buildings and other constructions	23,303	2,131	-38	-	-	25,396
Other	80,591	9,517	-9,586	-	-	80,522
	103,894	11,648	-9,624	-	-	105,918

Acquisitions / Increases include the investment in the new building of EDP Group in Lisbon in the amount of 10,224 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-2,789	-	355	93,472
Other	109,742	1,413	-804	125	-	110,476
Assets under construction	12,432	8,583	-	-125	-	20,890
	293,106	9,996	-4,050	-	355	299,407

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses						
Buildings and other constructions	22,473	2,175	-2,159	-	355	22,844
Other	69,884	8,066	-615	-	584	77,919
	92,357	10,241	-2,774	-	939	100,763

18. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Cost		
Concession rights	15,246,347	15,443,537
CO_2 licenses	210,214	320,164
Other intangibles	123,514	101,616
Intangible assets in progress	614,198	551,038
	16,194,273	16,416,355
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-332,239	-406,567
Depreciation of other intangibles	-1,928	-3,105
Accumulated depreciation in previous years	-9,644,523	-9,464,821
	-9,978,690	-9,874,493
Carrying amount	6,215,583	6,541,862

The concession rights over the electricity 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 concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation.

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

The movements in Intangible assets during the nine-month period ended 30 September 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	6,730	-	-	-73,756	-	1,302,878
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	15,410	-	-	-	-	1,415,829
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	320,164	36,034	-145,606	-	-	-378	210,214
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	998	-47,752	154,700	-253,520	-	12,378,459
- Intangible assets in progress	160,408	266,003	-180	-218,140	-5,286	313	203,118
Other intangibles	101,616	24,184	-28	218	-2,151	-325	123,514
Other intangible assets in progress	390,630	22,596	-287	-218	-2,159	518	411,080
	16,416,355	371,955	-193,853	-63,440	-336,872	128	16,194,273

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	740,426	63,592	-	-	-13,544	-	790,474
Intangible assets assigned to concessions (IFRIC 12)	9,102,486	268,647	-41,689	-	-176,203	2,123	9,155,364
Other intangibles	31,581	1,928	-25	-	-674	42	32,852
	9,874,493	334,167	-41,714	-	-190,421	2,165	9,978,690

Transfers of intangible assets assigned to concessions of 63,440 thousands of Euros relates to increases of financial assets under to IFRIC 12, included under Debtors and other assets from commercial activities caption (see note 26).

Acquisitions / Increases of CO_2 Licences is related to licences purchased in the market. The Disposals / write-off of CO_2 licenses include CO_2 licenses consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

The caption Hydric Portugal includes an increase of 15,352 thousands of Euros (30 September 2012: 20,935 thousands of Euros) related to the power enhancement performed during the first nine months of 2013 in the Alqueva hydroelectric power plant.

The movements in Intangible assets during the nine-month period ended 30 September 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,448,562	-	-	-	-58,413	-	1,390,149
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,371,528	20,935	-	-	-	25	1,392,488
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	359,058	131,903	-200,367	-	-	-	290,594
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,493,994	27	-22,597	155,759	-198,094	-	12,429,089
- Intangible assets in progress	191,760	285,700	753	-237,878	-5,907	-	234,428
Other intangibles	97,157	100	-11	243	-613	32	96,908
Other intangible assets in progress	371,535	14,770	-37	-243	-1,084	-542	384,399
	16,482,775	453,435	-222,259	-82,119	-264,111	-485	16,367,236

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	675,011	58,276	-	-	-9,492	-	723,795
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	242,528	-15,053	-	-133,169	-	9,072,548
Other intangibles	29,044	2,487	-	-	-318	-	31,213
	9,682,297	303,291	-15,053	-	-142,979	-	9,827,556

Transfers of intangible assets assigned to concessions include 82,119 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the useful lives extension of assets assigned to concessions, determined by the application of the new depreciation rates on the electric sector in Brazil by "Agência de Energia Eléctrica" (ANEEL), in the amount of 13,265 thousands of Euros (32.572 thousands of Reais), during the first nine months of 2012.

Acquisitions / Increases of CO_2 Licences as at 30 September 2012 include 109,026 thousands of Euros of CO_2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 22,877 thousands of Euros of licences purchased at market. The market for CO_2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO_2 licenses correspond to CO_2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 458 thousands of Euros sold in the market.

19. 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	
Thousands of Euros	Sep 2013	Dec 2012
HC Energia Group	1,937,228	1,919,526
EDP Renováveis Group	1,270,018	1,301,218
EDP Brasil Group	53,830	55,564
Other	42,149	42,149
	3,303,225	3,318,457

The movements in Goodwill during the nine-month period ended 30 September 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,919,526	17,702	-	-	-	-	1,937,228
EDP Renováveis Group	1,301,218	2,336	-19,173	-	-14,363	-	1,270,018
EDP Brasil Group	55,564	-	-	-	-1,734	-	53,830
Other	42,149	-	-	-	-	-	42,149
	3,318,457	20,038	-19,173	-	-16,097	-	3,303,225

The movements in Goodwill during the nine-month period ended 30 September 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,916,548	-	-747	-	-	-	1,915,801
EDP Renováveis Group	1,311,133	12,465	-24	-	1,515	-	1,325,089
EDP Brasil Group	57,427	-	-	-	-1,384	-	56,043
Other	42,149	-	-	-	-	-	42,149
	3,327,257	12,465	-771	-	131	-	3,339,082

HC Energia Group

During the nine-month period ended 30 September 2013, the goodwill held in Hidrocantabrico Group increased by 17.702 thousands of Euros (30 September 2012: decrease of 747 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 30 September 2013 and 31 December 2012, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Sep 2013	Dec 2012
Goodwill in EDPR Europe Group	682,008	699,522
Goodwill in EDPR North America Group	586,771	600,302
Goodwill in EDPR Brasil Group	1,239	1,394
	1,270,018	1,301,218

The goodwill movement in EDPR Europe Group in 2013 includes an increase of 2,336 thousands of Euros, essentially related with the acquisition of 65,1% of the share capital of Mollen Wind II S.P. ZO.O. and to the acquisition of 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda.; and a decrease of 19,173 thousands of Euros related to the Relax Wind Group and Greenwind contingent prices revision. These purchase agreements were signed prior to 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b)).

In the nine months period ended 30 September 2012, the increase in EDPR Europe Group in the amount of 12,465 thousands of Euros is due to the acquisition of several companies: Pietragalla Eolico S.R.L., Cujmir Solar S.R.L., Potelu Solar S.R.L., Studina Solar S.R.L., Vanju Mare Solar S.R.L. and Sibioara Wind Farm S.R.L..

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Dec 2012
Acquisition cost	11,012,092	11,012,092
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,109,568	10,109,568
Impairment losses on equity investments in subsidiaries	-200,034	-200,034
	9,909,534	9,909,534

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.

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Investments in associates	176,121	164,018	137	137
Impairment losses in investments in associates	-137	-137	-137	-137
Carrying amount	175,984	163,881	-	-

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Banco Comercial Português, S.A.	36,769	29,653	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	41,230	38,408	41,230	38,408
Tejo Energia, S.A.	26,246	26,246	-	-
Others	83,168	86,991	1,801	2,053
	187,413	181,298	43,031	40,461

During the nine-month period ending 30 September 2013, the financial investment held in Banco Comercial Português, S.A., increased by 7,116 thousands of Euros being the increase booked against fair value reserves (see note 32).

During the nine-month period ended 30 September 2013, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 2,822 thousands of Euros being the increase booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 48,940 thousands of Euros (31 December 2012: 48,229 thousands of Euros), as a result of its reinsurance activity.

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 30 September 2013 and 31 December 2012 is analysed as follows:

Thousands of Euros	Sep 2013	Dec 2012
Banco Comercial Português	12,568	5,452
REN - Redes Energéticas Nacionais	15,410	12,588
Tejo Energia	19,891	19,891
Others	7,620	7,419
	55,489	45,350

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Balance as at 1 January	340,816	511,414	-852,054	-954,002
Tariff adjustment for the period	15,912	2,896	-110,490	-205,647
Provisions	-26,752	-16,703	-	-
Property, plant and equipment, intangible assets and accounting revaluations	181,526	-27,382	-32,200	-69,935
Deferred tax over CMECs in the period	-	-	16,154	-62,666
Tax losses and tax credits	54,153	215,569	-	-
Financial and available for sale investments	1,387	-36,981	-3,794	63,465
Other temporary differences	-43,324	-20,626	-74,564	25,948
Netting of deferred tax assets and liabilities	-117,801	-306,944	117,801	306,944
Balance as at 30 September	405,917	321,243	-939,147	-895,893

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:

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Balance as at 1 January	69,799	18,344	-	-
Tax losses and tax credits	-21,799	-1,803	-	-
Provisions	99	-16,751	-	-
Financial and available for sale investments	2,056	1,515	-	67,623
Fair value of derivative financial instruments	-8,642	-5,112	5,396	11,383
Other temporary differences	-12	254	-25,635	-90
Netting of deferred tax assets and liabilities	-20,239	78,916	20,239	-78,916
Balance as at 30 September	21,262	75,363	-	-

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Merchandise	56,610	75,307
Finished, intermediate products and sub-products	10,825	28,799
Raw and subsidiary materials and consumables (coal and other fuels)	93,715	202,230
Nuclear fuel	19,088	16,905
Others	62,404	54,377
	242,642	377,618

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	944,026	1,050,200	162,365	182,731
- Spain	537,456	684,331	-	-
- Brazil	404,703	496,175	-	-
- U.S.A.	25,138	42,575	-	-
- Other	52,247	55,620	-	-
Public Sector:				
- Portugal	89,310	102,510	-	-
- Brazil	24,367	53,574	-	-
- Spain	37,401	91,327	-	-
	2,114,648	2,576,312	162,365	182,731
Impairment losses	-319,878	-296,208	-9,958	-9,958
	1,794,770	2,280,104	152,407	172,773
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Brazil	10,688	11,281	-	-
Public Sector:				
- Portugal	122,636	126,501	-	-
- Brazil	7,657	8,571	-	-
	140,981	146,353	-	-
Impairment losses	-43,326	-49,254	-	-
	97,655	97,099	-	-
	1,892,425	2,377,203	152,407	172,773

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Current, are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Amounts receivable from tariff expenses - Electricity - Spain	574,877	432,415	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,004,575	668,965	-	-
Receivables relating to other goods and services	53,014	75,366	1,569	43,078
Amounts receivable relating to CMEC	271,574	432,133	-	-
Accrued income relating to energy sales and purchase activity	107,171	111,116	198,330	163,640
Advances to Property, plant and equipment suppliers	75,380	54,851	-	-
Sundry debtors and other operations	392,794	292,588	56,063	63,356
	2,479,385	2,067,434	255,962	270,074
Impairment losses on debtors	-18,289	-15,915	-946	-931
	2,461,096	2,051,519	255,016	269,143

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Amounts receivable from tariff adjustments - Electricity - Portugal	1,069,216	980,225
Amounts receivable relating to CMEC	1,010,373	944,167
Amounts receivable from concessions - IFRIC 12	747,418	706,480
Sundry debtors and other operations	87,408	109,335
	2,914,415	2,740,207
Impairment losses on debtors	-3,333	-3,305
	2,911,082	2,736,902

The Amounts receivable from tariff expenses - Electricity - Spain correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 September 2013, according to the applicable legal framework (see note 3). During 2013, the Spanish Electricity Deficit Amortisation Fund (FADE), launched ten bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 249,108 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,281,947 thousands of Euros, and includes 1,010,373 thousands of Euros as non-current and 271,574 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 654,598 thousands of Euros as non-current and 42,481 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2013. The remaining 355,775 thousands of Euros as non-current and 229,093 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2011 to 2013.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 747,418 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes mainly the effect of the depreciation of Brazilian Real against Euro in the amount of 31,091 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 63,440 thousands of Euros (see note 18).

The movement for the period in Amounts receivable from tariff adjustments - Electricity - Portugal (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	374,859	424,787
Receipts through the electric energy tariff	-499,662	-
Tariff adjustment for the period	475,467	690,937
Interest income	30,098	26,966
Transfer from Non-Current to Current	398,957	-398,957
Balance as at 30 September 2012	779,719	743,733
Receipts through the electric energy tariff	-166,554	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the period	143,548	289,070
Transfer from tariff adjustments payable	-9,491	-
Interest income	11,744	-
Securitisation adjustment of 2010 CMEC	-143,566	-
Transfer from Non-Current to Current	52,578	-52,578
Balance as at 31 December 2012	668,965	980,225
Receipts through the electric energy tariff	-476,569	-
Partial securitisations of 2012 over costs for the special regime generators	-713,642	-
Tariff adjustment of 2012	1,351	-
Tariff adjustment for the period	667,767	885,347
Transfer to tariff adjustment payable	-10,397	-842
Interest income	67,089	4,497
Transfer from Non-Current to Current	800,011	-800,011
Balance as at 30 September 2013	1,004,575	1,069,216

During the second quarter of 2013, EDP sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2012 overcost for the acquisition of electricity from special regime generators, in the amount of 713,642 thousands of Euros. In these assets' sales operations, EDP sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 758,715 thousands of Euros and generated gains net of transaction costs, as at 30 September 2013, of 40,275 thousands of Euros (see note 15). The first two transactions were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 308,715 thousands of Euros. The third transaction was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debtors and other assets - Current				
Loans to subsidiaries	-	-	883,554	1,036,546
Dividends	-	-	-	86,204
Loans to related parties	55,580	38,348	17,161	17,167
Receivables from the State and concessors	53,506	48,349	-	-
Derivative financial instruments	118,724	129,814	119,058	127,169
Subsidiary Companies	-	-	1,493,340	1,022,077
Guarantees and tied deposits	6,540	19,548	-	-
Sundry debtors and other operations	60,247	60,615	6,256	5,366
	294,597	296,674	2,519,369	2,294,529
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,002,939	5,885,502
Loans to related parties	298,844	265,542	90	90
Guarantees and tied deposits	67,071	72,498	5	5
Derivative financial instruments	76,880	147,026	93,586	128,493
Sundry debtors and other operations	47,945	49,507	-	-
	490,740	534,573	6,096,620	6,014,090
	785,337	831,247	8,615,989	8,308,619

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Income tax	162,555	168,834	66,066	81,917
Value added tax (VAT)	93,331	207,245	12,956	110,415
Turnover tax (Brazil)	5,413	17,026	-	-
Other taxes	20,900	42,523	3,608	3,255
	282,199	435,628	82,630	195,587

The decrease in Value added tax (VAT), relates essentially to the receipt in 2013 of VAT refunds, submitted by EDP S.A.

On EDP Group, the caption Other taxes includes the amount of 10,947 thousands of Euros (31 December 2012: 30,026 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Cash	241	60	14	-
Bank deposits				
Current deposits	458,240	416,038	1,801	26,345
Term deposits	1,299,364	1,052,822	721,433	601,914
Other deposits	65,864	29,149	-	-
	1,823,468	1,498,009	723,234	628,259
Operations pending cash settlement				
Current deposits	-	196,976	203,000	676,976
Other short term investments	1,149	291	-	-
	1,824,858	1,695,336	926,248	1,305,235

The caption Other short term investments includes very short term investments promptly convertible into cash.

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the amount of 203,000 thousands of Euros, which according to the Group accounting policy is booked as financial debt at the trade date of each emission. This commercial paper was issued on 27 September 2013 and was acquired by EDP Finance B.V., but the settlement date was on 1 October 2013.

30. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company that 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.

On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to CWEI (Europe), S.A. (former - China Three Gorges International (Europe), S.A.), through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública — Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4,14% of EDP share capital. The decrease of the shareholding resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa — Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

Share capital and Share premium are analysed as follows:

	Group and Company	
Thousands of Euros	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 September	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Net profit attributable to the equity holders of EDP (in Euros)	792,344,918	794,525,951	600,068,288	730,817,414
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	792,344,918	794,525,951		
Weighted average number of ordinary shares outstanding	3,626,894,992	3,623,926,213	3,628,407,992	3,625,439,213
Weighted average number of diluted ordinary shares outstanding	3,627,230,798	3,624,510,426	3,628,743,798	3,626,023,426
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Basic earnings per share from continuing operations (in Euros)	0.22	0.22		
Diluted earnings per share from continuing operations (in Euros)	0.22	0.22		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-29,642, 723	-32,611, 502	-28,129, 723	-31,098, 502
Average number of shares during the period	3,626,894,992	3,623,926,213	3,628,407,992	3,625,439,213
Effect of stock options	335,806	584,213	335,806	584,213
Diluted average number of shares during the period	3,627,230,798	3,624,510,426	3,628,743,798	3,626,023,426

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Book value of EDP, S.A. treasury stock (thousands of Euros)	86,352	103,706	80,257	97,611
Number of shares	27,644,802	31,904,523	26,131,802	30,391,523
Market value per share (in Euros)	2.700	2.290	2.700	2.290
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	74,641	73,061	70,556	69,597

Operations performed from 1 January to 30 September 2013:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	300,000	-
Average purchase price (in Euros)	2.365	-
Total purchase value (thousands of Euros)	710	-
Volume sold (number of shares)	-4,559,721	-
Selling price average (in Euros)	2.496	-
Total sale value (thousands of Euros)	11,380	-
Final position (number of shares)	26,131,802	1,513,000
Highest market price (in Euros)	2.730	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	2.508	-

The volume and the selling prices disclosed above include the effect of the treasury stock attributable to employees, as mentioned in note 45 - Share based payments.

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.

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Legal reserve	620,069	578,435	620,069	578,435
Fair value reserve (cash flow hedge)	-79,826	-121,097	-3,125	-16,069
Tax effect of fair value reserve (cash flow hedge)	23,096	34,979	1,178	4,938
Fair value reserve (available for sale investments)	55,489	45,350	11,050	8,238
Tax effect of fair value reserve (available for sale investments)	-2,294	-1,408	2,002	1,957
Exchange differences arising on consolidation	-75,352	24,268	-	-
Treasury stock reserve (EDP, S.A.)	80,257	97,611	80,257	97,611
Other reserves and retained earnings	2,895,026	2,464,978	1,446,108	1,315,569
	3,516,465	3,123,116	2,157,539	1,990,679

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 1 January 2012	485,789	-442,777
Changes in fair value	2,119	-9,986
Transfer of impairment to profit or loss	-	7,612
Balance as at 30 September 2012	487,908	-445,151
Changes in fair value	6,555	-3,953
Transfer of impairment to profit or loss	-	-9
Balance as at 31 December 2012	494,463	-449,113
Changes in fair value	11,616	-3,547
Transfer of impairment to profit or loss	-	2,070
Balance as at 30 September 2013	506,079	-450,590

Changes in fair value reserve attributable to the EDP Group during the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	7,116	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	2,822	-
Others	1,678	-3,547
	11,616	-3,547

Exchange differences on consolidation

Exchange differences 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:

		Exchange rates at Sep 2013		Exchange rates at Dec 2012		Exchange rates at Sep 2012	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.351	1.317	1.319	1.285	1.293	1.281
Brazilian Real	BRL	3.041	2.793	2.704	2.508	2.623	2.456
Macao Pataca	MOP	10.786	10.522	10.533	10.062	10.327	10.023
Canadian Dollar	CAD	1.391	1.348	1.314	1.284	1.268	1.284
Zloty	PLN	4.229	4.201	4.074	4.185	4.104	4.209
Romanian Leu	RON	4.462	4.409	4.445	4.459	4.538	4.436
Pound Sterling	GBP	0.836	0.852	0.816	0.811	0.798	0.812
Rand	ZAR	13.599	12.495	-	-	-	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the book value amount of treasury stock held.

Dividends

On 6 May 2013, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 23 May 2013 of the net profit for the year 2012 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,527 thousands of Euros).

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Non-controlling interests in income statement	148,664	169,672
Non-controlling interests in equity and reserves	2,986,310	3,069,642
	3,134,974	3,239,314

Non-controlling interests, by company, are made up as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
EDP Renováveis Group	1,619,439	1,516,865
EDP Brasil Group	1,396,445	1,604,316
Other	119,090	118,133
	3,134,974	3,239,314

During the nine-month period ended 30 September 2013, EDP Group generated profits of 148,664 thousands of Euros attributable to non-controlling interests (31 December 2012: 169,672 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 45,016 thousands of Euros, a decrease of 24,730 thousands of Euros related to dividends paid and additional acquisitions of wind farms in Europe, without a change of control, which resulted in a decrease of non-controlling interests of 28,782 thousands of Euros. In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in EDP Renováveis Portugal, S.A., and, as a result, the Group recognised non-controlling interests of 111,319 thousands of Euros and an impact in reserves attributable to EDP Group of 112,859 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 97,403 thousands of Euros of profits attributable to non-controlling interests, a decrease of 71,320 thousands of Euros related to dividends paid, negative variations resulting from share capital decreases, deliberated on 3 May 2013 by Lajeado Energia General Shareholders Meeting with an effect in non-controlling interests of 74,428 thousands of Euros (198,619 thousands of Reais), and 159,217 thousands of Euros of negative exchange differences.

34. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

	Group and Company	
Thousands of Euros	Sep 2013	Dec 2012
Non-Current	8,803	33,644
Current	32,118	22,832
	40,921	56,476

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Sep 2013	Sep 2012
Balance at the beginning of the period	56,476	69,142
Amounts received / (paid) during the period	-17,124	-11,365
Financial charges	1,569	1,914
Balance at the end of the period	40,921	59,691

35. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	46,827	61,567	46,827	61,567
- EDP Finance B.V.	2,758,839	2,205,915	-	-
- EDP Brasil Group	157,978	113,666	-	-
- EDP Renováveis Group	103,051	95,486	-	-
- Others	18,908	42,116	-	-
	3,085,603	2,518,750	46,827	61,567
Non-convertible bond loans:				
- EDP, S.A.	-	150,000	-	150,000
- EDP Finance B.V.	1,526,842	348,231	-	-
- EDP Brasil Group	299,488	141,521	-	-
	1,826,330	639,752	-	150,000
Commercial paper:				
- EDP, S.A.	90,500	319,500	4,480,500	7,335,000
- EDP Brasil Group	147,997	-	-	-
- EDP Renováveis Group	6,578	-	-	-
- HC Energia Group	-	2,192	-	-
	245,075	321,692	4,480,500	7,335,000
Other loans	13,118	15,806	-	-
Accrued interest	267,630	311,503	51,978	11,053
Other liabilities:				
- Fair value of the issued debt hedged risk	13,142	-	-	-
Total Debt and borrowings	5,450,898	3,807,503	4,579,305	7,557,620
Collateral Deposits - Current [(*)]				
Collateral deposit - BEI	-12,675	-12,732	-12,675	-12,732
Other collateral deposits	-20,802	-719	-	-
Total Collateral Deposits	-33,477	-13,451	-12,675	-12,732
	5,417,421	3,794,052	4,566,630	7,544,888

[(*)] Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 30 September 2013 is 347,172 thousands of Euros (334,497 thousands of Euros non-current and 12,675 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 142,043 thousands of Euros (121,241 thousands of Euros non-current and 20,802 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

Thousands of Euros	Group		Company	
	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,056,202	1,097,196	1,056,202	1,097,196
- EDP Finance B.V.	2,773,187	3,653,295	-	-
- EDP Brasil Group	678,715	803,140	-	-
- EDP Renováveis Group	758,862	792,181	-	-
- EDP Produção	146,400	150,876	-	-
- Others	32,337	37,840	-	-
	5,445,703	6,534,528	1,056,202	1,097,196
Non-convertible bond loans:				
- EDP, S.A.	736,858	731,942	3,736,858	731,942
- EDP Finance B.V.	8,185,199	8,654,038	-	-
- EDP Brasil Group	361,038	385,244	-	-
- EDP Renováveis Group	11,423	-	-	-
	9,294,518	9,771,224	3,736,858	731,942
Commercial paper:				
- EDP, S.A.	198,547	196,976	198,547	196,976
	198,547	196,976	198,547	196,976
Other loans:				
- Investco preference shares	16,117	17,263	-	-
- EDP Brasil Group	22,144	35,000	-	-
- EDP Renováveis Group	20,232	21,787	-	-
- Others	2,953	3,482	-	-
	61,446	77,532	-	-
	15,000,214	16,580,260	4,991,607	2,026,114
Accrued interest	22,444	20,056	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	12,921	115,409	4,393	6,323
Total Debt and borrowings	15,035,579	16,715,725	4,996,000	2,032,437
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-334,497	-348,713	-334,497	-348,713
Other collateral deposits	-121,241	-66,332	-	-
Total Collateral Deposits	-455,738	-415,045	-334,497	-348,713
	14,579,841	16,300,680	4,661,503	1,683,724

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 30 September 2013 and 31 December 2012 these loans amounted to 1,025,392 thousands of Euros and 1,018,578 thousands of Euros, respectively. These amounts are already included in the Group's consolidated debt (see note 44).

EDP Group has short-term credit facilities of 159,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 150,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2013. In January 2013, EDP Group signed a 5 year term loan facility of 1,600,000 thousands of Euros, of which 645,000 thousands of Euros are available and will be used to refinance a Revolving Credit Facility of 1,100,000 thousands of Euros to be repaid at maturity in November 2013. EDP Group has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, being fully available as at 30 September 2013. For liquidity management needs in USD, EDP Group has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 30 September 2013 is totally drawn down.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period up to one year in the amount of 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 1,453 thousands of Euros.

The nominal value of Bond loans issued with external counterparts and outstanding, as at 30 September 2013, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Thousands of Euros Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
					750,000	750,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	740,466	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.50%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	75,884	-
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	740,466	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,047	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.50%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Fair Value	Nov/18	103,922	-
EDP Finance B.V.	Dec-12	Variable Rate (iv)	n.a.	Dec/13	350,000	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750,000	-
					9,796,367	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	27,412	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	128,264	-
CEJA	Oct/11	110.5% do CDI	n.a.	Oct/13	98,665	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	39,466	-
Energias do Brasil	Sep/12	105.5% do CDI	n.a.	Feb/14	147,997	-
Cachoeira Caldeirão	Mar/13	106.30% do CDI	n.a.	Oct/14	55,252	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	164,441	-
					661,497	-
Issued by the EDP Renováveis Brasil in the Brazilian domestic market						
Central Eólica Baixa do Feijão	Aug/13	CDI + 1.1%	n.a.	Feb/15	11,511	-
					11,511	-
					11,219,375	750,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

Loans by maturity, are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Bank loans				
Up to 1 year	3,131,963	2,558,583	47,981	64,171
From 1 to 5 years	4,120,920	5,142,798	672,762	659,126
More than 5 years	1,338,032	1,407,686	383,440	438,070
	8,590,915	9,109,067	1,104,183	1,161,367
Bond loans				
Up to 1 year	2,058,531	908,935	48,613	156,537
From 1 to 5 years	6,736,863	6,952,783	3,741,251	456,324
More than 5 years	2,579,771	2,937,950	-	281,941
	11,375,165	10,799,668	3,789,864	894,802
Commercial paper				
Up to 1 year	247,286	324,089	4,482,711	7,336,912
From 1 to 5 years	198,547	196,976	198,547	196,976
	445,833	521,065	4,681,258	7,533,888
Other loans				
Up to 1 year	13,118	15,896	-	-
From 1 to 5 years	55,120	52,837	-	-
More than 5 years	6,326	24,695	-	-
	74,564	93,428	-	-
	20,486,477	20,523,228	9,575,305	9,590,057

The fair value of EDP Group's debt is analysed as follows:

Thousands of Euros	Sep 2013		Dec 2012	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	5,450,898	5,203,776	3,807,503	3,452,211
Debt and borrowings - Non-current	15,035,579	15,487,830	16,715,725	17,164,909
	20,486,477	20,691,606	20,523,228	20,617,120

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements of IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 30 September 2013, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Debt and borrowings - Non-current	-	332,464	3,258,947	3,380,373	2,449,419	5,614,376	15,035,579
Debt and borrowings - Current	2,090,581	3,360,317	-	-	-	-	5,450,898
	2,090,581	3,692,781	3,258,947	3,380,373	2,449,419	5,614,376	20,486,477

Future payments of principal and interest and guarantees are detailed in note 44.

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group	
	Sep 2013	Dec 2012
Provisions for social liabilities and benefits	840,936	939,399
Provisions for medical liabilities and other benefits	996,768	994,026
	1,837,704	1,933,425

Provisions for social liabilities and benefits as at 30 September 2013 include 835,237 thousands of Euros relating to retirement pension defined benefit plans (31 December 2012: 932,194 thousands of Euros) and 5,699 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2012: 7,205 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Balance at the beginning of the period	939,399	1,003,943
Charge for the period	31,963	44,039
Pre-retirements (curtailments)	-	54
Actuarial (gains)/losses	-15,339	-15,047
Charge-off	-105,579	-108,909
Transfers, reclassifications and exchange differences	-9,508	-2,644
Balance at the end of the period	840,936	921,436

The components of consolidated net cost of the pensions plans recognised in the period were as follows:

	Sep 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	8,327	462	166	8,955
Operational component (see note 10)	8,327	462	166	8,955
Net interest (*)	17,181	2,079	3,748	23,008
Financial component (see note 15)	17,181	2,079	3,748	23,008
	25,508	2,541	3,914	31,963

	Sep 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	9,035	425	-55	9,405
Curtailments / settlements	-	-	54	54
Operational component (see note 10)	9,035	425	-1	9,459
Net interest (*)	30,277	2,827	1,530	34,634
Financial component (see note 15)	30,277	2,827	1,530	34,634
	39,312	3,252	1,529	44,093

(*) The caption Net interest corresponds to interest cost net of expected return on plan assets.

The movement in Provisions for medical liabilities and other benefits is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Balance at the beginning of the period	994,026	819,215
Charge for the period	37,532	40,553
Actuarial (gains)/losses	8,857	-1,534
Charge-off	-31,437	-30,793
Transfers, reclassifications and exchange differences	-12,210	-4,928
Balance at the end of the period	996,768	822,513

The components of the consolidated net cost of these medical and other benefits plans recognised during the period are as follows:

	Sep 2013			Sep 2012		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	6,445	966	7,411	5,017	1,540	6,557
Operational component (see note 10)	6,445	966	7,411	5,017	1,540	6,557
Interest cost	20,526	9,595	30,121	27,282	6,714	33,996
Financial component (see note 15)	20,526	9,595	30,121	27,282	6,714	33,996
	26,971	10,561	37,532	32,299	8,254	40,553

As at 30 September 2013, current service cost and the actuarial assumptions remain unchanged compared to 31 December 2012.

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Provision for legal and labour matters and other contingencies	68,953	78,495	-	-
Provision for customer guarantees under current operations	5,021	10,121	-	-
Provisions for dismantling and decommissioning	175,082	169,402	-	-
Provision for other liabilities and charges	155,327	124,848	23,713	27,882
	404,383	382,866	23,713	27,882

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, booked provisions to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 12,797 thousands of Euros (31 December 2012: 14,722 thousands of Euros). These requests result from the application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 6,728 thousands of Euros;

iii) The Municipal Council of Póvoa do Varzim has brought up a legal action, which estimated liability as at 31 December 2012 was 2,852 thousands of 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 was absolved, and the provision was reversed during the second quarter of 2013;

iv) As at 31 December 2012, the litigation with the Municipal Council of Seixal relating to differences regarding taxes and other fees in connection with the use of public space for the years 2006 to 2008 amounted to 3,852 thousands of Euros. During the second quarter of 2013, EDP Distribuição and Municipal Council of Seixal agreed the termination of the lawsuits and the payment of 1,545 thousands of Euros by EDP Distribuição, therefore the provision has been reversed;

v) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 September 2013, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices;

vi) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

Provisions for customer guarantees under current operations of 5,021 thousands of Euros (31 December 2012: 10,121 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 September 2013, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 28,444 thousands of Euros (31 December 2012: 29,059 thousands of Euros) to cover the cost of dismantling the Trill 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 66,348 thousands of Euros (31 December 2012: 63,336 thousands of Euros) to cover the costs of returning the sites to their original state, of which 38,270 thousands of Euros refer to the wind farms of the EDPR NA Group, 27,248 thousands of Euros to the wind farms of the EDPR EU Group and 830 thousands of Euros to the wind farms of the EDPR Brasil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 30 September 2013, the provision which amounts to 58,600 thousands of Euros (31 December 2012: 56,044 thousands of Euros) and 20,960 thousands of Euros (31 December 2012: 20,194 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the 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.

Following the grant of the construction license for the hydroelectric plant - UHE Cachoeira Caldeirão, EDP Brasil took the responsability for implement and perform several social and environmental programs being the estimated amount 19,186 thousands of Euros. A provision for other liabilities and charges was booked in this amount.

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 September 2013, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 28,484 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 27,726 thousands of Euros;

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 15,075 thousands of Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 September 2013, the amount of this tax contingency totals 232,5 millions of Euros.

Considering the analysis made, 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 in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Bandeirante, through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts. The estimated value at 30 September 2013 amounts to 50,213 thousands of Euros.

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Deferred income related to benefits provided	693,544	737,598
Liabilities arising from institutional partnerships in USA wind farms	874,819	942,155
	1,568,363	1,679,753

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Current, are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Suppliers	832,369	1,169,387	274,283	236,425
Accrued costs related with supplies	341,900	391,834	188,979	175,934
Property, plant and equipment suppliers and accruals	281,911	731,769	1,922	6,708
Holiday pay, bonus and other charges with employees	149,410	142,229	9,782	7,284
CO_2 emission licenses	78,087	142,084	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	156,228	144,994	-	-
Amounts payable for tariff adjustments - Electricity - Spain	110,440	8,280	-	-
Deferred income - CMEC	34,647	-	-	-
Other creditors and sundry operations	480,065	490,022	43,296	61,735
	2,465,057	3,220,599	518,262	488,086

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Government grants for investment in fixed assets	586,433	522,551
Amounts payable for tariff adjustments - Electricity - Portugal	41,971	842
Energy sales contracts - EDPR NA	38,873	49,449
Deferred income - CMEC	332,994	392,841
Amounts payable for concessions	246,272	240,051
Other creditors and sundry operations	70,713	57,037
	1,317,256	1,262,771

The movement for the period in Amounts payable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	67,473	12,376
Payment through the electricity tariff	-52,633	-
Tariff adjustment of the period	-	70,493
Interest expense	2,305	952
Transfer from Non-Current to Current	9,282	-9,282
Balance as at 30 September 2012	26,427	74,539
Payment through the electricity tariff	-17,544	-
Tariff adjustment of the period	141,202	-70,493
Interest expense	1,196	-
Transfer to tariff adjustments receivable	-10,333	842
Transfer from Non-Current to Current	4,046	-4,046
Balance as at 31 December 2012	144,994	842
Payment through the electricity tariff	-103,522	-
Tariff adjustment of the period	123,388	41,130
Interest expense	1,765	841
Transfer of tariff adjustment to receive	-10,397	-842
Balance as at 30 September 2013	156,228	41,971

The caption CO_2 emission licenses includes the CO_2 consumptions made during 2013 in Portugal and Spain, in the amount of 35,855 thousands of Euros and 42,232 thousands of Euros, respectively.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 8).

Deferred income - CMEC current and non-current in the amount of 367,641 thousands of Euros (31 December 2012: 392,841 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2013 and including unwinding (see note 15).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 158,383 thousands of Euros (31 December 2012: 150,489 thousands of 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 81,706 thousands of Euros (31 December 2012: 89,562 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2012: 14,317 thousands of Euros).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Other liabilities and other payables - Current				
Loans from non-controlling interests	119,789	137,402	-	-
Derivative financial instruments	71,837	62,629	75,227	61,543
Payables - Group companies	-	-	462,312	679,503
Amounts payable for acquisitions and success fees	16,235	135,932	-	-
Other creditors and sundry operations	12,425	32,180	43,385	30,182
	220,286	368,143	580,924	771,228
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	211,307	108,850	-	-
Put options over non-controlling interest liabilities	104,604	90,371	-	-
Derivative financial instruments	116,354	145,614	-	-
Payables - Group companies	-	-	2,927,135	3,006,023
Amounts payable for acquisitions and success fees	21,864	41,735	-	-
Other creditors and sundry operations	21,925	23,167	11,062	11,062
	476,054	409,737	2,938,197	3,017,085
	696,340	777,880	3,519,121	3,788,313

The variation in the caption Loans from non-controlling interests Current and Non-Current is mainly related to EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were also acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 September 2013, this loan amounts to 105,049 thousands of Euros.

The caption Payables - Group companies Current on a company basis includes 454,332 thousands of Euros (31 December 2012: 462,142 thousands of Euros) related to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and EDP Servicios Financieros España, S.A. and 926 thousands of Euros, related to debt financing obtained from EDP Renováveis and EDPR Europe, respectively (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 2,927,135 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholding position. As a consequence of the agreement mentioned above, during the first semester of 2013 the Group HC paid the remaining amount of 96,003 thousands of Euros related to the acquisition of 29.43% of the Naturgas' share capital. Additionally, the variation also includes the payment of the contigent price of the solar photovoltaic companies in Romania in the amount of 7,721 thousands of Euros. As at 30 September 2013, the caption Amounts payable for acquisitions and success fees - current includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 6,553 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13 % of HC Energia share capital of 101.127 thousands of Euros (31 December 2012: 83,425 thousands of Euros).

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of Relax Wind Group, EDPR Roménia, Greenwind, Elektrownia, Wiatrowa, Kresy, Feijão, Bodzanow, Starozreby, Wyszorod, Elebrás and solar photovoltaic companies held by EDPR-RO-PV, S.R.L. As at 30 September 2013, this caption includes the contingent price revision associated with the additional acquisitions of Relax Wind Park I in the amount of 17,423 thousands of Euros, and Greenwind in the amount of 1,750 thousands of Euros.

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Income tax	201,376	103,633	62,541	9,930
Withholding tax	39,243	64,763	286	256
Value added tax (VAT)	94,553	94,461	205	2,229
Turnover tax (Brazil)	37,797	52,956	-	-
Social tax (Brazil)	19,573	41,984	-	-
Other taxes	134,707	109,941	45	50
	527,249	467,738	63,077	12,465

As at 30 September 2013, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 67,358 thousands of Euros, Naturgas Group of 25,253 thousands of Euros (31 December 2012: HC Energia Group of 44,512 thousands of Euros and Naturgás Group of 29,667 thousands of Euros) and EDP Brasil Group of 11,112 thousands of Euros (31 December 2012: 12,710 thousands of Euros).

42. 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, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Assets classified as held for sale		
Assets of the business of gas transmission - Naturgas	-	212,850
Assets of the business of cogeneration	-	29,001
	-	241,851
Liabilities classified as held for sale		
Liabilities of the business of gas transmission - Naturgas	-	-23,628
Liabilities of the business of cogeneration	-	-15,758
	-	-39,386
	-	202,465

In 2012, as a result of the negotiations for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were presented as assets and liabilities held for sale. This operation was concluded in February 2013, after obtaining the required authorizations by the regulatory and antitrust authorities. Naturgás sold the gas transmission business to Enagás, S.A. (the Spanish gas transmission system operator) for 115,493 thousands of Euros, generating a gain of 55,829 thousands of Euros (see note 8). In this operation, Enagás also paid an intercompany debt of 129,654 thousands of Euros.

On 21 January 2013, following the exercise of a call option by Soporcel as established in the shareholders' agreement, EDP Produção sold the cogeneration assets, through the sale of 82% shareholding in Soporgen, S.A to the other shareholder, Soporcel, S.A., for 5,060 thousands of Euros, generating a gain of 2,239 thousands of Euros (see note 8). Additionally, an amount of 5,349 thousands of Euros was received related to dividends distributed by Soporgen before this operation. Simultaneously with this divestment, EDP Produção received full reimbursement of the shareholders loans granted to Soporgen, including accrued interest, in the amount of 3,281 thousands of Euros. As at 31 December 2012, the assets and liabilities associated with Soporgen were presented under assets and liabilities classified as held for sale.

43. 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 as net investment hedge.

The fair value of the derivative financial instruments portfolio as at 30 September 2013 and 31 December 2012 is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Derivatives held for trading	-7,450	26,223	14,592	35,936
Fair value hedge	59,169	162,287	123,206	169,862
Cash flow hedge	-56,779	-123,358	-381	-11,679
Net Investment hedge	12,473	3,445	-	-
	7,413	68,597	137,417	194,119

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2013 and 31 December 2012, are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Financial guarantees				
EDP, S.A.	283,524	312,237	283,524	312,237
HC Energia Group	4,005	37,539	-	-
EDP Brasil Group	737,043	867,623	-	-
Other	7,043	7,122	-	-
	1,031,615	1,224,521	283,524	312,237
Operating guarantees				
EDP, S.A.	677,991	745,324	677,991	745,324
HC Energia Group	341,038	334,226	-	-
EDP Brasil Group	341,111	433,613	-	-
EDP Renováveis Group	681,761	1,208,810	-	-
Other	9,224	9,272	-	-
	2,051,125	2,731,245	677,991	745,324
Total	3,082,740	3,955,766	961,515	1,057,561
Real guarantees	22,057	29,504	-	-

The financial guarantees contracted include, at 30 September 2013 and 31 December 2012, 953,319 thousands of Euros and 1,139,074 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 September 2013 and 31 December 2012, 307,705 thousands of Euros and 397,266 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 September 2013 and 31 December 2012 these loans amounted to 1,025,392 thousands of Euros and 1,018,578 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2013 and 31 December 2012, EDPR's obligations under the tax equity agreements, in the amount of 842,781 thousands of Euros and 901,301 thousands of Euros, are reflected in liabilities under the Institutional Partnerships in USA Wind farms.

Real guarantees, as at 30 September 2013, include 1,130 thousands of Euros (31 December 2012: 9,615 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

In addition, EDP has constituted an escrow deposit in the amount of 347,172 thousands of Euros (334,497 thousands of Euros non-current and 12,675 thousands of Euros current), as presented in note 35, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the condensed consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the condensed consolidated statement of financial position) are disclosed, as at 30 September 2013 and 31 December 2012, by maturity, as follows:

	Sep 2013				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,809,838	6,027,768	7,820,430	5,387,903	4,573,737
Finance lease commitments	7,298	3,371	3,624	303	-
Operating lease commitments	1,029,368	56,955	82,977	79,961	809,475
Purchase obligations	22,146,809	3,449,782	4,937,497	2,950,951	10,808,579
Other long term commitments	2,052,004	240,966	460,978	421,213	928,847
	49,045,317	9,778,842	13,305,506	8,840,331	17,120,638

	Dec 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,838,923	4,265,240	8,312,603	6,176,972	5,084,108
Finance lease commitments	8,606	3,549	4,325	732	-
Operating lease commitments	977,501	53,430	88,047	73,940	762,084
Purchase obligations	24,614,933	4,067,246	6,142,932	4,034,410	10,370,345
Other long term commitments	2,149,686	249,086	475,500	433,896	991,204
	51,589,649	8,638,551	15,023,407	10,719,950	17,207,741

The Group's contractual commitments shown above relate essentially to agreements and commitments required for current business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in the Europe, United States of America and Brazil and to comply with medium and long term investment objectives of the Group.

The short and long term debt corresponds to the balance of borrowings and related falling due interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based on interest rates in force at the end of the period.

Falling due 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 statement of financial position (see note 36).

As at 30 September 2013, 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;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;
- EDP holds, through its subsidiary South África Wind & Solar Power, S.L., a call option of an aditional 42,5% of the share capital of Modderfontein Wind Energy Project, Ltd., which exercise price corresponds to the amounts contributed by the other partner in the Modderfontein project development. This option can be exercised from the date of the agreement until 45 calendar days before the deadline for submission of tenders for the next auction of energy.

45. SHARE BASED PAYMENTS

EDP implemented a stock option programs applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote the creation of value added.

Currently, EDP Group has a stock option 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 (April 2014). 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 eight years. The options are granted by the EDP Group's Remunerations Committee and can only be exercised after two years of service.

During 2013, were exercised the remaining options of the Plan for Members of the Board of Directors and Management of the Group subsidiaries.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 30 September 2012	567,201	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 30 September 2013	150,690	2.21

Information regarding stock options as at 30 September 2013, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
150,690	2.21	0.58	150,690	132,862

During the nine-month period ended 30 September 2013 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In the first nine months of 2013, EDP Group granted treasury stocks to employees (760,900 shares) totalling 1,886 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2013 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola Energia S.A.U.	243,395,875	6.66%	6.66%
Oppidum Capital, S.L.	226,046,616	6.18%	6.18%
Capital Group Companies, Inc.	183,792,530	5.03%	5.03%
José de Mello - SGPS, S.A.	168,097,034	4.60%	4.60%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,667,974	3.35%	3.35%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
Massachusetts Financial Services Company	78,599,362	2.15%	2.15%
Banco Espírito Santo Group	73,515,620	2.01%	2.01%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	27,644,802	0.76%	
Remaining shareholders	1,360,567,510	37.20%	
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held or attributtable to company officers as at 30 June 2013 and 31 December 2012 are as follows:

	Jun 2013 Nr. of shares	Dec 2012 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
China International Water & Electric Corp. (represented by Guojun Lu)	-	-
China Three Gorges New Energy Co. Ltd. (represented by Ya Yang)	-	-
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
Parpública - Participações Públicas (SGPS) S.A.	-	151,517,000
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	-	-
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	168,097,034	168,097,034
Luís Filipe da Conceição Pereira	5,701	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Carlos Jorge Ramalho dos Santos Ferreira	-	40,000
Sonatrach (represented by Harkat Abderezak)	87,007,443	87,007,443
José Maria Espírito Santo Silva Ricciardi	-	-
Alberto João Coraceiro de Castro	6,917	4,578
António Sarmento Gomes Mota	-	-
Maria Celeste Ferreira Lopes Cardona	-	-
Fernando Maria Masaveu Herrero	270,494,695	44,188,463
Ilídio da Costa Leite de Pinho	-	-
Jorge Avelino Braga de Macedo	-	-
Manuel Fernando de Macedo Alves Monteiro	-	-
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	-	-
Vasco Joaquim Rocha Vieira	3,203	3,203
Vitor Fernando da Conceição Gonçalves	3,465	3,465
Rui Eduardo Ferreira Rodrigues Pena	4,541	2,945
Augusto Carlos Serra Ventura Mateus	-	-
Nuno Manuel da Silva Amado	-	-

	Jun 2013 Nr. of shares	Dec 2012 Nr. of shares
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	41,000
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
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Stilwell de Andrade	111,576	111,576

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,319 thousands of Euros and an impact in reserves attributable to Group of 112,859 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros (see note 5). The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 September 2013, this loan amounts to 105.049 thousands of Euros from which 9,992 thousands of Euros as current and 95,057 thousands of Euros as non-current (see note 40).

Balances and transactions with subsidiaries and associates

The credits and debits over subsidiaries and associates, at Company level, are analysed as follows:

Credits

	September 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	15,609	261,250	204	277,063
EDP Comercial	14,233	10,174	154,018	178,425
EDP Distribuição	716,811	2,379,471	8,540	3,104,822
EDP Gás - SGPS	21,734	116,897	3,151	141,782
EDP Produção	483,061	4,004,656	112,918	4,600,635
EDP Imobiliária e Participações	-	97,411	78	97,489
EDP Renováveis	-	-	170,097	170,097
Others	83,503	33,795	225,356	342,654
	1,334,951	6,903,654	674,362	8,912,967

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	13,505	265,125	1,691	280,321
EDP Comercial	62,543	10,070	114,903	187,516
EDP Distribuição	529,322	2,339,954	13,283	2,882,559
EDP Finance BV	-	104,009	1,939	105,948
EDP Gás - SGPS	3,114	112,019	1,464	116,597
EDP Produção	314,591	3,979,577	88,037	4,382,205
EDP Imobiliária e Participações	1,870	96,733	299	98,902
EDP Renováveis	-	-	227,552	227,552
Others	31,129	23,144	308,683	362,956
	956,074	6,930,631	757,851	8,644,556

Debits

	September 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	7,272,005	14,723	7,286,728
EDP Servicios Financieros (España)	-	346,461	769	347,230
EDP Produção	-	-	310,356	310,356
EDP Serviço Universal	-	-	88,988	88,988
Others	13,703	153,927	108,583	276,213
	13,703	7,772,393	523,419	8,309,515

The amount of 7,272,005 thousands of Euros includes an intragroup bonds issuence by EDP Finance BV to EDP SA during the third quarter 2013, in the amount of 3,000,000 thousands of Euros, at five-year variable rate.

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	10,110,805	6,128	10,116,933
EDP Servicios Financieros (España)	-	213,360	-	213,360
EDP Produção	-	-	232,083	232,083
EDP Renováveis	-	189,116	3,867	192,983
EDP Serviço Universal	-	-	85,905	85,905
Others	13,930	187,744	106,777	308,451
	13,930	10,701,025	434,760	11,149,715

Expenses and income related to intra-Group transactions, at Company level, are analysed as follows:

Expenses

	September 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	184,520	14,353	198,873
EDP Produção	-	-	771,573	771,573
Empresa Hidroeléctrica do Guadiana	-	-	37,692	37,692
EDP Renewables Europe	-	-	26,946	26,946
Others	232	8,168	89,752	98,152
	232	192,688	940,316	1,133,236

	September 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	139,216	3,718	142,934
EDP Produção	333	-	688,944	689,277
Empresa Hidroeléctrica do Guadiana	-	-	18,432	18,432
Naturgás Comercializadora	-	-	16,674	16,674
Others	115	5,664	69,662	75,441
	448	144,880	797,430	942,758

Income

	September 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	559	308	558,640	559,507
EDP Distribuição	12,372	117,692	218,961	349,025
EDP Gás.Com	225	-	129,430	129,655
EDP Produção	5,644	203,350	408,734	617,728
Others	1,655	20,513	272,038	294,206
	20,455	341,863	1,587,803	1,950,121

	September 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	1,319	1,236	415,212	417,767
EDP Distribuição	8,612	97,411	30,225	136,248
EDP Gás.Com	-	-	183,204	183,204
EDP Produção	632	182,028	31,624	214,284
Others	979	25,406	176,231	202,616
	11,542	306,081	836,496	1,154,119

Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and liabilities

	September 2013		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	307,404	1,296	306,108
Jointly controlled entities	58,278	17,634	40,644
	365,682	18,930	346,752

	December 2012		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	268,041	539	267,502
Jointly controlled entities	39,393	12,014	27,379
	307,434	12,553	294,881

Transactions

	September 2013			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	12,402	12,465	-1,397	-2,532
Jointly controlled entities	73,716	4,894	-26,881	-3
	86,118	17,359	-28,278	-2,535

	September 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	11,451	8,025	-2,466	-48
Jointly controlled entities	41,752	4,717	-19,973	-392
	53,203	12,742	-22,439	-440

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 September 2013 and 31 December 2012 is analysed as follows:

	Group Sep 2013			Group Dec 2012		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	187,413	187,413	-	181,298	181,298	-
Trade receivables	1,892,425	1,892,425	-	2,377,203	2,377,203	-
Debtors and other assets from commercial activities	5,372,178	5,372,178	-	4,788,421	4,788,421	-
Other debtors and other assets	589,733	589,733	-	554,407	554,407	-
Derivative financial instruments	195,604	195,604	-	276,840	276,840	-
Financial assets at fair value through profit or loss	4,679	4,679	-	390	390	-
Collateral deposits associated to financial debt	489,215	489,215	-	428,496	428,496	-
Cash and cash equivalents	1,824,858	1,824,858	-	1,695,336	1,695,336	-
	10,556,105	10,556,105	-	10,302,391	10,302,391	-
Financial liabilities						
Financial debt	20,486,477	20,691,606	205,129	20,523,228	20,617,120	93,892
Suppliers and accruals	1,114,280	1,114,280	-	1,901,156	1,901,156	-
Institutional partnerships in USA wind farms	1,568,363	1,568,363	-	1,679,753	1,679,753	-
Trade and other payables from commercial activities	2,081,600	2,081,600	-	2,059,663	2,059,663	-
Other liabilities and other payables	508,149	508,149	-	569,637	569,637	-
Derivative financial instruments	188,191	188,191	-	208,243	208,243	-
	25,947,060	26,152,189	205,129	26,941,680	27,035,572	93,892

Considering that 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 market value of loans is calculated based on the discounted cash flows at market interest rates at the balance sheet date, increased by the best estimate, at the same date, of market conditions applicable to Group's debt, based on its average term.

48. RELEVANT OR SUBSEQUENT EVENTS

EDPR executes a new asset rotation transaction in the USA

On September 2013, EDP Renováveis S.A. has reached an agreement with Fiera Axium Infrastructure US L.P. to sell a 49% equity shareholding in the 97 MW Wheat Field wind farm in the US. The project was installed in the first quarter of 2009 (4.5 years in operation) and has a 20-year Power Purchase Agreement (PPA) in place.

The transaction is subject to the customary regulatory approvals. The total implied asset value amounts to 197 millions of USD, based on (i) the transaction price, (ii) the Cash Grant collected in 2009 and (iii) the operating cash-flow received since the project's inception.

Income Fund of America notifies qualified shareholding position in EDP

Income Fund of America ("IFA") notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it holds a qualifying shareholding of 73,654,630 ordinary shares of EDP, which corresponds to 2.01% of EDP's share capital and 2.01% of the respective voting rights.

The significant shareholding resulted from the acquisition, on 1 October 2013, of 1,273,911 shares which corresponds to 0.035% of EDP's voting rights.

IFA is a mutual fund registered in the United States of America under the investment Company Act of 1940. IFA has granted proxy voting authority to Capital Research and Management Company, its investment adviser. Therefore, shares held by IFA are also imputable to Capital Research and Management Company although IFA is the direct owner of shares.

Capital Research and Management Company is a USA-based investment adviser that manages the American Funds family of mutual funds.

Portuguese Government proposes energy sector extraordinary contribution for 2014

The Portuguese Government announced on 15 October 2013, the draft state budget for 2014 proposing the creation of an extraordinary contribution applicable to economic operators in the energy sector that develop the following activities: i) generation, transmission or distribution of electricity; ii) transport, distribution, storage or wholesale supply of natural gas; iii) refining, treatment, storage, transportation, distribution and wholesale supply of crude oil and oil products.

The contribution rate on the energy sector will be 0.85% on the fixed tangible and intangible assets, as of 1 January 2014 or as of the first day of the fiscal year. In the case of electricity generation activity, this rate will be applicable only to the power plants in operation on that date.

Among other, the following assets will be exempt from this rate:

(i) CCGTs with an annual utilization of installed capacity in 2013, up to 2,000 hours (application of a reduced rate of 0.425% for annual utilization above 2,000 hours and below 3,500 hours);

(ii) The hydroelectric plants with installed capacity below 20 MW;

(iii) Wind farms; and

(iv) Power plants with electricity generation licenses awarded following tender procedures or competitive consultation.

The Government expects the contribution to generate 150 millions of Euros of proceeds, of which 50 millions of Euros will be allocated to the reduction of the tariff deficit of the electricity sector and to energy efficiency measures.

According to the information available in the proposal now presented, the impact net of taxes for EDP of this extraordinary contribution will amount to approximately 45 millions of Euros in 2014.

This proposal will be subject to discussion in the Portuguese Parliament. A final version of the state budget for 2014 will be approved until the end of November 2013.

ANEEL approves a 10.36% tariff increase ate EDP Bandeirante's annual tariff readjustment process

The Brazilian electricity regulator, ANEEL, approved a 10.36% annual tariff readjustment index for EDP Bandeirante, for the period from 23 October 2013 to 22 October 2014.

Within the annual tariff readjustment process, ANEEL takes into consideration the variation in the costs of the sector companies in the preceding 12 months. The formula includes controllable costs (Parcel B), which are updated by inflation (IGP-M index) and by the X Factor, and non-controllable costs (Parcel A), such as electricity purchased from generators, sector costs and transmission charges, as well as financial adjustments recognized by ANEEL in the Parcel A Items Variation Compensation Account (CVA) and other accounts. The X Factor approved in this tariff readjustment is 1.08%, having been defined "Pd" (productivity component) of 1.08%, "T" (efficiency component) of 0.00% and "Q "(quality of service incentive component) of 0.00%.

The approved tariff readjustment includes the reimbursement of the second of three annual tranches of 28 millions of Reais related to the postponing of the EDP Bandeirante's Tariff Review for the period 2011-15 which led to the tariff freezing for the period from 23 October 2011 to 22 October 2012. The last installment will be paid in the tariff adjustment in 2014.

The main financial adjustments recognized by ANEEL in this process was the balance of the Variation of Parcel A (CVA) in the amount of 288 millions of Reais related to the difference between the approved costs and the ones actually incurred for the period between August 2012 to July 2013. Of this amount, EDP Bandeirante will receive 50 millions of Reais through tariff and the remaining 238 millions of Reais through the transfer of the Energy Development Account - CDE, in order to reduce the impact on the tariffs to be applied to the final consumers.

EDPR executes an asset rotation transaction in France

EDP Renováveis S.A. has reached an agreement with Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, to sell a 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100 MW located in France, which currently benefit from a feedin tariff regime. Based on the transaction price, the total implied enterprise value for 100% of the assets amounts to 126 millions of Euros.

49. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

• IFRS 7 (Amended) - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

No significant impact in the Group financial statements disclosures resulted from the adoption of this amendment.

• IFRS 13 - Fair Value Measurement

No significant impact in the Group resulted from the adoption of this standard.

• IAS 1 (Amended) - Presentation of Financial Statements

No significant impact in the Group resulted from the adoption of this amendment.

• IAS 19 (Amended) - Employee Benefits

No significant impact in the Group resulted from the adoption of this amendment.

• Improvements to IFRSs (2009-2011)

No significant impact in the Group resulted from the adoption of these improvements.

The Group has decided not to early adopt the following standards and interpretations endorsed by the European Union:

- IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
- IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
- IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014;
- IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
- IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014;
- IAS 32 (Amended) - Financial Instruments: Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014.

Standards, amendments and interpretations issued but not yet effective for the Group:

- IFRS 9 - Financial Instruments;
- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27;
- IAS 36 (Amended) - Impairment of Assets : Recoverable Amount Disclosures for Non-Financial Assets;
- IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 - Levies.

50. 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., EDP Servicios Financieros España, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on Iberian ambit EDP Management Committee.

The Executive Committee is composed essentially 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 Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 30 September 2013 and 31 December 2012 is analysed as follows:

	EDP Branch	
Thousands of Euros	Sep 2013	Dec 2012
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
- EDP Servicios Financieros España, S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
- Other	60	60
Deferred tax assets	2,193	54,636
Other debtors and others assets	94,101	129,006
Total Non-Current Assets	5,782,590	5,869,938
Trade receivables	11,825	10,985
Debtors and other assets	133,677	325,212
Tax receivable	26,734	43,943
Cash and cash equivalents	92	361
Total Current Assets	172,328	380,501
Total Assets	5,954,918	6,250,439
Equity	2,534,136	2,515,135
Trade and other payables	2,927,135	3,006,023
Total Non-Current Liabilities	2,927,135	3,006,023
Trade and other payables	476,975	726,998
Tax payable	16,672	2,283
Total Current Liabilities	493,647	729,281
Total Liabilities	3,420,782	3,735,304
Total Equity and Liabilities	5,954,918	6,250,439

51. SEGMENTAL REPORTING

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, 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 Brasil).

The Executive Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Energin, S.A.;
- EDP Produção Bioléctrica, S.A.;
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Electrica de la Ribera del Ebro, S.A.;
- Hidroeléctrica Del Cantábrico, S.L.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- Patrimonial de La Ribera del Ebro, S.L.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- EDP Soluções Comerciais, S.A.;
- Naturgás Comercializadora, S.A.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas 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.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America, EDPR Canada and EDPR Brasil 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 Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil, S.A. 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 column Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centres.

The column Adjustments segment includes 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 statement of financial position 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.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

As at 30 September 2013, the Group analysed the nature of each asset and liability reported by the two EDP Produção segments, which resulted in a revision of its allocation to each segment. The same criteria was adopted in the presentation of the comparative information.

52. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I

EDP Group Activity by Business Segment
30 September 2013

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	956,822	4,815,725	4,335,239	920,013	1,853,267	600	-	(2,436,636)	10,445,030
Gas and network accesses	-	1,217,544	254,899	-	-	-	-	(229,283)	1,243,160
Other	48,407	163,293	10,822	4,308	33,946	16,973	202,311	(356,049)	124,011
	1,005,229	6,196,562	4,600,960	924,321	1,887,213	17,573	202,311	(3,021,968)	11,812,201
Cost of electricity	(36,966)	(3,986,783)	(3,224,535)	(11,728)	(1,089,211)	(601)	-	2,433,067	(5,916,757)
Cost of gas	(13)	(1,045,007)	(34,487)	-	-	-	-	142,317	(937,190)
Change in inventories and cost of raw materials and consumables used	(312,018)	(499,462)	(5,997)	(259)	(39,170)	(4,808)	-	119,257	(742,457)
	(348,997)	(5,531,252)	(3,265,019)	(11,987)	(1,128,381)	(5,409)	-	2,694,641	(7,596,404)
	656,232	665,310	1,335,941	912,334	758,832	12,164	202,311	(327,327)	4,215,797
Other operating income / (expenses)									
Other operating income	8,765	6,025	95,683	121,682	38,114	9,488	27,160	(41,132)	265,785
Supplies and services	(55,745)	(203,789)	(310,822)	(190,849)	(128,475)	(8,801)	(126,599)	352,987	(672,093)
Personnel costs and employee benefits	(46,790)	(81,847)	(125,994)	(53,061)	(96,667)	(7,313)	(99,424)	19,660	(491,436)
Other operating expenses	(18,632)	(105,852)	(222,414)	(82,059)	(74,565)	(6,856)	(12,126)	3,456	(519,048)
	(112,402)	(385,463)	(563,547)	(204,287)	(261,593)	(13,482)	(210,989)	334,971	(1,416,792)
	543,830	279,847	772,394	708,047	497,239	(1,318)	(8,678)	7,644	2,799,005
Provisions	(1,338)	(17,886)	4,625	(254)	(17,237)	3	(7,958)	-	(40,045)
Depreciation, amortisation and impairment	(130,009)	(182,721)	(252,601)	(362,021)	(134,001)	(744)	(14,974)	(28,577)	(1,105,648)
Compensation of amortisation and depreciation	1,434	246	2,075	14,022	2,165	48	15	(19)	19,986
	413,917	79,486	526,493	359,794	348,166	(2,011)	(31,595)	(20,952)	1,673,298
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	12	-	12
Financial results	(56,442)	(106,743)	(53,859)	(199,251)	(100,991)	(1,676)	779,814	(775,789)	(514,937)
Share of profit in associates	753	(1,640)	107	8,861	(24)	13,116	-	3,390	24,563
Profit/(loss) before income tax	358,228	(28,897)	472,741	169,404	247,151	9,429	748,231	(793,351)	1,182,936
Current tax	(123,560)	17,245	34,736	(72,230)	(85,997)	998	(25,466)	1,474	(252,800)
Deferred tax	58,073	50,206	(95,459)	26,929	(823)	(525)	(27,766)	238	10,873
Net profit/(loss) for the period	**292,741**	**38,554**	**412,018**	**124,103**	**160,331**	**9,902**	**694,999**	**(791,639)**	**941,009**
Equity holders of EDP	292,113	45,445	412,064	101,611	110,867	9,956	701,634	(881,345)	792,345
Non-controlling interests	628	(6,891)	(46)	22,492	49,464	(54)	(6,635)	89,706	148,664
Net profit/(loss) for the period	**292,741**	**38,554**	**412,018**	**124,103**	**160,331**	**9,902**	**694,999**	**(791,639)**	**941,009**
Total assets	5,012,061	7,064,239	8,460,869	13,084,641	4,957,370	139,026	20,148,263	(17,065,679)	41,800,790
Total liabilities	3,111,639	5,606,141	6,844,745	7,069,845	2,878,096	112,208	13,535,516	(8,875,293)	30,282,897
Increase of the period:									
Property, plant and equipment	30,031	384,519	66,290	213,658	220,799	325	25,772	120	941,514
Intangible assets	13,240	50,815	190,336	26,715	88,154	-	345	2,350	371,955
Goodwill	-	-	-	2,335	-	-	-	17,703	20,038

EDP Group Activity by Business Segment
30 September 2012

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	1,103,301	4,614,103	4,448,733	852,119	1,788,368	456	-	(2,166,516)	10,640,564
Gas and network accesses	-	1,304,291	304,282	-	-	-	-	(260,124)	1,348,449
Other	47,235	147,972	12,916	4,758	10,265	21,148	199,655	(342,996)	100,953
	1,150,536	6,066,366	4,765,931	856,877	1,798,633	21,604	199,655	(2,769,636)	12,089,966
Cost of electricity	(40,838)	(3,773,145)	(3,304,322)	(13,201)	(1,151,304)	(456)	-	2,154,971	(6,128,295)
Cost of gas	-	(1,139,457)	(43,985)	-	-	-	-	138,595	(1,044,847)
Change in inventories and cost of raw materials and consumables used	(376,447)	(548,984)	(5,833)	(1,666)	(120)	(7,394)	(69)	123,512	(817,001)
	(417,285)	(5,461,586)	(3,354,140)	(14,867)	(1,151,424)	(7,850)	(69)	2,417,078	(7,990,143)
	733,251	604,780	1,411,791	842,010	647,209	13,754	199,586	(352,558)	4,099,823
Other operating income / (expenses)									
Other operating income	7,944	7,468	72,259	114,542	17,859	14,016	25,586	(39,825)	219,849
Supplies and services	(60,340)	(196,303)	(315,915)	(183,459)	(129,636)	(6,314)	(130,084)	348,726	(673,325)
Personnel costs and employee benefits	(53,337)	(75,774)	(126,786)	(46,836)	(94,340)	(6,948)	(83,948)	7,082	(480,887)
Other operating expenses	(19,033)	(59,824)	(232,095)	(51,574)	(43,735)	(6,348)	(11,567)	1,156	(423,020)
	(124,766)	(324,433)	(602,537)	(167,327)	(249,852)	(5,594)	(200,013)	317,139	(1,357,383)
	608,485	280,347	809,254	674,683	397,357	8,160	(427)	(35,419)	2,742,440
Provisions	(1,156)	2,156	(944)	-	(6,216)	12	2,738	-	(3,410)
Depreciation, amortisation and impairment	(151,524)	(193,704)	(242,150)	(342,283)	(110,121)	(654)	(14,865)	(24,210)	(1,079,511)
Compensation of amortisation and depreciation	1,517	233	1,996	11,497	3,797	48	3	(21)	19,070
	457,322	89,032	568,156	343,897	284,817	7,566	(12,551)	(59,650)	1,678,589
Gain/(losses) on the sale of financial assets	-	-	-	2,857	-	-	87,945	-87,945	2,857
Financial results	(38,718)	(136,736)	(97,549)	(200,696)	(76,625)	(629)	556,572	(521,289)	(515,670)
Share of profit in associates	328	-	119	4,258	(1,350)	10,779	-	3,306	17,440
Profit/(loss) before income tax	418,932	(47,704)	470,726	150,316	206,842	17,716	631,966	(665,578)	1,183,216
Current tax	(44,237)	7,554	92,820	(50,436)	(75,472)	(84)	(48,967)	(20,672)	(139,494)
Deferred tax	(78,736)	(6,081)	(227,124)	(672)	2,354	(2,067)	165,889	12,798	(133,639)
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Equity holders of EDP	296,534	(35,148)	336,357	92,574	76,328	15,581	763,803	(751,503)	794,526
Non-controlling interests	(575)	(11,083)	65	6,634	57,396	(16)	(14,915)	78,051	115,557
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Total assets	5,442,736	7,122,009	8,319,316	13,301,973	5,308,419	118,170	20,305,393	(17,290,172)	42,627,844
Total liabilities	3,405,656	5,459,136	6,758,443	7,553,146	2,941,590	88,378	14,076,241	(9,086,414)	31,196,176
Increase of the period:									
Property, plant and equipment	28,569	329,443	78,438	268,652	189,194	502	21,602	524	916,924
Intangible assets	58,358	109,436	220,683	4	64,563	2	417	(28)	453,435
Goodwill	-	-	-	12 465	-	-	-	-	12,465

auditor review reports

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial report for the nine month period ended 30 September 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 41,800,790 thousand and total equity attributable to the shareholders of Euros 8,382,919 thousand including a consolidated net profit of Euros 792,345 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the nine month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the consolidated financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

7 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the nine month period ended 30 September 2013, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 October 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial report for the nine month period ended 30 September 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,581,502 thousand and total equity of Euros 6,837,811 thousand including a net profit of Euros 600,068 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the nine month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.

4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

KPMG

Scope

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a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

7 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the nine month period ended 30 September 2013, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 October 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

Condensed Financial Statements

30 June 2013

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the six-month period ended 30 June 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	8,120,755	8,213,532
Cost of electricity	6	-4,088,700	-4,172,342
Cost of gas	6	-659,898	-713,096
Changes in inventories and cost of raw materials and consumables used	6	-457,604	-538,852
		2,914,553	2,789,242
Revenue from assets assigned to concessions	7	167,436	178,853
Expenditure with assets assigned to concessions	7	-167,436	-178,853
		-	-
Other operating income / (expenses):			
Other operating income	8	190,963	154,369
Supplies and services	9	-451,178	-445,589
Personnel costs and employee benefits	10	-337,747	-330,231
Other operating expenses	11	-359,883	-282,683
		-957,845	-904,134
		1,956,708	1,885,108
Provisions	12	-36,850	-6,751
Depreciation, amortisation expense and impairment	13	-719,060	-717,107
Compensation of amortisation and depreciation	13	13,536	13,129
		1,214,334	1,174,379
Gains / (losses) on the sale of financial assets		12	2,857
Financial income	14	529,456	366,187
Financial expenses	14	-862,345	-719,228
Share of profit in associates		18,793	10,464
Profit before income tax		900,250	834,659
Income tax expense	15	-190,060	-158,940
Net profit for the period		710,190	675,719
Attributable to:			
Equity holders of EDP		603,219	581,768
Non-controlling Interests	32	106,971	93,951
Net profit for the period		710,190	675,719
Earnings per share (Basic and Diluted) - Euros	29	**0.17**	**0.16**

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 30 June 2013 and 2012

Thousands of Euros	2013 Equity holders of EDP	2013 Non-controlling Interests	2012 Equity holders of EDP	2012 Non-controlling Interests
Net profit for the period	603,219	106,971	581,768	93,951
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	12,848	-6,999	12,761	3,955
Tax effect from the actuarial gains / (losses)	-1,819	2,380	-2,557	-1,345
	11,029	-4,619	10,204	2,610
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-59,118	-90,211	-65,012	-106,552
Fair value reserve (cash flow hedge)	29,019	8,595	-51,549	-9,200
Tax effect from the fair value reserve (cash flow hedge)	-8,276	-2,499	14,899	2,707
Fair value reserve (available for sale investments)	8,621	-772	309	-347
Tax effect from the fair value reserve (available for sale investments)	-316	263	380	118
Share of other comprehensive income of associates, net of taxes	3,052	790	-3,067	-927
	-27,018	-83,834	-104,040	-114,201
Other comprehensive income for the period, net of income tax	-15,989	-88,453	-93,836	-111,591
Total comprehensive income for the period	587,230	18,518	487,932	-17,640

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed consolidated financial statements

EDP - Energias de Portugal

Condensed Consolidated Statement of Financial Position as at 30 June 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	16	20,734,129	20,905,340
Intangible assets	17	6,281,525	6,541,862
Goodwill	18	3,313,255	3,318,457
Investments in associates	20	177,864	163,881
Available for sale investments	21	185,178	181,298
Deferred tax assets	22	421,467	340,816
Trade receivables	24	99,859	97,099
Debtors and other assets from commercial activities	25	2,915,360	2,736,902
Other debtors and other assets	26	482,199	534,573
Collateral deposits associated to financial debt	34	465,036	415,045
Total Non-Current Assets		35,075,872	35,235,273
Inventories	23	282,791	377,618
Trade receivables	24	1,893,267	2,280,104
Debtors and other assets from commercial activities	25	2,027,537	2,051,519
Other debtors and other assets	26	262,181	296,674
Current tax assets	27	363,792	435,628
Financial assets at fair value through profit or loss		5,514	390
Collateral deposits associated to financial debt	34	23,757	13,451
Cash and cash equivalents	28	1,730,257	1,695,336
Assets classified as held for sale	41	-	241,851
Total Current Assets		6,589,096	7,392,571
Total Assets		41,664,968	42,627,844
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-90,709	-103,706
Share premium	29	503,923	503,923
Reserves and retained earnings	31	3,544,903	3,123,116
Consolidated net profit attributable to equity holders of EDP		603,219	1,012,483
Total Equity attributable to equity holders of EDP		8,217,874	8,192,354
Non-controlling Interests	32	3,183,359	3,239,314
Total Equity		11,401,233	11,431,668
Liabilities			
Financial debt	34	14,735,344	16,715,725
Employee benefits	35	1,866,480	1,933,425
Provisions	36	401,606	382,866
Hydrological correction account	33	34,745	33,644
Deferred tax liabilities	22	862,046	852,054
Institutional partnerships in USA wind farms	37	1,632,741	1,679,753
Trade and other payables from commercial activities	38	1,430,284	1,262,771
Other liabilities and other payables	39	488,993	409,737
Total Non-Current Liabilities		21,452,239	23,269,975
Financial debt	34	5,218,904	3,807,503
Hydrological correction account	33	11,416	22,832
Trade and other payables from commercial activities	38	2,550,509	3,220,599
Other liabilities and other payables	39	371,862	368,143
Current tax liabilities	40	658,805	467,738
Liabilities classified as held for sale	41	-	39,386
Total Current Liabilities		8,811,496	7,926,201
Total Liabilities		30,263,735	31,196,176
Total Equity and Liabilities		41,664,968	42,627,844

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three-month period from 1 April to 30 June 2013 and 2012

Thousands of Euros	2013	2012
Turnover	3,736,224	3,801,373
Cost of electricity	-1,803,911	-1,888,000
Cost of gas	-323,650	-322,476
Changes in inventories and cost of raw materials and consumables used	-204,885	-239,298
	1,403,778	1,351,599
Revenue from assets assigned to concessions	97,985	84,582
Expenditure with assets assigned to concessions	-97,985	-84,582
	-	-
Other operating income / (expenses):		
Other operating income	54,771	71,260
Supplies and services	-234,854	-229,309
Personnel costs and employee benefits	-167,163	-160,718
Other operating expenses	-171,721	-151,198
	-518,967	-469,965
	884,811	881,634
Provisions	-27,410	-3,752
Depreciation, amortisation expense and impairment	-359,072	-359,688
Compensation of amortisation and depreciation	6,817	6,033
	505,146	524,227
Gains / (losses) on the sale of financial assets	-	2,857
Financial income	280,742	173,743
Financial expenses	-453,776	-359,956
Share of profit in associates	10,716	6,822
Profit before income tax	342,828	347,693
Income tax expense	-41,008	-79,941
Net profit for the period	301,820	267,752
Attributable to:		
Equity holders of EDP	268,479	244,525
Non-controlling Interests	33,341	23,227
Net profit for the period	301,820	267,752
Earnings per share (Basic and Diluted) - Euros	0.07	0.07

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 30 June 2013 and 31 December 2012

Thousands of 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	Non-controlling interests
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	675,719	-	-	-	581,768	-	-	-	-	581,768	93,951
Changes in the fair value reserve (cash flow hedge) net of taxes	-43,143	-	-	-	-	-36,650	-	-	-	-36,650	-6,493
Changes in the fair value reserve (available for sale investments) net of taxes	460	-	-	-	-	-	689	-	-	689	-229
Share of other comprehensive income of associates, net of taxes	-3,994	-	-	-	-	-3,262	-	195	-	-3,067	-927
Actuarial gains/(losses) net of taxes	12,814	-	-	-	10,204	-	-	-	-	10,204	2,610
Exchange differences arising on consolidation	-171,564	-	-	-	-	-	-	-65,012	-	-65,012	-106,552
Total comprehensive income for the period	470,292	-	-	-	591,972	-39,912	689	-64,817	-	487,932	-17,640
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-80,072	-	-	-	-	-	-	-	-	-	-80,072
Purchase and sale of treasury stock	-2,125	-	-	-	-5,072	-	-	-	2,947	-2,125	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Changes resulting from acquisitions/sales and equity increases	500	-	-	-	-	-	-	-	-	-	500
Other reserves arising on consolidation	140	-	-	-	92	-	-	-14	-	78	62
Balance as at 30 June 2012	**11,107,016**	**3,656,538**	**503,923**	**578,435**	**3,262,805**	**-67,000**	**42,049**	**56,638**	**-106,467**	**7,926,921**	**3,180,095**
Comprehensive income:											
Net profit for the period	506,436	-	-	-	430,715	-	-	-	-	430,715	75,721
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,511	-	-	-	-	-17,484	-	-	-	-17,484	-6,027
Changes in the fair value reserve (available for sale investments) net of taxes	2,300	-	-	-	-	-	1,893	-	-	1,893	407
Share of other comprehensive income of associates, net of taxes	-2,863	-	-	-	-	-499	-	-2,153	-	-2,652	-211
Actuarial gains/(losses) net of taxes	-153,225	-	-	-	-120,051	-	-	-	-	-120,051	-33,174
Exchange differences arising on consolidation	-95,387	-	-	-	-	-	-	-28,300	-	-28,300	-67,087
Total comprehensive income for the period	233,750	-	-	-	310,664	-17,983	1,893	-30,453	-	264,121	-30,371
Dividends attributable to non-controlling interests	-90,282	-	-	-	-	-	-	-	-	-	-90,282
Purchase and sale of treasury stock	1,268	-	-	-	-1,493	-	-	-	2,761	1,268	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/sales and equity increases/decreases	3,811	-	-	-	-	-	-	553	-	553	3,258
Other reserves arising on consolidation	-17	-	-	-	-17	-	-	-	-	-17	-
Balance as at 31 December 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**
Comprehensive income:											
Net profit for the period	710,190	-	-	-	603,219	-	-	-	-	603,219	106,971
Changes in the fair value reserve (cash flow hedge) net of taxes	26,839	-	-	-	-	20,743	-	-	-	20,743	6,096
Changes in the fair value reserve (available for sale investments) net of taxes	7,796	-	-	-	-	-	8,305	-	-	8,305	-509
Share of other comprehensive income of associates, net of taxes	3,842	-	-	-	-	2,630	-	422	-	3,052	790
Actuarial gains/(losses) net of taxes	6,410	-	-	-	11,029	-	-	-	-	11,029	-4,619
Exchange differences arising on consolidation	-149,329	-	-	-	-	-	-	-59,118	-	-59,118	-90,211
Total comprehensive income for the period	605,748	-	-	-	614,248	23,373	8,305	-58,696	-	587,230	18,518
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-79,890	-	-	-	-	-	-	-	-	-	-79,890
Purchase and sale of treasury stock	5,911	-	-	-	-5,598	-	-	-	11,509	5,911	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	224,178	-	-	-	112,859	-	-	-	-	112,859	111,319
Changes resulting from acquisitions/sales and equity increases/decreases	-117,380	-	-	-	-11,116	-315	-	-	-	-11,431	-105,949
Other reserves arising on consolidation	44	-	-	-	-3	-	-	-	-	-3	47
Balance as at 30 June 2013	**11,401,233**	**3,656,538**	**503,923**	**620,069**	**3,573,294**	**-63,060**	**52,247**	**-34,428**	**-90,709**	**8,217,874**	**3,183,359**

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed consolidated financial statements

EDP - Energias de Portugal

Condensed Consolidated and Company Statement of Cash Flows
as at 30 June 2013 and 2012

Thousands of Euros	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Operating activities				
Cash receipts from customers	7,580,020	7,501,403	1,070,414	968,682
Proceeds from tariff adjustments securitization	1,007,823	167,936	-	-
Payments to suppliers	-5,690,709	-5,913,298	-1,013,801	-1,133,701
Payments to personnel	-423,028	-487,917	-6,996	-18,380
Concession rents paid	-142,784	-124,020	-	-
Other receipts / (payments) relating to operating activities	-171,951	-38,435	92,455	9,570
Net cash from operations	2,159,371	1,105,669	142,072	-173,829
Income tax received / (paid)	-72,674	-33,159	-8,325	16,410
Net cash from operating activities	2,086,697	1,072,510	133,747	-157,419
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	255,556	4,770	-	-
Other financial assets and investments	349	4,236	161,580	-
Property, plant and equipment and intangible assets	27,053	4,702	19	2,428
Investment grants	2,569	17,421	-	-
Interest and similar income	30,622	45,333	184,091	158,340
Dividends	11,648	10,712	676,230	688,301
	327,797	87,174	1,021,920	849,069
Cash payments relating to:				
Acquisition of assets / subsidiaries	-134,265	-50,176	-	-172
Other financial assets and investments	-5,672	-1,509	-161,508	-1,509
Changes in cash resulting from consolidation perimeter variations	-	5	-	-
Property, plant and equipment and intangible assets	-1,122,214	-1,085,796	-15,414	-8,929
	-1,262,151	-1,137,476	-176,922	-10,610
Net cash from investing activities	-934,354	-1,050,302	844,998	838,459
Financing activities				
Receipts / (payments) relating to loans	-312,575	868,727	-602,856	-65,692
Interest and similar costs including hedge derivatives	-396,421	-390,475	-136,596	-127,248
Governmental grants received	91,549	3,206	-	-
Share capital increases / (decreases) by non-controlling interests	-15,869	-	-	-
Receipts / (payments) relating to derivative financial instruments	16,350	-934	6,909	9,780
Dividends paid to equity holders of EDP	-670,932	-670,829	-671,212	-670,829
Dividends paid to non-controlling interests	-44,586	-99,641	-	-
Treasury stock sold / (purchased)	5,911	-2,125	7,797	-74
Sale of assets / subsidiaries without loss of control	257,371	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-22,622	-6,670	-	-
Net cash from financing activities	-1,091,824	-298,741	-1,395,958	-854,063
Changes in cash and cash equivalents	60,519	-276,533	-417,213	-173,023
Effect of exchange rate fluctuations on cash held	-25,598	-13,102	121	-38
Cash and cash equivalents at the beginning of the period	1,695,336	1,731,524	1,305,235	661,609
Cash and cash equivalents at the end of the period (*)	1,730,257	1,441,889	888,143	488,548

(*) See details of "Cash and cash equivalents" in note 28 of the Condensed Financial Statements.

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the six-month period ended 30 June 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	1,112,662	1,035,513
Cost of electricity	6	-890,060	-841,147
Changes in inventories and cost of raw materials and consumables used	6	-125,990	-160,980
		96,612	33,386
Other operating income / (expenses):			
Other operating income	8	5,873	7,309
Supplies and services	9	-85,987	-92,290
Personnel costs and employee benefits	10	-8,491	-6,182
Other operating expenses	11	-9,112	-9,390
		-97,717	-100,553
		-1,105	-67,167
Provisions	12	-2,775	-5,874
Depreciation, amortisation expense and impairment	13	-7,751	-6,832
		-11,631	-79,873
Gains / (losses) on the sale of financial assets		12	-
Financial income	14	1,205,241	974,802
Financial expenses	14	-567,030	-370,392
Profit before income tax		626,592	524,537
Income tax expense	15	-63,183	100,373
Net profit for the period		563,409	624,910

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at 30 June 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	563,409	624,910
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	3,911	-20,748
Tax effect from the fair value reserve (cash flow hedge)	-1,162	6,009
Fair value reserve (available for sale investments)	2,513	-340
Tax effect from the fair value reserve (available for sale investments)	88	496
Other comprehensive income for the period, net of income tax	5,350	-14,583
Total comprehensive income for the period	568,759	610,327

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Condensed Company Statement of Financial Position as at 30 June 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	16	211,932	208,569
Intangible assets		8	8
Investments in subsidiaries	19	9,909,534	9,909,534
Investments in associates	20	-	-
Available for sale investments	21	42,795	40,461
Investment property		10,155	10,490
Deferred tax assets	22	22,273	69,799
Debtors and other assets from commercial activities		2,137	1,555
Other debtors and other assets	26	6,131,580	6,014,090
Collateral deposits associated to financial debt	34	338,348	348,713
Total Non-Current Assets		16,668,762	16,603,219
Inventories		788	103
Trade receivables	24	140,365	172,773
Debtors and other assets from commercial activities	25	238,415	269,143
Other debtors and other assets	26	2,375,396	2,294,529
Current tax assets	27	94,812	195,587
Collateral deposits associated to financial debt	34	23,097	12,732
Cash and cash equivalents	28	888,143	1,305,235
Total Current Assets		3,761,016	4,250,102
Total Assets		20,429,778	20,853,321
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-84,614	-97,611
Share premium	29	503,923	503,923
Reserves and retained earnings	31	2,152,299	1,990,679
Net profit for the period		563,409	832,682
Total Equity		6,791,555	6,886,211
Liabilities			
Financial debt	34	1,999,902	2,032,437
Provisions	36	23,747	27,882
Hydrological correction account	33	34,745	33,644
Trade and other payables from commercial activities		2,981	3,831
Other liabilities and other payables	39	3,001,029	3,017,085
Total Non-Current Liabilities		5,062,404	5,114,879
Financial debt	34	7,370,184	7,557,620
Hydrological correction account	33	11,416	22,832
Trade and other payables from commercial activities	38	482,424	488,086
Other liabilities and other payables	39	582,702	771,228
Current tax liabilities	40	129,093	12,465
Total Current Liabilities		8,575,819	8,852,231
Total Liabilities		13,638,223	13,967,110
Total Equity and Liabilities		20,429,778	20,853,321

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three-month period from 1 April to 30 June 2013 and 2012

Thousands of Euros	2013	2012
Turnover	509,964	474,363
Cost of electricity	-401,867	-390,088
Changes in inventories and cost of raw materials and consumables used	-60,364	-71,181
	47,733	13,094
Other operating income / (expenses):		
Other operating income	2,510	3,702
Supplies and services	-44,741	-50,960
Personnel costs and employee benefits	-4,238	-3,082
Other operating expenses	-8,071	-8,572
	-54,540	-58,912
	-6,807	-45,818
Provisions	-1,135	-2,350
Depreciation, amortisation expense and impairment	-3,885	-3,403
	-11,827	-51,571
Financial income	889,747	758,431
Financial expenses	-292,859	-183,860
Profit before income tax	585,061	523,000
Income tax expense	-62,850	21,336
Net profit for the period	522,211	544,336

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at 30 June 2013 and 31 December 2012

Thousands of 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 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	624,910	-	-	-	624,910	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-14,739	-	-	-	-	-14,739	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	156	-	-	-	-	-	156	-
Total comprehensive income for the period	610,327	-	-	-	624,910	-14,739	156	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-2,125	-	-	-	-5,072	-	-	2,947
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 30 June 2012	**6,676,209**	**3,656,538**	**503,923**	**578,435**	**2,039,583**	**-12,271**	**10,373**	**-100,372**
Comprehensive income:								
Net profit for the period	207,772	-	-	-	207,772	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,140	-	-	-	-	1,140	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-178	-	-	-	-	-	-178	-
Total comprehensive income for the period	208,734	-	-	-	207,772	1,140	-178	-
Purchase and sale of treasury stock	1,268	-	-	-	-1,493	-	-	2,761
Balance as at 31 December 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the period	563,409	-	-	-	563,409	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	2,749	-	-	-	-	2,749	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,601	-	-	-	-	-	2,601	-
Total comprehensive income for the period	568,759	-	-	-	563,409	2,749	2,601	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	5,911	-	-	-	-5,598	-	-	11,509
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 30 June 2013	**6,791,555**	**3,656,538**	**503,923**	**620,069**	**2,091,225**	**-8,382**	**12,796**	**-84,614**

LISBON, 25 JULY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1.	Economic activity of EDP Group	71
2.	Accounting policies	72
3.	Critical accounting estimates and judgements in preparing the financial statements	83
4.	Financial-risk management policies	86
5.	Consolidation perimeter	89
6.	Turnover	89
7.	Revenue from assets assigned to concessions	90
8.	Other operating income	91
9.	Supplies and services	91
10.	Personnel costs and employee benefits	92
11.	Other operating expenses	92
12.	Provisions	93
13.	Depreciation, amortisation expense and impairment	93
14.	Financial income and expenses	94
15.	Income tax	95
16.	Property, plant and equipment	97
17.	Intangible assets	99
18.	Goodwill	100
19.	Investments in subsidiaries (Company basis)	101
20.	Investments in associates	101
21.	Available for sale investments	102
22.	Deferred tax assets and liabilities	102
23.	Inventories	103
24.	Trade receivables	103
25.	Debtors and other assets from commercial activities	103
26.	Other debtors and other assets	105
27.	Current tax assets	105
28.	Cash and cash equivalents	105
29.	Share capital and share premium	106
30.	Treasury stock	106
31.	Reserves and retained earnings	107
32.	Non-controlling interests	108
33.	Hydrological account	108
34.	Financial debt	109
35.	Employee benefits	112
36.	Provisions for liabilities and charges	113
37.	Institutional partnerships in USA wind farms	114
38.	Trade and other payables from commercial activities	114
39.	Other liabilities and other payables	116
40.	Current tax liabilities	116
41.	Assets and liabilities classified as held for sale	117
42.	Derivative financial instruments	117
43.	Commitments	117
44.	Share based payments	119
45.	Related parties	120
46.	Fair value of financial assets and liabilities	123
47.	Relevant or subsequent events	123
48.	Recent accounting standards and interpretations issued	124
49.	EDP Branch in Spain	124
50.	Segmental reporting	125
51.	Explanation added for translation	126
	Annex I - EDP Group Activity by Business Segment	127

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. 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 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, energy services and property management.

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

During the six-month period ended 30 June 2013 the following significant changes occurred in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity

Generation

On 27 February, the Law 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 millions of Euros per year, which corresponds to a present value of 120 millions of Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n. 4 of article 5. º).

Activity in the energy sector in Brazil

Electricity

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill. The expected average reduction for Brasil amounts to 20,2% due to government actions: Concession Renewals (13%) and Sector charges (7%).

The Provisional Measure 579 of 11 September 2012, which resulted in the Law 12,783 of 11 January 2013, provides a reduction in the price of electricity to the consumer. An average reduction of 20.2% is expected, due to the government action on two fronts: sectorial charges (7%) and concessions renewal (13%).

Regarding concessions renewal, the generation concessionaires which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the size of each distributor, affecting the energy acquisition.

The transmission concessionaires which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operational and maintance costs will be considered for the annual allowed revenues calculation.

On 23 January 2013 was published the Provisional Measure 605, which objective is to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of the generation concessions, this measure amended tthe Law 10.438/2002 which establishes the application of CDE resources.

The Decree 7,891 of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation , among others. Thus, the difference the revenue due to the discounts will no longer be reimbursed through the tariffs of other consumers.

This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be accomplished with funds from the Energy Development Account - CDE.

CDE is responsible for monthly transfer to the distribution utilities the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013.

On 6 March de 2013 the National Energy Policy Council (CNPE) issued the Resolution CNPE 3/2013 which determined a new methodology for sharing the costs incurred for the dispatch of thermoelectric power plants out of the order of merit, due to mechanisms of risk aversion (safety of the system), following the hydrological crisis in Brazil.

According to this temporary methodology, 50% of the above mentioned costs will be prorated among the purchase agents in the Short Term Market (MCP) and the remaining 50% will be prorated among all market agents, through the System Services Charge (ESS). Several Brazilian industry associations of electricity generators and traders interpose injuctions against this Resolution, therefore it's effects were suspended and the previous methodology is still being applied, being these costs shared and allocated to the consumers and the distribution companies, .

On 7 May 2013 a new regulation (Resolução Normativa 549/2013) was published, determining that the incremental costs with the acquisition of energy and other system charges (ESS) occurred in 2013, would be funded by the Energetic Development Account, the CDE - Conta de Desenvolvimento Energético (positive balances in "Conta de Compensação de Variação de Valores da Parcela A - CVA").

This new regulation establishes the compensation criteria and determines that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through CDE) and referring to the costs and "CVA" charges mentioned above.

On 29 May 2013, was published the Decree 8.020/2013 which allows the transfer in advance of seven months of the discounts applied on the distribution tariffs. This measure was taken by the government, anticipating that the Provisional Measure 605, would not be approved timely by the Senate, losing its validity. With the expiry of the Provisional Measure 605, the transfer of CDE resources that were also used to cover the Involuntary Exposure generated by quotas, ceased. The Provisional Measure 605 was included as an amendment in the Provisional Measure 609, which was already approved by the Senate and now awaits by the President approval to enter into force, and CDE return to fund these transfers.

Activity in the Renewable Energies Sector

Electricity

Generation

Regulatory framework for the activities in Spain

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 that includes a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that Royal Decree-Law presents towards the Royal Decree-Law 661/2007 with impact in EDP Renováveis S.A. (EDPR) effective from 1 January 2013 onwards, are as follows:

- Every energy production facilities operating under the special regime are to be remunerated according to current feed-in tariff schemes for the remaining useful life of the asset;
- Energy production facilities operating under the special regime currently remunerated according to the market option were able to chose, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price with no renewable energy premium, and neither cap nor floor prices;
- The index used to annually update all the regulated activities in the electricity sector is the annual inflation excluding energy products and food prices, and any impact of tax changes.

Regulatory framework for the activities in Portugal

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind energy producers can voluntarily invest to secure further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: (i) alternative cap and floor selling prices; (ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently (iii) alternative levels of investment (on a per MW basis) to adhere to the new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh updated with inflation from 2021 onwards, in exchange for a payment of 5.800€/MW from 2013 to 2020. This decree also includes the possibility for wind farms under the new regime (i.e. ENEOP) to adhere to a similar scheme, still in negotiation.

This Decree-Law modifies the remuneration regime applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration regime prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration regime for a period of 25 years from the date they were attributed the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25- year period and as longer as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Regulatory framework for the activities in the United States of America

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the six-month period ended 30 June 2013 and condensed consolidated and company statement of financial position as at 30 June 2013.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 25 July 2013. The financial statements are presented in thousands of 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 into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's 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 and company condensed financial statements for the six-month period ended 30 June 2013 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2013 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2012.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 48.

These financial statements also present the second quarter income statement of 2013 with comparative figures for second quarter of previous year.

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.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

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).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the condensed consolidated financial statements.

b) Basis of consolidation

The accompanying condensed 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 attributable to the Group, through the investments in associates.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously acquired is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting 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. Hedge relationship exist 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 of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

This category includes: (i) financial assets at fair value through profit or loss, acquired for negotiation purposes in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried out 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 out at fair value, however, gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received are recognised in the income statement.

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (fair value option).

Impairment

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

For the financial assets taht present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

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

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in 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. For equity instruments, impairment losses can not be reversed and any subsequent event which determines a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

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, regardless 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 there is 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 recognised as non-controlling interests.

h) Property, plant and equipment

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

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged in the income statement as incurred, according to the accrual principle.

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 sale 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 tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	32 to 75
- Thermoelectric generation	25 to 40
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits occurs flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest 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 expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

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

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of net sale 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 asset.

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

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 determined by using the weighted average method.

CO_2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant retirement complementary benefits for 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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on 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 operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognised as financial results.

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, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. 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, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for 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 the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods 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 the 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.

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 standards, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

v) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

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 Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector 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 Turnover of Electricity and network accesses 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.

Decree-Law 87/2011, approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against Debtors and other assets and Trade and other payables, in the same terms defined for the electric sector as mentioned above.

y) CO_2 licenses and greenhouse gas emissions

The Group holds CO_2 licenses in order to deal with gas emissions resulting from its operational activity and licenses for trading. The CO_2 and gas emissions licenses held for own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

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 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 paid as financing activities and interest and dividends received as investing activities.

aa) Group concession activities

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impracticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless the level of use of the infrastructure within the concession and results in a financial asset recognition, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of the concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

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 regarding 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 its 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 these Condensed Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the 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.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could generate 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 this 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 thousands of 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 the end 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, during a 10-year period after the termination of the PPAs, the positive and negative variations between the estimates made for the initial stability compensation calculation and the actual amounts occurred in the market for each 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 used model, could give rise to different financial results from those considered.

Review of the useful life of the assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric and thermoelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the future maintenance plan. Based on this information, the remaining useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

The regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL) issued on 7 February 2012, the Normative Resolution 474, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL), the respective contractual residual indemnification values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnification values at the end of the concessions, may be influenced by any changes in the Regulatory Legal Framework in Brazil.

Tariff adjustments

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to 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 Turnover - Electricity and network access of the period, the effects of the recognition of the tariff adjustment, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities. 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 and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of the 2007 deficit. 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 September 2011, the EDP Group sold unconditionally tariff adjustment for the additional cost of cogeneration for the period 2009-2011. In December 2012, in accordance with the terms of Decree-Law 109/2011, EDP Distribuição sold without recourse the right to recover 2010 annual adjustment of the compensation due for early termination of the power purchase agreements. In April and May 2013, as referred in the note 25, EDP Group sold without recourse part of the tariff adjustment related to the estimated overcost for the electric energy acquisition to the special regime production for 2012.

In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (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 CO_2 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. However, Royal Decree Law 29/2012, endorsed on 28 December 2012, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

The Royal Decree Law 14/2010, published in 2010, addressed the correction of the tariff deficit of the electricity sector. As a result, the temporal mismatch of the settlement for 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures to ensure that the various industry players contribute to the reduction, including: the establishment of generation rates, financing plans for energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, the Royal Decree Law 1/2012 was published, establishing a moratorium on adding new facilities in the pre-allocation records for remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit in order to achieve the limit provided for 2012 in the Royal Decree Law 14/2010.

Based on the legislation issued, EDP considers that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

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

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

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

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 could 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 their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period can be five years for annual periods starting from 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America the general Statute of Limitations for the IRS can issue additional income tax assessments for an entity is 3 years since the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in 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, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgement from those referred to could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked, under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

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. 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, 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.

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.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON), Canadian Dollars (CAD) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

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 of EDP Energias do Brasil, 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. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF 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.

Sensitivity analysis - exchange rate

Regarding the 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 30 June 2013 and 2012, would lead to an increase / (decrease) in the EDP Group results and equity as follows:

	Jun 2013			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	32,072	-39,199	-8,623	10,540
RON	879	-1,074	-	-
PLN	17,871	-21,843	-	-
	50,822	-62,116	-8,623	10,540

	Jun 2012			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	24,388	-29,808	-3,247	3,969
PLN	5,945	-7,267	-	-
	30,333	-37,075	-3,247	3,969

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.

In the floating rate financing context, the EDP Group engages interest rate derivative financial instruments to hedge the 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 engaged 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 engaged, 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 up to 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 45% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged 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 30 June 2013 and 2012 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Jun 2013			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20,122	20,122	-	-
Unhedged debt	-78,485	78,485	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	46,502	-55,942
Trading derivatives (accounting perspective)	-4,498	-10,712	-	-
	-103,105	87,895	46,502	-55,942

	Jun 2012			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-77,174	77,174	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	48,501	-49,581
Trading derivatives (accounting perspective)	-6,784	3,259	-	-
	-103,040	99,515	48,501	-49,581

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 are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

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

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

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

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 related to electric energy, carbon emissions (CO_2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions 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 and forwards of electricity and fuels 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 a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. In June 2013, P@R has included wholesale gas business.

	P@R Distribution by risk factor	
Thousands of Euros	Jun 2013	Dec 2012
Risk factor		
Negotiation	2,000	-
Fuel	45,000	26,000
CO_2	28,000	2,000
Electricity	26,000	18,000
Hydrological	30,000	38,000
Diversification effect	-88,000	-43,000
	43,000	41,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. 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 30 June 2013 and 31 December 2012 the EDP Group's exposure to credit risk rating is as follows:

	Jun 2013	Dec 2012
Credit risk rating (S&P)		
AAA to AA-	3.68%	6.63%
A+ to A-	67.96%	56.54%
BBB+ to BBB-	12.60%	33.55%
BB+ to B-	1.38%	0.59%
No rating assigned	14.38%	2.69%
	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 30 June 2013 and 31 December 2012 is as follows:

	VaR	
Thousands of Euros	Jun 2013	Dec 2012
Exchange rate risk	2,018	1,309
Interest rate risk	12,186	4,097
Covariation	-2,353	-1,993
	11,851	3,413

5. CONSOLIDATION PERIMETER

During the six-month period ended 30 June 2013, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables, SGPS, S.A. acquired 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda.;
- EDP Energias do Brasil, S.A. acquired 50% of the share capital of Mabe Construções e Administração de Projetos, Lda.;
- South África Wind & Solar Power, S.L. (which was incorporated in March 2013) acquired 42.5% of the share capital of Modderfontein Wind Energy Project, Ltd., 100% of the share capital of Dejann Trading and Investments Proprietary Ltd., and 100% of the share capital of EDP Renewables South Africa, Proprietary Ltd.;
- EDP Renewables North America L.L.C. acquired 100% of the share capital of EDPR Agincourt L.L.C. and 100% of the share capital of EDPR Marathon L.L.C.

Companies sold and liquidated:

- Millenium Energy, S.L. sold by 115,493 thousands of Euros all of its interests in the gas transmission business (Gas Transporte Span, S.L. and Naturgas Energia Transportes, S.A.U.);
- EDP Gestão da Produção de Energia, S.A. sold all of its interests in Soporgen, S.A. by the amount of 5,060 thousands of Euros;
- Arquiled - Projectos de Iluminação, S.A. liquidated Futurcompact, Lda.;
- A 49% share interest in EDP Renováveis Portugal, S.A. was sold by 257,954 thousands of Euros, as part of a transaction totalling 368,483 thousands of Euros deducted of loans totalling 110,529 thousands of Euros and pending receivable 583 thousands of Euros, with a loss of share interest held by EDP Group in Eólica de Alagoa, S.A., Eólica de Montenegrelo, S.A., Eólica da Serra das Alturas, S.A. and Malhadizes, S.A.
  This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 112,859 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies incorporated:

- Empresa de Energia Cachoeira Caldeirão, S.A.;
- South África Wind & Solar Power, S.L.;
- Sustaining Power Solutions, L.L.C.;
- Green Power Offsets, L.L.C. *;
- Arquiled Brasil - Projectos de Iluminação Ltda.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally established without share capital and that as at 30 June 2013 do not have any assets, liabilities, or any operating activity.

Other changes:

- EDP Ventures, SGPS, S.A. increased its shareholding from 40.01% to 46.22% in the share capital of Arquiled - Projectos de Iluminação, S.A.;
- Arquiled - Projectos de Iluminação, S.A. increased its shareholding to 96% in the share capital of Arquiservice - Consultoria Serviços, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Greenwind, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Relax Wind Park I, S.P. ZO.O through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- EDP Energias do Brasil, S.A. increased its shareholding to 100% in the share capital of Terra Verde Bioenergia Participações, S.A.;
- Decrease of the financial interest in Principle Power, Inc. from 50.29% to 33.46% through dilution, following a share capital increase not subscribed by EDP Inovação, S.A.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Electricity and network access	7,168,215	7,260,272	931,297	862,916
Gas and network access	859,758	898,896	106,831	99,926
Other	92,782	54,364	74,534	72,671
	8,120,755	8,213,532	1,112,662	1,035,513

Turnover by geographical market, for the Group, is analysed as follows:

	Jun 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	4,029,353	1,518,061	1,305,753	205,948	109,100	7,168,215
Gas and network access	139,805	719,953	-	-	-	859,758
Other	43,143	22,035	27,387	1	216	92,782
	4,212,301	2,260,049	1,333,140	205,949	109,316	8,120,755

	Jun 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	4,129,680	1,650,358	1,189,318	198,422	92,494	7,260,272
Gas and network access	132,838	766,058	-	-	-	898,896
Other	29,996	17,525	6,697	-	146	54,364
	4,292,514	2,433,941	1,196,015	198,422	92,640	8,213,532

During the first semester of 2013, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,073,293 thousands of Euros (income in 30 June 2012: 797,392 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes on a consolidated basis 67,070 thousands of Euros (30 June 2012: 235,413 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

The breakdown of Revenue by segment is presented in the segmental reporting (see note 50).

Cost of electricity, Cost of gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Cost of electricity	4,088,700	4,172,342	890,060	841,147
Cost of gas	659,898	713,096	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	204,656	249,706	-	-
Gas	153,034	239,125	108,162	155,303
Cost of consumables used	12,832	7,899	-	-
CO_2 licenses	48,275	7,872	17,818	5,671
Own work capitalised	-37,071	-42,310	-	-
Other	75,878	76,560	10	6
	457,604	538,852	125,990	160,980
	5,206,202	5,424,290	1,016,050	1,002,127

On a company basis, Cost of electricity includes costs of 493,439 thousands of Euros (30 June 2012: 435,876 thousands of 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. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Jun 2012
Revenue from assets assigned to concessions	167,436	178,853
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-122,351	-129,795
Personnel costs capitalised (see note 10)	-41,203	-43,157
Capitalised borrowing costs (see note 14)	-3,882	-5,901
	-167,436	-178,853
	-	-

The Revenue from assets assigned to concessions by geographical market is analysed as follows:

	Jun 2013			Jun 2012		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	124,469	42,967	167,436	142,001	36,852	178,853
Expenditure with assets assigned to concessions	-124,469	-42,967	-167,436	-142,001	-36,852	-178,853
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income, for the Group, is analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Jun 2012
Gains on fixed assets	762	9,434
Customers contributions	5,904	16,010
Income arising from institutional partnerships - EDPR NA	70,897	71,051
Gains on disposals	58,303	-
Other operating income	55,097	57,874
	190,963	154,369

Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 5,471 thousands of Euros (30 June 2012: 14,650 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 37).

Gains on disposals relates with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros (see note 41).

Other operating income includes the power purchase agreements between EDPR NA and its customers which 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 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against Other operating income. As at 30 June 2013, the amortisation for the period amounts to 4,227 thousands of Euros (30 June 2012: 4,900 thousands of Euros). This caption also includes 13,933 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

Other operating income, for the Company, is analysed as follows:

	Company	
Thousands of Euros	Jun 2013	Jun 2012
Gains on fixed assets	19	559
Other operating income	5,854	6,750
	5,873	7,309

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Consumables and communications	25,888	28,063	4,593	5,586
Rents and leases	58,441	56,770	22,602	23,952
Maintenance and repairs	159,166	153,785	8,783	8,889
Specialised works:				
- Commercial activity	78,256	73,051	1,877	2,682
- IT services, legal and advisory fees	42,278	42,862	9,822	15,189
- Other services	25,494	26,655	6,188	6,415
Provided personnel	-	-	24,061	22,194
Other supplies and services	61,655	64,403	8,061	7,383
	451,178	445,589	85,987	92,290

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Personnel costs				
Board of Directors remuneration	8,139	8,612	3,152	2,631
Employees' remuneration	257,342	256,324	883	664
Social charges on remuneration	64,323	62,329	237	215
Performance, assiduity and seniority bonus	37,457	35,364	3,318	1,598
Other costs	13,753	12,723	657	838
Own work capitalised:				
- Assigned to concessions (see note 7)	-41,203	-43,157	-	-
- Other	-31,711	-37,482	-	-
	308,100	294,713	8,247	5,946
Employee benefits				
Pension plans costs	13,278	14,718	141	149
Medical plans costs and other benefits	4,924	4,334	68	61
Cost of rationalising human resources	-	3,744	-	-
Other	11,445	12,722	35	26
	29,647	35,518	244	236
	337,747	330,231	8,491	6,182

Pension plans costs include 5,796 thousands of Euros (30 June 2012: 6,145 thousands of Euros) related to defined benefit plans (see note 35) and 7,482 thousands of Euros (30 June 2012: 8,573 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 4,924 thousands of Euros (30 June 2012: 4,334 thousands of Euros) related to the charge of the period. As at 30 June 2012, the cost of rationalising human resources results essentially from the project for the restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante.

Other employee benefits include costs with medical services of employees in the amount of 3,293 thousands of Euros (30 June 2012: 5,039 thousands of Euros) and costs with tariff discount of active workers in the amount of 3,940 thousands of Euros (30 June 2012: 3,492 thousands of Euros).

11. OTHER OPERATING EXPENSES

Other operating expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Jun 2012
Concession rents paid to local authorities and others	137,054	140,792
Direct and indirect taxes	111,585	51,780
Donations	12,610	12,192
Impairment losses:		
- Trade receivables	24,458	35,783
- Debtors	3,461	763
Other operating costs	70,715	41,373
	359,883	282,683

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes, as at 30 June 2013, includes the amount of 52.6 millions of Euros related to a new tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

The caption Other operating costs, as at 30 June 2013, includes the amount of 24,943 thousands of Euros related to fines and penalties recognized by the delay in the start of the commercial activity of Porto de Pecém thermoelectric plant.

Other operating expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Jun 2013	Jun 2012
Direct and indirect taxes	504	455
Donations	7,495	7,598
Impairment losses:		
- Debtors	5	-
Other operating costs	1,108	1,337
	9,112	9,390

12. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Charge for the period	62,718	19,762	7,344	6,650
Write-back for the period	-25,868	-13,011	-4,569	-776
	36,850	6,751	2,775	5,874

Provisions for the period, includes a net increase in provisions for labor, legal and other contingences in Brazil in the amount of 15.5 millions of Euros, as well as provisions for contractual, legal and other contingences in Spain of approximately 22.1 millions of Euros, which are classified as probable contingencies.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Property, plant and equipment				
Buildings and other constructions	10,446	7,395	1,422	1,453
Plant and machinery	455,248	462,545	13	13
Other	32,966	38,891	6,311	5,362
Impairment loss	10,405	8,979	-	-
	509,065	517,810	7,746	6,828
Intangible assets				
Concession rights and impairment	42,769	38,246	-	-
Intangible assets assigned to concessions - IFRIC 12	165,996	159,242	-	-
Other intangibles	1,230	1,809	5	4
	209,995	199,297	5	4
	719,060	717,107	7,751	6,832
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-13,536	-13,129	-	-
	705,524	703,978	7,751	6,832

The partially-funded property, plant and equipment 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 from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

Impairment losses of 6,647 thousands of Euros (30 June 2012: 8,563 thousands of Euros) and 3,758 thousands of Euros were booked on plant and machinery related to wind generation assets in Spain and in the United States of America, respectively. The impairment losses result from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013, and from the write-off of assets under construction in United States of America (see note 16).

14. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Jun 2012
Financial income		
Interest income from bank deposits and other applications	22,060	32,363
Interest income from loans to subsidiaries and related parties	9,309	5,413
Interest from derivative financial instruments	63,087	68,865
Derivative financial instruments	258,203	106,202
Other interest income	24,893	27,835
Income from equity investments	4,006	4,910
Foreign exchange gains	16,814	33,748
CMEC	25,647	37,413
Other financial income	105,437	49,438
	529,456	366,187
Financial expenses		
Interest expense on financial debt	435,089	392,007
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-3,882	-5,901
- Other	-64,757	-61,798
Interest from derivative financial instruments	50,905	57,832
Derivative financial instruments	254,864	116,931
Other interest expense	20,614	24,113
Impairment of available for sale financial assets	3,663	8,918
Foreign exchange losses	39,725	53,856
CMEC	9,551	9,120
Unwinding of liabilities	53,282	56,005
Unwinding of pension liabilities	15,454	23,201
Unwinding of medical liabilities and other plans	20,378	22,795
Other financial expenses	27,459	22,149
	862,345	719,228
Financial income / (expenses)	-332,889	-353,041

The caption Financial income - CMEC totalling 25,647 thousands of Euros includes 8,323 thousands of Euros related to interest on the initial CMEC (30 June 2012: 9,488 thousands of Euros) included in the annuity for 2013 and 17,324 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 June 2012: 27,925 thousands of Euros).

The caption Other financial income includes essentially 53,364 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 June 2012: 37,350 thousands of Euros), 4,916 thousands of Euros (30 June 2012: 3,277 thousands of Euros) related with interest income on tariff adjustment and tariff deficit in Spain and 41,225 thousands of Euros related to gains on three securitization operations of part of the 2012 electricity tariff deficit related to the 2012 over cost for the aquisition of electricity from Special Regime Generators (see note 25).

Capitalised borrowing costs 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.

Financial expenses - CMEC, in the amount of 9,551 thousands of Euros (30 June 2012: 9,120 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 38).

The Unwinding of liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for generation assets, (ii) the implied financial return in institutional partnership in USA wind farms, and (iii) the financial expenses related to the discount of the liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe.

Financial income and expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Jun 2013	Jun 2012
Financial income		
Interest income from loans to subsidiaries and related parties	240,129	209,039
Derivative financial instruments	345,083	186,066
Income from equity investments	590,026	552,416
Other financial income	30,003	27,281
	1,205,241	974,802
Financial expenses		
Interest expense on financial debt	175,540	155,708
Derivative financial instruments	361,125	177,086
Other financial expenses	30,365	37,598
	567,030	370,392
Financial income / (expenses)	638,211	604,410

15. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods, since the date that the annual income tax return is filed. In Portugal the limit is 4 years, or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America the general Statute of Limitations for the IRS can issue additional income tax assessments for an entity is 3 years since 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 (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward is extended from 15 to 18 years.

The Law 64-B/2011 of 30 December (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective tax deductible period.

Royal Decree-Law 12/2012, published on 31 March 2012, established a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% limit of the adjusted operational profit. The amount of financial expenses incurred with interest which exceed the above mentioned 30% may be deducted in the 18 following years, provided that this limit is not exceeded in each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013.

The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013:
- Companies whose last year income are between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and
- Companies whose last year income exceed 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain are the following:
- Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which is not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and
- Possibility of companies revaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation will be taxable in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (revaluation) will be tax deductible for the revaluated assets remaining useful life.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP Group paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 29 May 2013, an additional favourable decision was issued regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013.

Following these decisions, as at 30 June 2013, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the administrative and legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Current tax	-289,614	-44,638	-27,301	1,519
Deferred tax	99,554	-114,302	-35,882	98,854
	-190,060	-158,940	-63,183	100,373

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 June 2013, is analysed as follows:

	Jun 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	900,250	238,566
Tax losses and tax credits	4.8%	161,453	42,785
Tax benefits	-1.7%	-59,366	-15,732
Non deductible provisions and amortisations for tax purposes	1.1%	37,706	9,992
Accounting revaluations	-14.7%	-500,921	-132,744
Tax differential (includes state surcharge)	5.3%	180,023	47,706
Other adjustments and changes in estimates	-0.2%	-1,936	-513
Effective tax rate and total income tax	21.1%	717,209	190,060

Accounting revaluations include the fiscal revaluation of EDP's assets held in Spain in accordance with Law 16/2012 of 27 December, which does not have accounting impact but led to an increase of the assets' tax basis of 542 millions of Euros. Therefore, the Group recognised deferred tax assets of 160 millions of Euros, that will be recovered through the tax deduction of assets' increased depreciation charge of the year starting on 1 January 2015 and along its remaining useful life. The effect of the revaluation will be taxed in 2013 at a 5% flat rate, whose effect was recognised under current income tax, in the total amount of 27 millions of Euros. Consequently, the net effect of this revaluation in the net income for the period is approximately 133 millions of Euros, as presented in the caption Accounting revaluations.

Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 millions of Euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The Law 64-A/2011 of 30 December, modified the above referred tax, where the state surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the maximum corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 and 7.5 millions of Euros, respectively, will be 31.5%.

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 June 2012, is analysed as follows:

	Jun 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	834,659	221,185
Dividends	1.8%	56,430	14,954
Tax benefits	-1.9%	-60,506	-16,034
Non deductible provisions and amortisations for tax purposes	-2.3%	-71,328	-18,902
Fair value of financial instruments and financial investments	1.3%	42,057	11,145
Financial investments in associates and subsidiaries	-8.4%	-265,238	-70,288
Tax differential (includes state surcharge)	3.6%	112,291	29,757
Other adjustments and changes in estimates	-1.6%	-48,593	-12,877
Effective tax rate and total income tax	19.0%	599,772	158,940

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 June 2013, is analysed as follows:

	Jun 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	626,592	166,047
Tax losses and tax credits	6.6%	155,275	41,148
Dividends	-25.9%	-613,543	-162,589
Tax differential (includes state surcharge)	3.1%	74,513	19,746
Other adjustments and changes in estimates	-0.2%	-4,409	-1,169
Effective tax rate and total income tax	10.1%	238,428	63,183

As a result of the changes in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits as at 30 June 2013 includes the write-off of deferred tax assets of 27 millions of Euros and the recognition of deferred tax liabilities of 26 millions of Euros related to contingencies on tax losses carried forward in Spain.

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 June 2012, is analysed as follows:

	Jun 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	524,537	139,002
Tax losses and tax credits	-5.7%	-112,226	-29,740
Dividends	-29.5%	-583,600	-154,654
Tax differential (includes state surcharge)	2.3%	45,596	12,083
Financial investments in associates and subsidiaries	-12.9%	-255,181	-67,623
Other adjustments and changes in estimates	0.2%	2,109	559
Effective tax rate and total income tax	-19.1%	-378,765	-100,373

Financial investments in associates and subsidiaries include the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution at the transaction date.

The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Profit before tax	900,250	834,659	626,592	524,537
Income tax	-190,060	-158,940	-63,183	100,373
Effective income tax rate	21.1%	19.0%	10.1%	-19.1%

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Cost				
Land and natural resources	175,472	175,796	74,569	74,569
Buildings and other constructions	783,421	654,384	93,556	93,556
Plant and machinery:				
- Hydroelectric generation	8,609,082	8,866,085	254	254
- Thermoelectric generation	7,982,461	7,672,378	-	-
- Renewable generation	11,852,225	11,565,234	-	-
- Electricity distribution	1,381,316	1,360,638	-	-
- Gas distribution	1,140,809	1,136,865	-	-
- Other plant and machinery	124,574	121,409	182	182
Other	799,243	809,611	120,367	117,155
Assets under construction	2,597,696	2,784,191	34,081	26,747
	35,446,299	35,146,591	323,009	312,463
Accumulated depreciation and impairment losses				
Depreciation charge	-498,660	-1,030,086	-7,746	-14,000
Accumulated depreciation in previous years	-14,139,476	-13,147,618	-103,331	-89,894
Impairment losses	-10,405	-54,131	-	-
Impairment losses in previous years	-63,629	-9,416	-	-
	-14,712,170	-14,241,251	-111,077	-103,894
Carrying amount	20,734,129	20,905,340	211,932	208,569

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Cost							
Land and natural resources	175,796	1,372	-156	1,270	-4,177	1,367	175,472
Buildings and other constructions	654,384	89	-83	168,570	-39,651	112	783,421
Plant and machinery	30,722,609	7,013	-2,882	456,496	-99,362	6,593	31,090,467
Other	809,611	5,876	-18,052	8,396	29	-6,617	799,243
Assets under construction	2,784,191	530,306	-54,970	-634,732	-34,704	7,605	2,597,696
	35,146,591	544,656	-76,143	-	-177,865	9,060	35,446,299

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses							
Buildings and other constructions	160,069	10,446	-83	-	-4,743	85	165,774
Plant and machinery	13,461,264	465,653	-2,629	-	-14,260	1,459	13,911,487
Other	619,918	32,966	-16,568	-	84	-1,491	634,909
	14,241,251	509,065	-19,280	-	-18,919	53	14,712,170

During the first semester of 2013 the caption Acquisitions / Increases includes the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. The subgroup EDP Brasil carried out investments related with Porto de Pecém coal power plant and with Santo Antônio do Jari hydroelectric plant. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects.

Charge / Impairment losses includes 10,405 thousands of Euros on wind generation assets in Spain and in United States of America (see note 13).

Transfers from assets under construction into operation in the first semester of 2013, refer mainly to wind farms of EDP Renováveis that became operational and to the enter into operation of second group of the thermoelectric plant of Pecém I.

The movement in Exchange differences in the period results mainly from the appreciation of the American Dollar (USD), the depreciation of the Zloty (PLN) and Brazilian Real (BRL) against the Euro in the first semester of 2013.

Perimeter Variations / Regularisations includes the effect of the acquisition of 100% of the share capital of EDPR Agincourt L.L.C. and of EDPR Marathon L.L.C. (see note 5).

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 43.

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Cost							
Land and natural resources	176,310	2,425	-505	-87	-4,628	-140	173,375
Buildings and other constructions	551,944	76	-2,469	2,892	-20,429	271	532,285
Plant and machinery	29,893,469	4,939	-107,997	271,871	48,327	-2,929	30,107,680
Other	775,526	7,353	-7,492	13,010	-787	-8	787,602
Assets under construction	2,731,386	496,038	-1,998	-289,430	-38,481	-3,175	2,894,340
	34,128,635	510,831	-120,461	-1,744	-15,998	-5,981	34,495,282

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses							
Buildings and other constructions	155,315	7,395	-1,865	-	-4,345	224	156,724
Plant and machinery	12,699,358	471,108	-106,443	-	5,145	-2,256	13,066,912
Other	565,649	39,307	-6,036	-	-1,143	565	598,342
	13,420,322	517,810	-114,344	-	-343	-1,467	13,821,978

Charge / Impairment losses includes an impairment loss of 8,563 thousands of Euros on wind generation assets under construction in Spain (see note 13).

Transfers of 1,744 thousands of Euros relates with assets of the gas transmission business in Spain which were transferred to non-current assets held for sale (see note 41).

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL) and the appreciation of the American Dollar (USD) and Zloty (PLN) against the Euro, in the first semester of 2012.

Perimeter Variations / Regularisations includes the effect of the acquisition of Pietragalla Eolico S.R.L., the effect of the sale of the companies holders of the mini-hydrics detained in Spain, which generated a gain of 2,857 thousands of Euros recognised under Gains/ (losses) on disposal of financial assets, as well the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during the first semester of 2012.

Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Cost						
Land and natural resources	74,569	-	-	-	-	74,569
Buildings and other constructions	93,556	-	-	-	-	93,556
Other	117,591	2,117	-712	1,807	-	120,803
Assets under construction	26,747	9,148	-	-1,807	-7	34,081
	312,463	11,265	-712	-	-7	323,009

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses						
Buildings and other constructions	23,303	1,422	-	-	-	24,725
Other	80,591	6,324	-563	-	-	86,352
	103,894	7,746	-563	-	-	111,077

The movements in Property, plant and equipment, for the Company, for the six-month period ended 30 June 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Cost						
Land and natural resources	75,026	-	-407	-	-	74,619
Buildings and other constructions	95,906	-	-2,386	-	211	93,731
Other	109,742	654	-490	118	-	110,024
Assets under construction	12,432	4,414	-	-118	-	16,728
	293,106	5,068	-3,283	-	211	295,102

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses						
Buildings and other constructions	22,473	1,453	-1,851	-	211	22,286
Other	69,884	5,375	-396	-	584	75,447
	92,357	6,828	-2,247	-	795	97,733

17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Dec 2012
Cost		
Concession rights	15,328,839	15,443,537
CO_2 licenses	204,391	320,164
Other intangibles	100,630	101,616
Intangible assets in progress	593,772	551,038
	16,227,632	16,416,355
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-208,765	-406,567
Depreciation of other intangibles	-1,230	-3,105
Accumulated depreciation in previous years	-9,736,112	-9,464,821
	-9,946,107	-9,874,493
Carrying amount	6,281,525	6,541,862

The concession rights over the electricity 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 concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation.

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

The movements in Intangible assets during the six-month period ended 30 June 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	-	-	-	-42,581	-	1,327,323
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	12,060	-	-	-	-	1,412,479
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	320,164	29,823	-145,285	-	-	-311	204,391
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	998	-33,993	96,567	-147,749	-	12,439,856
- Intangible assets in progress	160,408	166,438	-82	-136,416	-1,833	312	188,827
Other intangibles	101,616	37	-1	133	-245	-910	100,630
Other intangible assets in progress	390,630	14,235	-86	-133	-1,470	1,769	404,945
	16,416,355	223,591	-179,447	-39,849	-193,878	860	16,227,632

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses							
Concession rights	740,426	42,769	-	-	-7,951	-	775,244
Intangible assets assigned to concessions (IFRIC 12)	9,102,486	165,996	-28,397	-	-101,849	-1	9,138,235
Other intangibles	31,581	1,230	-	-	-213	30	32,628
	9,874,493	209,995	-28,397	-	-110,013	29	9,946,107

Transfers of intangible assets assigned to concessions of 39,849 thousands of Euros relates to increases of financial assets under to IFRIC 12, included in Debtors and other assets from commercial activities caption (see note 25).

Acquisitions / Increases of CO_2 Licences is related to licences purchased in the market. The Disposals / write-off of CO_2 licenses include CO_2 licenses consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

The caption Hydric Portugal includes an increase of 12,002 thousands of Euros related to the power enhancement performed during the first semester of 2013 in the Alqueva hydroelectric power plant.

The movements in Intangible assets during the six-month period ended 30 June 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,448,562	-	-	-	-46,693	-	1,401,869
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,371,528	10,976	-	-	-	25	1,382,529
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	359,058	130,157	-200,367	-	-	-	288,848
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,493,994	12	-13,104	90,602	-157,843	-	12,413,661
- Intangible assets in progress	191,760	178,812	-142	-144,444	-4,499	-	221,487
Other intangibles	97,157	99	-11	192	184	-110	97,511
Other intangible assets in progress	371,535	9,733	-35	-192	-894	243	380,390
	16,482,775	329,789	-213,659	-53,842	-209,745	158	16,335,476

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses							
Concession rights	675,011	38,246	-	-	-7,450	-	705,807
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	159,242	-7,734	-	-106,061	-	9,023,689
Other intangibles	29,044	1,809	-	-	-56	-13	30,784
	9,682,297	199,297	-7,734	-	-113,567	-13	9,760,280

Transfers of intangible assets assigned to concessions include 53,842 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the useful lives extension of assets assigned to concessions, determined by the application of the new depreciation rates on the electric sector in Brazil by "Agência de Energia Eléctrica" (ANEEL), in the amount of 13,491 thousands of Euros (32.572 thousands of Brazilian Real), during the first semester of 2012.

Acquisitions / Increases of CO_2 Licences as at 30 June 2012 include 109,026 thousands of Euros of CO_2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 21,131 thousands of Euros of licences purchased at market. The market for CO_2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO_2 licenses correspond to CO_2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 458 thousands of Euros sold in the market.

The caption Hydric Portugal includes acquisitions of 10,976 thousands of Euros related to the power enhancement performed during the first semester of 2012 of Alqueva hydroelectric plant.

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	
Thousands of Euros	Jun 2013	Dec 2012
HC Energia Group	1,929,910	1,919,526
EDP Renováveis Group	1,286,640	1,301,218
EDP Brasil Group	54,556	55,564
Other	42,149	42,149
	3,313,255	3,318,457

The movements in Goodwill during the six-month period ended 30 June 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 June
HC Energia Group	1,919,526	10,384	-	-	-	-	1,929,910
EDP Renováveis Group	1,301,218	344	-19,173	-	4,251	-	1,286,640
EDP Brasil Group	55,564	-	-	-	-1,008	-	54,556
Other	42,149	-	-	-	-	-	42,149
	3,318,457	10,728	-19,173	-	3,243	-	3,313,255

The movements in Goodwill during the six-month period ended 30 June 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 June
HC Energia Group	1,916,548	-	-10,674	-	-	-	1,905,874
EDP Renováveis Group	1,311,133	4,828	-24	-	17,265	-	1,333,202
EDP Brasil Group	57,427	-	-	-	-1,106	-	56,321
Other	42,149	-	-	-	-	-	42,149
	3,327,257	4,828	-10,698	-	16,159	-	3,337,546

HC Energia Group

During the first semester of 2013, the goodwill held in HC Energia Group increased by 10,384 thousands of Euros (30 June 2012: decrease of 10,674 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 30 June 2013 and 31 December 2012, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Jun 2013	Dec 2012
Goodwill in EDPR Europe Group	679,912	699,522
Goodwill in EDPR North America Group	605,424	600,302
Goodwill in EDPR Brasil Group	1,304	1,394
	1,286,640	1,301,218

The goodwill movement in EDPR Europe Group in 2013 includes an increase of 302 thousands of Euros related to the acquisition of 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda., and a decrease of 19,173 thousands of Euros related to the Relax Wind Group and Greenwind contingent prices revision. These purchase agreements were signed prior to 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b).

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Jun 2013	Dec 2012
Acquisition cost	11,012,092	11,012,092
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,109,568	10,109,568
Impairment losses on equity investments in subsidiaries	-200,034	-200,034
	9,909,534	9,909,534

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.

20. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Investments in associates	178,001	164,018	137	137
Impairment losses in investments in associates	-137	-137	-137	-137
Carrying amount	177,864	163,881	-	-

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Banco Comercial Português, S.A.	37,165	29,653	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	40,931	38,408	40,931	38,408
Tejo Energia, S.A.	26,246	26,246	-	-
Others	80,836	86,991	1,864	2,053
	185,178	181,298	42,795	40,461

During the six-month period ended 30 June 2013, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 2,523 thousands of Euros being the increase booked against fair value reserves (see note 31).

During the six-month period ending 30 June 2013, the financial investment held in Banco Comercial Português, S.A., increased by 7,512 thousands of Euros being the increase booked against fair value reserves (see note 31).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 48,080 thousands of Euros (31 December 2012: 48,229 thousands of Euros), as a result of its reinsurance activity.

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 31). The fair value reserve attributable to the Group as at 30 June 2013 and 31 December 2012 is analysed as follows:

Thousands of Euros	Jun 2013	Dec 2012
Banco Comercial Português	12,964	5,452
REN - Redes Energéticas Nacionais	15,111	12,588
Tejo Energia	19,891	19,891
Others	6,005	7,419
	53,971	45,350

22. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Balance as at 1 January	340,816	511,414	-852,054	-954,002
Tariff adjustment for the period	18,997	-1,935	-56,946	-150,617
Provisions	-27,431	-13,100	-	-
Property, plant and equipment, intangible assets and accounting revaluations	156,828	-20,584	-36,620	-22,361
Deferred tax over CMECs in the period	-	-	29,064	-23,514
Tax losses and tax credits	59,176	114,679	-	-
Financial and available for sale investments	1,427	1,889	-3,112	64,481
Other temporary differences	-26,767	-25,470	-43,957	8,259
Netting of deferred tax assets and liabilities	-101,579	-179,939	101,579	179,939
Balance as at 30 June	421,467	386,954	-862,046	-897,815

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:

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Balance as at 1 January	69,799	18,344	-	-
Tax losses and tax credits	-22,239	-5,167	-	-
Provisions	-729	-398	-	-
Financial and available for sale investments	2,149	976	-	67,623
Fair value of derivative financial instruments	-4,245	-2,164	3,145	8,412
Other temporary differences	34	-10	-25,641	-96
Netting of deferred tax assets and liabilities	-22,496	75,939	22,496	-75,939
Balance as at 30 June	22,273	87,520	-	-

23. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Dec 2012
Merchandise	46,733	75,307
Finished, intermediate products and sub-products	19,624	28,799
Raw and subsidiary materials and consumables (coal and fuel)	118,101	187,602
Nuclear fuel	15,707	16,905
Other consumables	82,626	69,005
	282,791	377,618

24. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	940,289	1,050,200	150,323	182,731
- Spain	582,697	684,331	-	-
- Brazil	415,280	496,175	-	-
- U.S.A.	37,263	42,575	-	-
- Other	52,715	55,620	-	-
Public Sector:				
- Portugal	94,811	102,510	-	-
- Brazil	41,007	53,574	-	-
- Spain	39,819	91,327	-	-
	2,203,881	2,576,312	150,323	182,731
Impairment losses	-310,614	-296,208	-9,958	-9,958
	1,893,267	2,280,104	140,365	172,773
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Brazil	11,015	11,281	-	-
Public Sector:				
- Portugal	124,046	126,501	-	-
- Brazil	10,172	8,571	-	-
	145,233	146,353	-	-
Impairment losses	-45,374	-49,254	-	-
	99,859	97,099	-	-
	1,993,126	2,377,203	140,365	172,773

25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Amounts receivable from tariff expenses - Electricity - Spain	442,324	432,415	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	803,338	668,965	-	-
Receivables relating to other goods and services	66,356	75,366	6,479	43,078
Amounts receivable relating to CMEC	270,218	432,133	-	-
Accrued income relating to energy sales and purchase activity	102,228	111,116	180,215	163,640
Sundry debtors and other operations	360,380	347,439	52,657	63,356
	2,044,844	2,067,434	239,351	270,074
Impairment losses on debtors	-17,307	-15,915	-936	-931
	2,027,537	2,051,519	238,415	269,143

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
Amounts receivable from tariff adjustments - Electricity - Portugal	1,054,135	980,225
Amounts receivable relating to CMEC	1,042,689	944,167
Amounts receivable from concessions - IFRIC 12	732,031	706,480
Sundry debtors and other operations	89,856	109,335
	2,918,711	2,740,207
Impairment losses on debtors	-3,351	-3,305
	2,915,360	2,736,902

The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 June 2013, according to the applicable legal framework (see note 3). During 2013, the Spanish Electricity Deficit Amortisation Fund (FADE), launched ten bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 249,108 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,312,907 thousands of Euros, and includes 1,042,689 thousands of Euros as non-current and 270,218 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 663,375 thousands of Euros as non-current and 41,541 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2013. The remaining 379,314 thousands of Euros as non-current and 228,677 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2011 to 2013.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 732,031 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes mainly the effect of the depreciation of Brazilian Real against Euro in the amount of 18,227 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 39,849 thousands of Euros (see note 17).

The movement for the period in Amounts receivable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	374,859	424,787
Receipts through the electric energy tariff	-333,108	-
Tariff adjustment for the period	276,934	555,698
Interest income	17,047	20,303
Transfer from Non-Current to Current	347,075	-347,075
Balance as at 30 June 2012	682,807	653,713
Receipts through the electric energy tariff	-333,108	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the period	342,081	424,309
Transfer from tariff adjustments payable	-9,491	-
Interest income	31,458	-
Securitisation adjustment of cogeneration	-143,566	-
Transfer from Non-Current to Current	97,797	-97,797
Balance as at 31 December 2012	668,965	980,225
Receipts through the electric energy tariff	-339,960	-
Partial securitisations of 2012 over costs for the special regime generators	-713,642	-
Tariff adjustment of 2012	901	-
Tariff adjustment for the period	417,350	799,811
Transfer to tariff adjustment payable	-8,699	-842
Interest income	47,709	5,655
Transfer from Non-Current to Current	730,714	-730,714
Balance as at 30 June 2013	803,338	1,054,135

During the second quarter of 2013, EDP sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2012 over cost for the acquisition of electricity from special regime generators, in the amount of 713,642 thousands of Euros. In these assets' sales operations, EDP sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 758,715 thousands of Euros and generated gains of 41,225 thousands of Euros (see note 14). The first two transactions were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 308,715 thousands of Euros. The third transaction was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

26. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Debtors and other assets - Current				
Loans to subsidiaries	-	-	904,160	1,036,546
Dividends	-	-	-	86,204
Loans to related parties	48,911	38,348	10,924	17,167
Receivables from the State and concessors	48,934	48,349	-	-
Derivative financial instruments	92,830	129,814	142,036	127,169
Subsidiary Companies	-	-	1,314,520	1,022,077
Guarantees and tied deposits	6,868	19,548	-	-
Sundry debtors and other operations	64,638	60,615	3,756	5,366
	262,181	296,674	2,375,396	2,294,529
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	5,983,604	5,885,502
Loans to related parties	291,780	265,542	6,266	90
Guarantees and tied deposits	69,940	72,498	5	5
Derivative financial instruments	73,575	147,026	141,705	128,493
Sundry debtors and other operations	46,904	49,507	-	-
	482,199	534,573	6,131,580	6,014,090
	744,380	831,247	8,506,976	8,308,619

27. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Income tax	167,875	168,834	77,312	81,917
Value added tax (VAT)	165,687	207,245	14,001	110,415
Turnover tax (Brazil)	6,352	17,026	-	-
Other taxes	23,878	42,523	3,499	3,255
	363,792	435,628	94,812	195,587

On a company basis, the decrease in Value added tax (VAT), relates essentially to the receipt in 2013 of VAT refunds, submitted by EDP S.A.

On EDP Group, the caption Other taxes includes the amount of 11,226 thousands of Euros (31 December 2012: 30,026 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Cash	243	60	14	-
Bank deposits				
Current deposits	782,909	416,038	21,057	26,345
Term deposits	888,539	1,052,822	167,096	601,914
Other deposits	50,439	29,149	-	-
	1,721,887	1,498,009	188,153	628,259
Operations pending cash settlement				
Current deposits	6,976	196,976	699,976	676,976
Other short term investments	1,151	291	-	-
	1,730,257	1,695,336	888,143	1,305,235

The caption Other short term investments includes very short term investments promptly convertible into cash.

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the amount of 693,000 thousands of Euros, which according to the Group accounting policy is booked as financial debt at the trade date of each emission. This commercial paper was issued on 28 June 2013 and was acquired by EDP Finance B.V., but the settlement date was on 2 July 2013.

29. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company that 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.

On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to CWEI (Europe), S.A. (former - China Three Gorges International (Europe), S.A.), through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública — Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4,14% of EDP share capital. The decrease of the shareholding resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa — Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

Share capital and Share premium are analysed as follows:

	Group and Company	
Thousands of Euros	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 June	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Net profit attributable to the equity holders of EDP (in Euros)	603,219,381	581,768,073	563,408,599	624,909,830
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	603,219,381	581,768,073		
Weighted average number of ordinary shares outstanding	3,626,139,106	3,623,746,783	3,627,652,106	3,625,259,783
Weighted average number of diluted ordinary shares outstanding	3,626,567,470	3,624,339,501	3,628,080,470	3,625,852,501
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.17	0.16		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.17	0.16		
Basic earnings per share from continuing operations (in Euros)	0.17	0.16		
Diluted earnings per share from continuing operations (in Euros)	0.17	0.16		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Jun 2013	Jun 2012	Jun 2013	Jun 2012
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-30,398, 609	-32,790, 932	-28,885, 609	-31,277, 932
Average number of shares during the period	3,626,139,106	3,623,746,783	3,627,652,106	3,625,259,783
Effect of stock options	428,364	592,718	428,364	592,718
Diluted average number of shares during the period	3,626,567,470	3,624,339,501	3,628,080,470	3,625,852,501

30. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Book value of EDP, S.A. treasury stock (thousands of Euros)	90,709	103,706	84,614	97,611
Number of shares	28,710,246	31,904,523	27,197,246	30,391,523
Market value per share (in Euros)	2.475	2.290	2.475	2.290
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	71,058	73,061	67,313	69,597

Operations performed from 1 January to 30 June 2013:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	250,000	-
Average purchase price (in Euros)	2.372	-
Total purchase value (thousands of Euros)	593	-
Volume sold (number of shares)	-3,444,277	-
Selling price average (in Euros)	2.437	-
Total sale value (thousands of Euros)	8,394	-
Final position (number of shares)	27,197,246	1,513,000
Highest market price (in Euros)	2.651	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	2.457	-

The volume and the selling prices disclosed above include the effect of the treasury stock attributable to employees, as mentioned in note 44.

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	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Legal reserve	620,069	578,435	620,069	578,435
Fair value reserve (cash flow hedge)	-88,937	-121,097	-12,158	-16,069
Tax effect of fair value reserve (cash flow hedge)	25,877	34,979	3,776	4,938
Fair value reserve (available for sale investments)	53,971	45,350	10,751	8,238
Tax effect of fair value reserve (available for sale investments)	-1,724	-1,408	2,045	1,957
Exchange differences arising on consolidation	-34,428	24,268	-	-
Treasury stock reserve (EDP, S.A.)	84,614	97,611	84,614	97,611
Other reserves and retained earnings	2,885,461	2,464,978	1,443,202	1,315,569
	3,544,903	3,123,116	2,152,299	1,990,679

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 1 January 2012	485,789	-442,777
Changes in fair value	1,014	-7,946
Transfer of impairment to profit or loss	-	7,241
Balance as at 30 June 2012	486,803	-443,482
Changes in fair value	7,660	-5,993
Transfer of impairment to profit or loss	-	362
Transfer to the income statement relating to assets sold	-	-
Balance as at 31 December 2012	494,463	-449,113
Changes in fair value	10,035	-3,444
Transfer of impairment to profit or loss	-	2,030
Balance as at 30 June 2013	504,498	-450,527

Changes in fair value reserve attributable to the EDP Group during the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	7,512	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	2,523	-
Others	-	-3,444
	10,035	-3,444

Exchange differences on consolidation

Exchange differences 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:

		Exchange rates at Jun 2013		Exchange rates at Dec 2012		Exchange rates at Jun 2012	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.308	1.313	1.319	1.285	1.259	1.296
Brazilian Real	BRL	2.890	2.669	2.704	2.508	2.579	2.414
Macao Pataca	MOP	10.452	10.493	10.533	10.062	10.059	10.119
Canadian Dollar	CAD	1.371	1.334	1.314	1.284	1.287	1.304
Zloty	PLN	4.338	4.176	4.074	4.185	4.249	4.246
Romanian Leu	RON	4.460	4.392	4.445	4.459	4.451	4.390
Pound Sterling	GBP	0.857	0.851	0.816	0.811	0.807	0.823
Rand	ZAR	13.070	12.108	-	-	-	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the book value amount of treasury stock held.

Dividends

On 6 May 2013, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 23 May 2013 of the net profit for the year 2012 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,527 thousands of Euros).

32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
Non-controlling interests in income statement	106,971	169,672
Non-controlling interests in equity and reserves	3,076,388	3,069,642
	3,183,359	3,239,314

Non-controlling interests, by company, are made up as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
EDP Renováveis Group	1,647,073	1,516,865
EDP Brasil Group	1,418,592	1,604,316
Other	117,694	118,133
	3,183,359	3,239,314

During the six-month period ended 30 June 2013, EDP Group generated profits of 106,971 thousands of Euros attributable to non-controlling interests (31 December 2012: 169,672 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 48,966 thousands of Euros, a decrease of 8.011 thousands of Euros related to dividends paid and additional acquisitions of wind farms in Europe, without a change of control, which resulted in a decrease of non-controlling interests of 12,007 thousands of Euros. In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in EDP Renováveis Portugal, S.A., and, as a result, the Group recognised non-controlling interests of 111,319 thousands of Euros and an impact in reserves attributable to EDP Group of 112,859 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 53,323 thousands of Euros of profits attributable to non-controlling interests, a decrease of 69,952 thousands of Euros related to dividends paid, negative variations resulting from share capital decreases, deliberated on 3 May 2013 by Lajeado Energia General Shareholders Meeting with an effect in non-controlling interests of 74,428 thousands of Euros, and 89,838 thousands of Euros of negative exchange differences.

33. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

	Group and Company	
Thousands of Euros	Jun 2013	Dec 2012
Non-Current	34,745	33,644
Current	11,416	22,832
	46,161	56,476

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Jun 2013	Jun 2012
Balance at the beginning of the period	56,476	69,142
Amounts received / (paid) during the period	-11,416	-7,577
Financial charges	1,101	1,320
Balance at the end of the period	46,161	62,885

34. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	47,231	61,567	47,231	61,567
- EDP Finance B.V.	2,671,700	2,205,915	-	-
- EDP Brasil Group	138,896	113,666	-	-
- EDP Renováveis Group	104,446	95,486	-	-
- Others	34,036	42,116	-	-
	2,996,309	2,518,750	47,231	61,567
Non-convertible bond loans:				
- EDP, S.A.	-	150,000	-	150,000
- EDP Finance B.V.	1,525,899	348,231	-	-
- EDP Brasil Group	288,054	141,521	-	-
	1,813,953	639,752	-	150,000
Commercial paper:				
- EDP, S.A.	89,000	319,500	7,312,000	7,335,000
- HC Energia Group	-	2,192	-	-
	89,000	321,692	7,312,000	7,335,000
Other loans	15,788	15,806	-	-
Accrued interest	290,461	311,503	10,953	11,053
Other liabilities:				
- Fair value of the issued debt hedged risk	13,393	-	-	-
Total Debt and borrowings	5,218,904	3,807,503	7,370,184	7,557,620
Collateral Deposits - Current [(*)]				
Collateral deposit - BEI	-23,097	-12,732	-23,097	-12,732
Other collateral deposits	-660	-719	-	-
Total Collateral Deposits	-23,757	-13,451	-23,097	-12,732
	5,195,147	3,794,052	7,347,087	7,544,888

[(*)] Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit in the amount of 361,445 thousands of Euros (338,348 thousands of Euros non-current and 23,097 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 127,348 thousands of Euros (126,688 thousands of Euros non-current and 660 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,062,243	1,097,196	1,062,243	1,097,196
- EDP Finance B.V.	3,039,625	3,653,295	-	-
- EDP Brasil Group	748,800	803,140	-	-
- EDP Renováveis Group	763,260	792,181	-	-
- EDP Produção	146,400	150,876	-	-
- Others	33,558	37,840	-	-
	5,793,886	6,534,528	1,062,243	1,097,196
Non-convertible bond loans:				
- EDP, S.A.	734,722	731,942	734,722	731,942
- EDP Finance B.V.	7,491,391	8,654,038	-	-
- EDP Brasil Group	435,555	385,244	-	-
	8,661,668	9,771,224	734,722	731,942
Commercial paper:				
- EDP, S.A.	197,902	196,976	197,902	196,976
	197,902	196,976	197,902	196,976

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Other loans:				
- Investco preference shares	17,185	17,263	-	-
- EDP Brasil Group	24,899	35,000	-	-
- EDP Renováveis Group	20,484	21,787	-	-
- Others	3,248	3,482	-	-
	65,816	77,532	-	-
	14,719,272	16,580,260	1,994,867	2,026,114
Accrued interest	17,918	20,056	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	-1,846	115,409	5,035	6,323
Total Debt and borrowings	14,735,344	16,715,725	1,999,902	2,032,437
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-338,348	-348,713	-338,348	-348,713
Other collateral deposits	-126,688	-66,332	-	-
Total Collateral Deposits	-465,036	-415,045	-338,348	-348,713
	14,270,308	16,300,680	1,661,554	1,683,724

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 30 June 2013 and 31 December 2012 these loans amounted to 1,020,259 thousands of Euros and 1,018,578 thousands of Euros, respectively. These amounts are already included in the Group's consolidated debt (see note 43).

EDP Group has short-term credit facilities of 159,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 150,000 thousands of Euros with guaranteed placement, being fully available as at 30 June 2013. In January 2013, EDP S.A. signed a 5 year term loan facility of 1,600,000 thousands of Euros, of which 645,000 thousands of Euros are available and will be used to refinance a Revolving Credit Facility of 1,100,000 thousands of Euros to be repaid at maturity in November 2013. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,850,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 30 June 2013 is totally drawn down.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period up to one year in the amount of 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 2,098 thousands of Euros.

The nominal value of Bond loans issued and outstanding, as at 30 June 2013, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros	
					Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May-08	Variable rate (iv)	n.a.	May-18	300,000	300,000
EDP, S.A.	Dec-11	Fixed rate EUR 6%	n.a.	Dec-14	200,000	200,000
EDP, S.A.	May-12	Fixed rate EUR 6%	n.a.	May-15	250,000	250,000
					750,000	750,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iv)	n.a.	Dec-22	93,357	-
EDP Finance B.V.	Jun-05	Fixed rate EUR 3.75%	n.a.	Jun-15	500,000	-
EDP Finance B.V. (i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.625%	n.a.	Jun-16	500,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	764,526	-
EDP Finance B.V. (i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii)	Feb-09	Fixed rate EUR 5.50%	n.a.	Feb-14	1,000,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iv)	n.a.	Jun-19	77,286	-
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	764,526	-
EDP Finance B.V.	Feb-10	Variable Rate USD (iv)	Net Investment	Feb-15	76,453	-
EDP Finance B.V. (i)	Mar-10	Fixed Rate EUR 3.25%	Fair Value	Mar-15	1,000,000	-
EDP Finance B.V.	Feb-11	Fixed Rate EUR 5.875%	n.a.	Feb-16	750,000	-
EDP Finance B.V. (i)	Feb-11	Fixed Rate CHF 3.50%	Fair Value	Feb-14	177,911	-
EDP Finance B.V.	Sep-12	Fixed Rate EUR 5.75%	n.a.	Sep-17	750,000	-
EDP Finance B.V. (i)	Nov-12	Fixed Rate CHF 4.00%	Fair Value	Nov-18	103,922	-
EDP Finance B.V.	Dec-12	Variable Rate (iv)	n.a.	Dec-13	350,000	-
					9,098,295	-

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul-07	105,0% do CDI	n.a.	Jul-14	57,675	-
Bandeirante	Jul-10	CDI + 1,50%	n.a.	Jun-14	134,953	-
CEJA	Oct-11	110,5% do CDI	n.a.	Oct-13	103,810	-
Energest	Apr-12	CDI + 0,98%	n.a.	Apr-17	41,524	-
Energias do Brasil	Sep-12	105,5% do CDI	n.a.	Feb-14	155,715	-
Cachoeira Caldeirão	Mar-13	106,30 do CDI%	n.a.	Oct-14	58,133	-
Energias do Brasil	Apr-13	CDI + 0,55%	n.a.	Apr-16	173,016	
					724,826	-
					10,573,121	750,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

Loans by maturity, are analysed as follows:

Thousands of Euros	Group Jun 2013	Group Dec 2012	Company Jun 2013	Company Dec 2012
Bank loans				
Up to 1 year	3,047,501	2,558,583	49,035	64,171
From 1 to 5 years	4,458,253	5,142,798	672,762	659,126
More than 5 years	1,349,547	1,407,686	389,481	438,070
	8,855,301	9,109,067	1,111,278	1,161,367
Bond loans				
Up to 1 year	2,063,174	908,935	5,748	156,537
From 1 to 5 years	6,827,140	6,952,783	739,757	456,324
More than 5 years	1,836,686	2,937,950	-	281,941
	10,727,000	10,799,668	745,505	894,802
Commercial paper				
Up to 1 year	92,401	324,089	7,315,401	7,336,912
From 1 to 5 years	197,902	196,976	197,902	196,976
	290,303	521,065	7,513,303	7,533,888
Other loans				
Up to 1 year	15,828	15,896	-	-
From 1 to 5 years	59,195	52,837	-	-
More than 5 years	6,621	24,695	-	-
	81,644	93,428	-	-
	19,954,248	20,523,228	9,370,086	9,590,057

The fair value of EDP Group's debt is analysed as follows:

Thousands of Euros	Jun 2013 Carrying amount	Jun 2013 Market value	Dec 2012 Carrying amount	Dec 2012 Market value
Debt and borrowings - Current	5,218,904	4,907,770	3,807,503	3,452,211
Debt and borrowings - Non-current	14,735,344	15,172,010	16,715,725	17,164,909
	19,954,248	20,079,780	20,523,228	20,617,120

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements of IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 30 June 2013, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Debt and borrowings - Non-current	-	593,675	3,448,141	3,385,673	2,446,508	4,861,347	14,735,344
Debt and borrowings - Current	2,223,684	2,995,220	-	-	-	-	5,218,904
	2,223,684	3,588,895	3,448,141	3,385,673	2,446,508	4,861,347	19,954,248

Future payments of principal and interest and guarantees are detailed in note 43.

35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Dec 2012
Provisions for social liabilities and benefits	865,395	939,399
Provisions for medical liabilities and other benefits	1,001,085	994,026
	1,866,480	1,933,425

Provisions for social liabilities and benefits as at 30 June 2013 include 859,214 thousands of Euros relating to retirement pension defined benefit plans (31 December 2012: 932,194 thousands of Euros) and 6,181 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2012: 7,205 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Jun 2012
Balance at the beginning of the period	939,399	1,003,943
Charge for the period	21,250	29,346
Pre-retirements (curtailments)	-	54
Actuarial (gains)/losses	-15,159	-15,185
Charge-off	-73,496	-76,604
Transfers, reclassifications and exchange differences	-6,599	-2,025
Balance at the end of the period	865,395	939,529

The components of consolidated net cost of the pensions plans recognised in the period were as follows:

Thousands of Euros	Jun 2013			
	Portugal	Spain	Brazil	Group
Current service cost	5,551	306	-61	5,796
Operational component (see note 10)	5,551	306	-61	5,796
Net interest [*]	11,454	1,386	2,614	15,454
Financial component (see note 14)	11,454	1,386	2,614	15,454
	17,005	1,692	2,553	21,250

Thousands of Euros	Jun 2012			
	Portugal	Spain	Brazil	Group
Current service cost	5,898	284	-37	6,145
Curtailments / settlements	-	-	54	54
Operational component (see note 10)	5,898	284	17	6,199
Net interest [*]	20,283	1,879	1,039	23,201
Financial component (see note 14)	20,283	1,879	1,039	23,201
	26,181	2,163	1,056	29,400

[*] The caption Net interest corresponds to interest cost net of expected return on plan assets.

The movement in Provisions for medical liabilities and other benefits is analysed as follows:

Thousands of Euros	Group	
	Jun 2013	Jun 2012
Balance at the beginning of the period	994,026	819,215
Charge for the period	25,302	27,129
Actuarial (gains)/losses	9,310	-1,531
Charge-off	-21,722	-21,484
Transfers, reclassifications and exchange differences	-5,831	-3,645
Balance at the end of the period	1,001,085	819,684

The components of the consolidated net cost of these medical and other benefits plans recognised during the period are as follows:

Thousands of Euros	Jun 2013			Jun 2012		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	4,250	674	4,924	3,289	1,045	4,334
Operational component (see note 10)	4,250	674	4,924	3,289	1,045	4,334
Interest cost	13,683	6,695	20,378	18,243	4,552	22,795
Financial component (see note 14)	13,683	6,695	20,378	18,243	4,552	22,795
	17,933	7,369	25,302	21,532	5,597	27,129

As at 30 June 2013, current service cost, interest cost and expected return on plan assets were determined based on the estimated cost for the period in accordance with the actuarial study as of 31 December 2012.

36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Provision for legal and labour matters and other contingencies	78,551	78,495	-	-
Provision for customer guarantees under current operations	6,721	10,121	-	-
Provisions for dismantling and decommissioning	177,479	169,402	-	-
Provision for other liabilities and charges	138,855	124,848	23,747	27,882
	401,606	382,866	23,747	27,882

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, booked provisions to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 14,245 thousands of Euros (31 December 2012: 14,722 thousands of Euros). These requests result from the application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) Lawsuit filed by "Sindicato dos Trabalhadores da Indústria Eléctrica do Estado do Espírito Santo" (SINERGIA) against Escelsa in 2007, related with changes made by the company to the Career and Salary Plan. During the first semester of 2013 Escelsa reached an agreement with SINERGIA, and recognised a provision in the amount of 7,449 thousands of Euros;

iii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 7,049 thousands of Euros;

iv) The Municipal Council of Póvoa do Varzim has brought up a legal action, which estimated liability as at 31 December 2012 was 2,852 thousands of 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 was absolved, and the provision was reversed during the second quarter of 2013;

v) As at 31 December 2012, the litigation with the Municipal Council of Seixal relating to differences regarding taxes and other fees in connection with the use of public space for the years 2006 to 2008 amounted to 3,852 thousands of Euros. During the second quarter of 2013, EDP Distribuição and Municipal Council of Seixal agreed the termination of the lawsuits and the payment of 1,545 thousands of Euros by EDP Distribuição, therefore the provision has been reversed;

vi) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 June 2013, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices;

vii) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

Provisions for customer guarantees under current operations of 6,721 thousands of Euros (31 December 2012: 10,121 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 June 2013, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 32,519 thousands of Euros (31 December 2012: 29,059 thousands of Euros) to cover the cost of dismantling the Trill Nuclear Plant from the final close down until its transfer to Ernes, the company that will dismantle it;

ii) Provisions for dismantling of wind farms of 66,358 thousands of Euros (31 December 2012: 63,336 thousands of Euros) to cover the costs of returning the sites to their original state, of which 39,002 thousands of Euros refer to the wind farms of the EDPR NA Group, 26,501 thousands of Euros to the wind farms of the EDPR EU Group and 855 thousands of Euros to the wind farms of the EDPR Brasil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 30 June 2013, the provision which amounts to 57,146 thousands of Euros (31 December 2012: 56,044 thousands of Euros) and 20,705 thousands of Euros (31 December 2012: 20,194 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the 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.

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 June 2013, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 28,694 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 32,253 thousands of Euros;

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 19,730 thousands of Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP International SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2013, the amount of this tax contingency totals 230 millions of Euros.

Considering the analysis made, 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 nº2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the end of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Bandeirante, through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55.421/2010 and 55.867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts. The estimated value at 30 June 2013 amounts to 49,340 thousands of Euros.

37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
Deferred income related to benefits provided	726,832	737,598
Liabilities arising from institutional partnerships in USA wind farms	905,909	942,155
	1,632,741	1,679,753

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 14).

38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Current, are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Suppliers	937,005	1,169,387	228,951	236,425
Accrued costs related with supplies	370,949	391,834	190,806	175,934
Property, plant and equipment suppliers and accruals	317,900	731,769	1,916	6,708
Holiday pay, bonus and other charges with employees	124,616	142,229	10,374	7,284
CO_2 emission licenses	45,211	142,084	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	140,091	144,994	-	-
Amounts payable for tariff adjustments - Electricity - Spain	77,447	8,280	-	-
Deferred income - CMEC	36,047	-	-	-
Other creditors and sundry operations	501,243	490,022	50,377	61,735
	2,550,509	3,220,599	482,424	488,086

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
Government grants for investment in fixed assets	606,008	522,551
Amounts payable for tariff adjustments - Electricity - Portugal	72,664	842
Energy sales contracts - EDPR NA	42,578	49,449
Deferred income - CMEC	407,028	392,841
Amounts payable for concessions	240,575	240,051
Other creditors and sundry operations	61,431	57,037
	1,430,284	1,262,771

The movement for the period in Amounts payable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	67,473	12,376
Payment through the electricity tariff	-35,089	-
Tariff adjustment of the period	-	35,240
Interest expense	1,475	426
Transfer from Non-Current to Current	6,189	-6,189
Balance as at 30 June 2012	40,048	41,853
Payment through the electricity tariff	-35,088	-
Tariff adjustment of the period	141,202	-35,240
Interest expense	2,552	-
Transfer to tariff adjustments receivable	-10,333	842
Transfer from Non-Current to Current	6,613	-6,613
Balance as at 31 December 2012	144,994	842
Payment through the electricity tariff	-69,015	-
Tariff adjustment of the period	71,934	71,934
Interest expense	877	730
Transfer of tariff adjustment to receive	-8,699	-842
Balance as at 30 June 2013	140,091	72,664

The caption CO_2 emission licenses includes the CO_2 consumptions made during 2013 in Portugal and Spain, in the amount of 22,556 thousands of Euros and 22,610 thousands of Euros, respectively. The decrease relates to the delivery in 2013 of the 2012 licences consumptions, which are returned to the regulatory authorities until April of the year following to its consumptions.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 8).

Deferred income - CMEC current and non-current in the amount of 443,075 thousands of Euros (31 December 2012: 392,841 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2013 and including unwinding (see note 14).

Amounts payable for concessions refer to the non-current amounts payable related to the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 155,752 thousands of Euros (31 December 2012: 150,489 thousands of 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 84,823 thousands of Euros (31 December 2012: 89,562 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2012: 14,317 thousands of Euros).

39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Other liabilities and other payables - Current				
Loans from non-controlling interests	259,197	137,402	-	-
Derivative financial instruments	58,048	62,629	98,318	61,543
Payables - Group companies	-	-	476,156	679,503
Amounts payable for acquisitions and success fees	21,741	135,932	-	-
Other creditors and sundry operations	32,876	32,180	8,228	30,182
	371,862	368,143	582,702	771,228
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	204,141	108,850	-	-
Put options over non-controlling interest liabilities	97,287	90,371	-	-
Derivative financial instruments	142,721	145,614	-	-
Payables - Group companies	-	-	2,989,967	3,006,023
Amounts payable for acquisitions and success fees	22,381	41,735	-	-
Other creditors and sundry operations	22,463	23,167	11,062	11,062
	488,993	409,737	3,001,029	3,017,085
	860,855	777,880	3,583,731	3,788,313

The increase in the caption Loans from non-controlling interests, is mainly related to EDPR Portugal loans formerly due to EDPR-EU in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were also acquired by CTG. The maturity date of these loans is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly (see note 5).

The caption Payables - Group companies Current on a company basis includes 375,306 thousands of Euros (31 December 2012: 462,142 thousands of Euros) related to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and with EDP Servicios Financieros España, S.A. and also 99,956 and 730 thousands of Euros, related to debt financing obtained from EDP Renováveis and EDPR Europe, respectively (see note 45).

The caption Payables - Group companies Non-Current on a company basis, of 2,989,967 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholding position. As a consequence of the agreement mentioned above, during the first semester of 2013 the Group HC paid the remaining amount of 96,003 thousands of Euros related to the acquisition of 29.43% of the Naturgas' share capital. Additionally, the caption Amounts payable for acquisitions and success fees - current includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 9,813 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13 % of HC Energia share capital of 93,810 thousands of Euros (31 December 2012: 83,425 thousands of Euros).

The decrease in the caption Amounts payable for acquisitions and success fees - Current refers essentially to the payment of the contigent price of the solar photovoltaic companies in Romania, in the amount of 7,721 thousands of Euros.

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of Relax Wind Group, EDPR Roménia, Greenwind, Elektrownia, Wiatrowa, Kresy, Feijão, Bodzanow, Starozreby, Wyszorod, Elebrás and solar photovoltaic companies held by EDPR-RO-PV, S.R.L. As at 30 June 2013, this caption includes the contingent price revision associated with the additional acquisitions of Relax Wind Park I in the amount of 17,423 thousands of Euros, and Greenwind in the amount of 1,750 thousands of Euros.

40. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Income tax	315,431	103,633	127,825	9,930
Withholding tax	54,295	64,763	301	256
Value added tax (VAT)	102,256	94,461	921	2,229
Turnover tax (Brazil)	41,779	52,956	-	-
Social tax (Brazil)	14,038	41,984	-	-
Other taxes	131,006	109,941	46	50
	658,805	467,738	129,093	12,465

As at 30 June 2013, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 56,400 thousands of Euros, Naturgas Group of 28,817 thousands of Euros (31 December 2012: HC Energia Group of 44,512 thousands of Euros and Naturgás Group of 29,667 thousands of Euros) and EDP Brasil Group of 11,828 thousands of Euros (31 December 2012: 12,710 thousands of Euros).

41. 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, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

	Group	
Thousands of Euros	Jun 2013	Dec 2012
Assets classified as held for sale		
Assets of the business of gas transmission - Naturgas	-	212,850
Assets of the business of cogeneration	-	29,001
	-	241,851
Liabilities classified as held for sale		
Liabilities of the business of gas transmission - Naturgas	-	-23,628
Liabilities of the business of cogeneration	-	-15,758
	-	-39,386
	-	202,465

In 2012, as a result of the negotiations for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were presented as assets and liabilities held for sale. This operation was concluded in February 2013, after obtaining the required authorizations by the regulatory and antitrust authorities. Naturgás sold the gas transmission business to Enagás, S.A. (the Spanish gas transmission system operator) for 115,493 thousands of Euros, generating a gain of 55,829 thousands of Euros (see note 8). In this operation, Enagás also paid an intercompany debt of 129,654 thousands of Euros.

On 21 January 2013, following the exercise of a call option by Soporcel as established in the shareholders' agreement, EDP Produção sold the cogeneration assets, through the sale of 82% shareholding in Soporgen, S.A to the other shareholder, Soporcel, S.A., for 5,060 thousands of Euros, generating a gain of 2,239 thousands of Euros (see note 8). Additionally, an amount of 5,349 thousands of Euros was received related to dividends distributed by Soporgen before this operation. Simultaneously with this divestment, EDP Produção received full reimbursement of the shareholders loans granted to Soporgen, including accrued interest, in the amount of 3,281 thousands of Euros. As at 31 December 2012, the assets and liabilities associated with Soporgen were presented under assets and liabilities classified as held for sale.

42. 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 as net investment hedge.

The fair value of the derivative financial instruments portfolio as at 30 June 2013 and 31 December 2012 is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Derivatives held for trading	-4,766	26,223	6,763	35,936
Fair value hedge	29,980	162,287	186,551	169,862
Cash-flow hedge	-71,439	-123,358	-7,891	-11,679
Net Investment hedge	11,861	3,445	-	-
	-34,364	68,597	185,423	194,119

43. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 March 2013 and 31 December 2012, are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2013	Dec 2012	Jun 2013	Dec 2012
Financial guarantees				
EDP, S.A.	284,093	312,237	284,093	312,237
HC Energia Group	4,005	37,539	-	-
EDP Brasil Group	869,034	867,623	-	-
Other	7,151	7,122	-	-
	1,164,283	1,224,521	284,093	312,237
Operating guarantees				
EDP, S.A.	679,342	745,324	679,342	745,324
HC Energia Group	354,056	334,226	-	-
EDP Brasil Group	382,531	433,613	-	-
EDP Renováveis Group	751,315	1,208,810	-	-
Other	9,225	9,272	-	-
	2,176,469	2,731,245	679,342	745,324
Total	3,340,752	3,955,766	963,435	1,057,561
Real guarantees	25,348	29,504	-	-

The financial guarantees contracted include, at 30 June 2013 and 31 December 2012, 991,148 thousands of Euros and 1,139,074 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 101,776 thousands of Euros at 30 June 2013 for loans obtained by Brazilian companies to finance the construction of hydroelectrical power plants, which have counter-guarantees of 40,710 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 June 2013 and 31 December 2012, 416,989 thousands of Euros and 397,266 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2013 and 31 December 2012 these loans amounted to 1,020,259 thousands of Euros and 1,018,578 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 34).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 June 2013 and 31 December 2012, EDPR's obligations under the tax equity agreements, in the amount of 875,084 thousands of Euros and 901,301 thousands of Euros, are reflected on the balance sheet Institutional Partnerships in US Wind farms.

Real guarantees, as at 30 June 2013, include 3,416 thousands of Euros (31 December 2012: 9,615 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

In addition, EDP has constituted an escrow deposit in the amount of 361,445 thousands of Euros (338,348 thousands of Euros non-current and 23,097 thousands of Euros current), as presented in note 34, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the condensed consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the condensed consolidated statement of financial position) are disclosed, as at 30 June 2013 and 31 December 2012, by maturity, as follows:

	Jun 2013				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,199,609	5,721,209	6,975,921	6,713,119	3,789,360
Finance lease commitments	7,595	3,449	3,751	395	-
Operating lease commitments	994,090	52,678	83,560	77,498	780,354
Purchase obligations	21,973,222	3,255,961	4,499,861	2,964,277	11,253,123
Other long term commitments	2,144,496	248,635	473,992	432,806	989,063
	48,319,012	9,281,932	12,037,085	10,188,095	16,811,900

	Dec 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,838,923	4,265,240	8,312,603	6,176,972	5,084,108
Finance lease commitments	8,606	3,549	4,325	732	-
Operating lease commitments	977,501	53,430	88,047	73,940	762,084
Purchase obligations	24,614,933	4,067,246	6,142,932	4,034,410	10,370,345
Other long term commitments	2,149,686	249,086	475,500	433,896	991,204
	51,589,649	8,638,551	15,023,407	10,719,950	17,207,741

The Group's contractual commitments shown above relate essentially to agreements and commitments required for current business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in the Europe, United States of America and Brazil and to comply with medium and long term investment objectives of the Group.

The short and long term debt corresponds to the balance of borrowings and related falling due interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based on interest rates in force at the end of the period.

Falling due 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 statement of financial position (see note 35).

As at 30 June 2013, 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;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;
- EDP holds, through its subsidiary South África Wind & Solar Power, S.L., a call option of an aditional 42,5% of the share capital of Modderfontein Wind Energy Project, Ltd., which exercise price corresponds to the amounts contributed by the other partner in the Modderfontein project development. This option can be exercised from the date of the agreement until 45 calendar days before the deadline for submission of tenders for the next auction of energy.

44. SHARE BASED PAYMENTS

EDP implemented a stock option programs applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote the creation of value added.

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 Remunerations Committee and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 30 June 2012	567,201	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 30 June 2013	150,690	2.21

Information regarding stock options as at 30 June 2013, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
150,690	2.21	0.83	150,690	132,862

During the six-month period ended 30 June 2013 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In the first semester of 2013, EDP Group granted treasury stocks to employees (760,900 shares) totalling 1,886 thousands of Euros.

45. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 June 2013 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola - Participações, SGPS, S.A.	243,395,875	6.66%	6.66%
Oppidum Capital, S.L.	226,046,616	6.18%	6.18%
José de Mello - SGPS, S.A.	168,097,034	4.60%	4.60%
Capital Group Companies, Inc.	151,802,530	4.15%	4.15%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,667,974	3.35%	3.35%
Sonatrach	87,007,433	2.38%	2.38%
Banco Espírito Santo Group	86,863,601	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
Massachusetts Financial Services Company	78,599,362	2.15%	2.15%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	28,710,246	0.79%	
Remaining shareholders	1,378,144,085	37.68%	
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held or attributtable to company officers as at 30 June 2013 and 31 December 2012 are as follows:

	2013 Nr. of shares	2012 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
China International Water & Electric Corp. (represented by Guojun Lu)	-	-
China Three Gorges New Energy Co. Ltd. (represented by Ya Yang)	-	-
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
Parpública - Participações Públicas (SGPS) S.A.	-	151,517,000
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	-	-
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	168,097,034	168,097,034
Luís Filipe da Conceição Pereira	5,701	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Carlos Jorge Ramalho dos Santos Ferreira	-	40,000
Sonatrach (represented by Harkat Abderezak)	87,007,443	87,007,443
José Maria Espírito Santo Silva Ricciardi	-	-
Alberto João Coraceiro de Castro	6,917	4,578
António Sarmento Gomes Mota	-	-
Maria Celeste Ferreira Lopes Cardona	-	-
Fernando Maria Masaveu Herrero	270,494,695	44,188,463
Ilídio da Costa Leite de Pinho	-	-
Jorge Avelino Braga de Macedo	-	-
Manuel Fernando de Macedo Alves Monteiro	-	-
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	-	-
Vasco Joaquim Rocha Vieira	3,203	3,203
Vitor Fernando da Conceição Gonçalves	3,465	3,465
Rui Eduardo Ferreira Rodrigues Pena	4,541	2,945
Augusto Carlos Serra Ventura Mateus	-	-
Nuno Manuel da Silva Amado	-	-

	2013 Nr. of shares	2012 Nr. of shares
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	41,000
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
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Stilwell de Andrade	111,576	111,576

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,319 thousands of Euros and an impact in reserves attributable to Group of 112,859 thousands of Euros. Following the conclusion of the sale, CTG holds loans over EDPR Group in the amount of 111 millions of Euros (16 millions of Euros as current and 95 millions of Euros as non-current). The maturity date of these loans is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly.

Balances and transactions with subsidiaries and associates

The credits and debits over subsidiaries and associates, at Company level and eliminated in the consolidated financial statements are analysed as follows:

Credits

	June 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	26,989	257,417	1,597	286,003
EDP Comercial	42,400	10,070	133,791	186,261
EDP Distribuição	534,120	2,386,958	4,742	2,925,820
EDP Finance BV	-	25,652	7,936	33,588
EDP Gás - SGPS	18,427	117,502	2,328	138,257
EDP Produção	466,477	3,951,488	95,071	4,513,036
EDP Imobiliária e Participações	-	96,726	76	96,802
EDP Renováveis	-	12,325	223,354	235,679
Others	100,787	38,176	219,339	358,302
	1,189,200	6,896,314	688,234	8,773,748

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	13,505	265,125	1,691	280,321
EDP Comercial	62,543	10,070	114,903	187,516
EDP Distribuição	529,322	2,339,954	13,283	2,882,559
EDP Finance BV	-	104,009	1,939	105,948
EDP Gás - SGPS	3,114	112,019	1,464	116,597
EDP Produção	314,591	3,979,577	88,037	4,382,205
EDP Imobiliária e Participações	1,870	96,733	299	98,902
EDP Renováveis	-	-	227,552	227,552
Others	31,129	23,144	308,683	362,956
	956,074	6,930,631	757,851	8,644,556

Debits

	June 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	10,238,326	5,056	10,243,382
EDP Servicios Financieros (España)	-	186,947	785	187,732
EDP Produção	-	-	257,675	257,675
EDP Renováveis	-	99,956	9,846	109,802
EDP Serviço Universal	49,742	-	22,181	71,923
Others	18,081	163,730	92,351	274,162
	67,823	10,688,959	387,894	11,144,676

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	10,110,805	6,128	10,116,933
EDP Servicios Financieros (España)	-	213,360	-	213,360
EDP Produção	-	-	232,083	232,083
EDP Renováveis	-	189,116	3,867	192,983
EDP Serviço Universal	-	-	85,905	85,905
Others	13,930	187,744	106,777	308,451
	13,930	10,701,025	434,760	11,149,715

Expenses and income related to intra-Group transactions, at Company level, eliminated on consolidation are analysed as follows:

Expenses

	June 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	130,499	4,687	135,186
EDP Produção	-	-	521,519	521,519
Empresa Hidroeléctrica do Guadiana	-	-	26,025	26,025
EDP Renewables Europe	-	-	23,356	23,356
Others	211	5,299	82,028	87,538
	211	135,798	657,615	793,624

	June 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	92,214	2,407	94,621
EDP Produção	587	-	459,257	459,844
Hidroeléctrica del Cantábrico	-	-	12,261	12,261
Others	72	4,264	66,095	70,431
	659	96,478	540,020	637,157

Income

	June 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	410	204	348,967	349,581
EDP Distribuição	8,327	77,858	209,309	295,494
EDP Gás.Com	121	-	93,944	94,065
EDP Produção	2,575	135,895	371,246	509,716
Others	972	13,709	213,143	227,824
	12,405	227,666	1,236,609	1,476,680

	June 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	1,028	821	268,864	270,713
EDP Distribuição	5,103	64,758	19,274	89,135
EDP Gás.Com	-	-	102,755	102,755
EDP Produção	257	118,896	22,923	142,076
Others	662	17,360	184,011	202,033
	7,050	201,835	597,827	806,712

Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and liabilities

	June 2013		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	304,738	1,755	302,983
Jointly controlled entities	59,373	16,124	43,249
	364,111	17,879	346,232

	December 2012		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	268,041	539	267,502
Jointly controlled entities	39,393	12,014	27,379
	307,434	12,553	294,881

Transactions

	June 2013			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	8,340	8,192	-3,504	-86
Jointly controlled entities	61,295	2,320	-20,656	-252
	69,635	10,512	-24,160	-338

	June 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	9,299	5,192	-2,158	-37
Jointly controlled entities	27,749	2,615	-12,357	-234
	37,048	7,807	-14,515	-271

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 June 2013 and 31 December 2012 is analysed as follows:

	Group Mar 2013			Group Dec 2012		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	185,178	185,178	-	181,298	181,298	-
Trade receivables	1,993,126	1,993,126	-	2,377,203	2,377,203	-
Debtors and other assets from commercial activities	4,942,897	4,942,897	-	4,788,421	4,788,421	-
Other debtors and other assets	577,975	577,975	-	554,407	554,407	-
Derivative financial instruments	166,405	166,405	-	276,840	276,840	-
Financial assets at fair value through profit or loss	5,514	5,514	-	390	390	-
Collateral deposits associated to financial debt	488,793	488,793	-	428,496	428,496	-
Cash and cash equivalents	1,730,257	1,730,257	-	1,695,336	1,695,336	-
	10,090,145	10,090,145	-	10,302,391	10,302,391	-
Financial liabilities						
Financial debt	19,954,248	20,079,780	125,532	20,523,228	20,617,120	93,892
Suppliers and accruals	1,254,905	1,254,905	-	1,901,156	1,901,156	-
Institutional partnerships in USA wind farms	1,632,741	1,632,741	-	1,679,753	1,679,753	-
Trade and other payables from commercial activities	2,119,880	2,119,880	-	2,059,663	2,059,663	-
Other liabilities and other payables	660,086	660,086	-	569,637	569,637	-
Derivative financial instruments	200,769	200,769	-	208,243	208,243	-
	25,822,629	25,948,161	125,532	26,941,680	27,035,572	93,892

Considering that 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 market value of loans is calculated based on the discounted cash flows at market interest rates at the balance sheet date, increased by the best estimate, at the same date, of market conditions applicable to Group's debt, based on its average term.

47. RELEVANT OR SUBSEQUENT EVENTS

Regulatory modifications applicable to the Spanish electricity sector

On 13 July 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 9/2013 that includes a set of regulatory changes applicable to the Spanish electricity sector and affecting the energy assets. As at 30 June 2013, the Board of Directors of EDP is evaluating the impact of these regulatory changes.

Fitch places several utilities with significant exposure to Spain on rating watch negative

On 16 July, Fitch Ratings ("Fitch") has placed the ratings of several utilities with significant exposure to Spain on Rating Watch Negative ("RWN"), among which the "BBB-" rating of EDP, its finance subsidiary EDP Finance B.V. and its Spanish subsidiary, HC Energia (Hidroeléctrica del Cantábrico S.A.).

The RWN placement follows the Spanish Government's announcement, on 12 July, of proposed new regulatory measures to permanently resolve the excess cost or tariff deficit generated by the Spanish electricity system that could have significant impacts on companies' future cash flows and their expected credit metrics.

Fitch expects to resolve the RWN after reviewing the impact on metrics, rating guidelines and changes to investment plans of individual companies.

48. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

• IFRS 7 (Amended) - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

No significant impact in the Group financial statements disclosures resulted from the adoption of this amendment.

• IFRS 13 - Fair Value Measurement

No significant impact in the Group resulted from the adoption of this standard.

• IAS 1 (Amended) - Presentation of Financial Statements

No significant impact in the Group resulted from the adoption of this amendment.

• IAS 19 (Amended) - Employee Benefits

No significant impact in the Group resulted from the adoption of this amendment.

• Improvements to IFRSs (2009-2011)

No significant impact in the Group resulted from the adoption of these improvements.

The Group has decided not to early adopt the following standards and interpretations endorsed by the European Union:

• IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 32 (Amended) - Financial Instruments: Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014.

Standards, amendments and interpretations issued but not yet effective for the Group:

• IFRS 9 - Financial Instruments;
• Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27;
• IAS 36 (Amended) - Impairment of Assets : Recoverable Amount Disclosures for Non-Financial Assets;
• IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting;
• IFRIC 21 - Levies.

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., EDP Servicios Financieros España, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on Iberian ambit EDP Management Committee.

The Executive Committee is composed essentially 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 Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 30 June 2013 and 31 December 2012 is analysed as follows:

	EDP Branch	
Thousands of Euros	Jun 2013	Dec 2012
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
- EDP Servicios Financieros España, S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
- Other	60	60
Deferred tax assets	1,752	54,636
Other debtors and others assets	142,191	129,006
Total Non-Current Assets	5,830,239	5,869,938
Trade receivables	14,347	10,985
Debtors and other assets	211,251	325,212
Tax receivable	26,734	43,943
Cash and cash equivalents	4,763	361
Total Current Assets	257,095	380,501
Total Assets	6,087,334	6,250,439
Equity	2,570,522	2,515,135
Trade and other payables	2,989,967	3,006,023
Total Non-Current Liabilities	2,989,967	3,006,023
Trade and other payables	503,887	726,998
Tax payable	22,958	2,283
Total Current Liabilities	526,845	729,281
Total Liabilities	3,516,812	3,735,304
Total Equity and Liabilities	6,087,334	6,250,439

50. SEGMENTAL REPORTING

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, 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 Brasil).

The Executive Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Energin, S.A.;
- EDP Produção Bioléctrica, S.A.;
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Electrica de la Ribera del Ebro, S.A.;
- Hidroeléctrica Del Cantábrico, S.L.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- Patrimonial de La Ribera del Ebro, S.L.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- EDP Soluções Comerciais, S.A.;
- Naturgás Comercializadora, S.A.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas 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.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America, EDPR Canada and EDPR Brasil 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 Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil, S.A. 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 column Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centres.

The column Adjustments segment includes 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 statement of financial position 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.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

51. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I

EDP Group Activity by Business Segment
30 June 2013

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	642,400	3,089,178	3,063,401	689,747	1,294,126	363	-	(1,611,000)	7,168,215
Gas and network accesses	-	856,923	174,071	-	-	-	-	(171,236)	859,758
Other	36,559	99,465	7,966	2,622	27,387	11,279	134,722	(227,218)	92,782
	678,959	4,045,566	3,245,438	692,369	1,321,513	11,642	134,722	(2,009,454)	8,120,755
Cost of electricity	(23,629)	(2,514,987)	(2,318,574)	(7,250)	(833,034)	(364)	-	1,609,138	(4,088,700)
Cost of gas	(53)	(744,106)	(27,488)	-	-	-	-	111,749	(659,898)
Change in inventories and cost of raw materials and consumables used	(206,627)	(293,342)	(4,030)	98	(20,862)	(3,311)	-	70,470	(457,604)
	(230,309)	(3,552,435)	(2,350,092)	(7,152)	(853,896)	(3,675)	-	1,791,357	(5,206,202)
	448,650	493,131	895,346	685,217	467,617	7,967	134,722	(218,097)	2,914,553
Other operating income / (expenses)									
Other operating income	6,615	2,877	78,543	96,276	10,398	6,183	18,699	(28,628)	190,963
Supplies and services	(36,782)	(137,488)	(210,391)	(125,812)	(88,191)	(5,548)	(83,710)	236,744	(451,178)
Personnel costs and employee benefits	(32,453)	(56,203)	(87,660)	(35,199)	(64,685)	(4,994)	(69,540)	12,987	(337,747)
Other operating expenses	(13,615)	(68,739)	(153,463)	(60,037)	(52,851)	(2,945)	(10,730)	2,497	(359,883)
	(76,235)	(259,553)	(372,971)	(124,772)	(195,329)	(7,304)	(145,281)	223,600	(957,845)
	372,415	233,578	522,375	560,445	272,288	663	(10,559)	5,503	1,956,708
Provisions	(901)	(17,641)	5,282	(228)	(15,372)	1	(7,991)	-	(36,850)
Depreciation, amortisation and impairment	(86,971)	(116,409)	(167,394)	(242,868)	(75,927)	(477)	(9,632)	(19,382)	(719,060)
Compensation of amortisation and depreciation	979	172	1,372	9,373	1,523	121	10	(14)	13,536
	285,522	99,700	361,635	326,722	182,512	308	(28,172)	(13,893)	1,214,334
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	12	-	12
Financial results	(34,156)	(78,392)	(14,747)	(130,191)	(65,342)	(1,039)	698,455	(707,477)	(332,889)
Share of profit in associates	710	-	66	9,599	321	7,316	-	781	18,793
Profit/(loss) before income tax	252,076	21,308	346,954	206,130	117,491	6,585	670,295	(720,589)	900,250
Current tax	(113,685)	(1,106)	(19,087)	(65,339)	(59,805)	591	(26,919)	(4,264)	(289,614)
Deferred tax	36,595	66,662	(15,034)	8,963	21,568	(849)	(38,107)	19,756	99,554
Net profit/(loss) for the period	**174,986**	**86,864**	**312,833**	**149,754**	**79,254**	**6,327**	**605,269**	**(705,097)**	**710,190**
Equity holders of EDP	174,487	92,439	312,864	128,987	41,728	6,364	612,278	(765,928)	603,219
Non-controlling interests	499	(5,575)	(31)	20,767	37,526	(37)	(7,009)	60,831	106,971
Net profit/(loss) for the period	**174,986**	**86,864**	**312,833**	**149,754**	**79,254**	**6,327**	**605,269**	**(705,097)**	**710,190**
Total assets	6,630,217	5,230,766	8,232,363	13,502,837	5,200,160	137,772	20,032,408	(17,301,555)	41,664,968
Total liabilities	3,422,702	5,049,783	6,674,718	7,437,739	3,094,708	108,850	13,515,558	(9,040,323)	30,263,735
Increase of the period:									
Property, plant and equipment	18,326	246,815	45,156	104,483	113,847	234	15,748	47	544,656
Intangible assets	8,375	42,347	122,803	513	48,589	-	345	619	223,591
Goodwill	-	-	-	344	-	-	-	10,384	10,728

EDP Group Activity by Business Segment
30 June 2012

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	738,844	3,142,893	3,067,079	608,374	1,178,852	354	-	(1,476,124)	7,260,272
Gas and network accesses	-	889,135	199,790	-	-	-	-	(190,029)	898,896
Other	25,161	97,905	8,503	2,929	6,697	8,085	138,707	(233,623)	54,364
	764,005	4,129,933	3,275,372	611,303	1,185,549	8,439	138,707	(1,899,776)	8,213,532
Cost of electricity	(28,010)	(2,575,538)	(2,301,889)	(8,481)	(726,271)	(361)	-	1,468,208	(4,172,342)
Cost of gas	-	(788,822)	(34,749)	-	-	-	-	110,475	(713,096)
Change in inventories and cost of raw materials and consumables used	(248,987)	(365,940)	(4,495)	(406)	(73)	(1,196)	(55)	82,300	(538,852)
	(276,997)	(3,730,300)	(2,341,133)	(8,887)	(726,344)	(1,557)	(55)	1,660,983	(5,424,290)
	487,008	399,633	934,239	602,416	459,205	6,882	138,652	(238,793)	2,789,242
Other operating income / (expenses)									
Other operating income	5,941	3,284	42,965	85,203	17,929	7,940	19,036	(27,929)	154,369
Supplies and services	(39,293)	(132,785)	(209,564)	(119,569)	(87,353)	(4,858)	(95,960)	243,793	(445,589)
Personnel costs and employee benefits	(36,516)	(52,133)	(90,970)	(29,300)	(63,414)	(4,767)	(64,933)	11,802	(330,231)
Other operating expenses	(14,809)	(35,914)	(156,688)	(35,217)	(28,437)	(2,330)	(9,823)	535	(282,683)
	(84,677)	(217,548)	(414,257)	(98,883)	(161,275)	(4,015)	(151,680)	228,201	(904,134)
	402,331	182,085	519,982	503,533	297,930	2,867	(13,028)	(10,592)	1,885,108
Provisions	(1,044)	1,801	(75)	-	(1,570)	1	(11,901)	6,037	(6,751)
Depreciation, amortisation and impairment	(100,238)	(130,215)	(158,121)	(229,237)	(74,011)	(451)	(9,297)	(15,537)	(717,107)
Compensation of amortisation and depreciation	1,103	139	1,329	7,571	2,963	35	7	(18)	13,129
	302,152	53,810	363,115	281,867	225,312	2,452	(34,219)	(20,110)	1,174,379
Gain/(losses) on the sale of financial assets	-	-	-	2,857	-	-	-	-	2,857
Financial results	(19,362)	(93,476)	(66,694)	(135,247)	(48,741)	(1,238)	733,940	(722,223)	(353,041)
Share of profit in associates	488	-	75	3,626	(1,716)	4,639	-	3,352	10,464
Profit/(loss) before income tax	283,278	(39,666)	296,496	153,103	174,855	5,853	699,721	(738,981)	834,659
Current tax	(49,656)	(1,227)	74,093	(35,279)	(55,641)	694	(7,707)	30,085	(44,638)
Deferred tax	(35,419)	5,837	(170,360)	(12,392)	(4,653)	(1,131)	99,963	3,853	(114,302)
Net profit/(loss) for the period	**198,203**	**(35,056)**	**200,229**	**105,432**	**114,561**	**5,416**	**791,977**	**(705,043)**	**675,719**
Equity holders of EDP	198,854	(28,360)	200,267	99,998	74,113	5,436	807,256	(775,796)	581,768
Non-controlling interests	(651)	(6,696)	(38)	5,434	40,448	(20)	(15,279)	70,753	93,951
Net profit/(loss) for the period	**198,203**	**(35,056)**	**200,229**	**105,432**	**114,561**	**5,416**	**791,977**	**(705,043)**	**675,719**
Total assets	6,981,962	5,582,783	8,319,316	13,301,973	5,308,419	118,170	20,305,393	(17,290,172)	42,627,844
Total liabilities	3,550,191	5,314,601	6,758,443	7,553,146	2,941,590	88,378	14,076,241	(9,086,414)	31,196,176
Increase of the period:									
Property, plant and equipment	17,741	188,408	58,825	113,659	121,887	309	10,569	(567)	510,831
Intangible assets	57,657	93,317	141,310	-	37,092	2	3,381	(2,970)	329,789
Goodwill	-	-	-	4,828	-	-	-	-	4,828

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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 41,664,968 thousand and total equity attributable to the shareholders of Euros 8,217,874 thousand including a consolidated net profit of Euros 603,219 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed consolidated financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 Our review also included the verification that the consolidated financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2013, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 25 July 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial information for the six month period ended 30 June 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,429,778 thousand and total equity of Euros 6,791,255 thousand including a net profit of Euros 563,409 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.

4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 Our review also included the verification that the financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2013, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 25 July 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)

EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	16,339,854	15,120,851
Cost of electricity	6	-8,392,199	-7,320,373
Cost of gas	6	-1,375,841	-1,328,068
Changes in inventories and cost of raw materials and consumables used	6	-1,143,647	-1,035,935
		5,428,167	5,436,475
Revenue from assets assigned to concessions	7	433,661	440,546
Expenditure with assets assigned to concessions	7	-433,661	-440,546
		-	-
Other operating income / (expenses):			
Other operating income	8	389,967	414,342
Supplies and services	9	-928,287	-901,048
Personnel costs and employee benefits	10	-671,536	-634,900
Other operating expenses	11	-589,853	-559,281
		-1,799,709	-1,680,887
		3,628,458	3,755,588
Provisions	12	-16,055	-692
Depreciation, amortisation expense and impairment	13	-1,493,889	-1,517,160
Compensation of amortisation and depreciation	13	24,901	29,654
		2,143,415	2,267,390
Gains / (losses) on the sale of financial assets		2,766	20,877
Financial income	15	731,658	818,848
Financial expenses	15	-1,436,924	-1,534,235
Share of profit in associates		23,777	19,477
Profit before income tax		1,464,692	1,592,357
Income tax expense	16	-282,537	-260,378
Net profit for the year		1,182,155	1,331,979
Attributable to:			
Equity holders of EDP		1,012,483	1,124,663
Non-controlling Interests	33	169,672	207,316
Net profit for the year		1,182,155	1,331,979
Earnings per share (Basic and Diluted) - Euros	30	**0.28**	**0.31**

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

F-160

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 December 2012 and 2011

Thousands of Euros	2012		2011	
	Equity holders of EDP	Non-controlling interests	Equity holders of EDP	Non-controlling interests
Net profit for the year	1,012,483	169,672	1,124,663	207,316
Exchange differences arising on consolidation	-95,270	-173,656	-124,506	-129,539
Fair value reserve (cash flow hedge)	-79,337	-17,945	-88,349	-11,348
Tax effect from the fair value reserve (cash flow hedge)	21,442	4,304	24,471	3,171
Fair value reserve (available for sale investments)	2,338	327	-140,090	-439
Tax effect from the fair value reserve (available for sale investments)	244	-149	16,382	-147
Actuarial gains / (losses)	-136,029	-46,310	33,996	-22,191
Tax effect from the actuarial gains / (losses)	26,182	15,746	1,592	7,549
Other comprehensive income for the year, net of income tax	-260,430	-217,683	-276,504	-152,944
Total comprehensive income for the year	752,053	-48,011	848,159	54,372

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	20,905,340	20,708,313
Intangible assets	18	6,541,862	6,800,478
Goodwill	19	3,318,457	3,327,257
Investments in associates	21	163,881	160,306
Available for sale investments	22	181,298	171,313
Deferred tax assets	23	340,816	511,414
Trade receivables	25	97,099	108,610
Debtors and other assets from commercial activities	26	2,736,902	2,108,393
Other debtors and other assets	27	534,573	333,653
Collateral deposits associated to financial debt	35	415,045	68,372
Total Non-Current Assets		35,235,273	34,298,109
Inventories	24	377,618	346,060
Trade receivables	25	2,280,104	2,043,671
Debtors and other assets from commercial activities	26	2,051,519	1,495,616
Other debtors and other assets	27	296,674	505,694
Current tax assets	28	435,628	644,819
Financial assets at fair value through profit or loss		390	212
Collateral deposits associated to financial debt	35	13,451	-
Cash and cash equivalents	29	1,695,336	1,731,524
Assets classified as held for sale	42	241,851	201,924
Total Current Assets		7,392,571	6,969,520
Total Assets		42,627,844	41,267,629
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-103,706	-111,430
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,123,116	2,935,840
Consolidated net profit attributable to equity holders of EDP		1,012,483	1,124,663
Total Equity attributable to equity holders of EDP		8,192,354	8,109,534
Non-controlling Interests	33	3,239,314	3,277,245
Total Equity		11,431,668	11,386,779
Liabilities			
Financial debt	35	16,715,725	15,786,411
Employee benefits	36	1,933,425	1,823,158
Provisions	37	382,866	415,149
Hydrological correction account	34	33,644	69,142
Deferred tax liabilities	23	852,054	954,002
Institutional partnerships in USA wind farms	38	1,679,753	1,783,861
Trade and other payables from commercial activities	39	1,262,771	1,289,436
Other liabilities and other payables	40	409,737	361,101
Total Non-Current Liabilities		23,269,975	22,482,260
Financial debt	35	3,807,503	2,998,698
Hydrological correction account	34	22,832	-
Trade and other payables from commercial activities	39	3,220,599	3,296,680
Other liabilities and other payables	40	368,143	535,077
Current tax liabilities	41	467,738	546,806
Liabilities classified as held for sale	42	39,386	21,329
Total Current Liabilities		7,926,201	7,398,590
Total Liabilities		31,196,176	29,880,850
Total Equity and Liabilities		42,627,844	41,267,629

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

F-162

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 October to 31 December 2012 and 2011

Thousands of Euros	2012	2011
Turnover	4,249,888	3,958,944
Cost of electricity	-2,263,904	-1,943,208
Cost of gas	-330,994	-366,939
Changes in inventories and cost of raw materials and consumables used	-326,646	-294,840
	1,328,344	1,353,957
Revenue from assets assigned to concessions	147,896	131,707
Expenditure with assets assigned to concessions	-147,896	-131,707
	-	-
Other operating income / (expenses):		
Other operating income	170,118	180,916
Supplies and services	-254,962	-250,887
Personnel costs and employee benefits	-190,649	-163,135
Other operating expenses	-166,833	-140,291
	-442,326	-373,397
	886,018	980,560
Provisions	-12,645	1,041
Depreciation, amortisation expense and impairment	-414,378	-438,958
Compensation of amortisation and depreciation	5,831	4,373
	464,826	547,016
Gains / (losses) on the sale of financial assets	-91	10,597
Financial income	171,850	227,591
Financial expenses	-361,446	-397,039
Share of profit in associates	6,337	2,048
Profit before income tax	281,476	390,213
Income tax expense	-9,404	-18,213
Net profit for the period	272,072	372,000
Attributable to:		
Equity holders of EDP	217,957	301,033
Non-controlling Interests	54,115	70,967
Net profit for the period	272,072	372,000
Earnings per share (Basic and Diluted) - Euros	**0.06**	**0.08**

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

F-163

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 31 December 2012 and 2011

Thousands of 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	Non-controlling interests
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**
Comprehensive income:											
Net profit for the year	1,331,979	-	-	-	1,124,663	-	-	-	-	1,124,663	207,316
Changes in the fair value reserve (cash flow hedge) net of taxes	-72,055	-	-	-	-	-63,878	-	-	-	-63,878	-8,177
Changes in the fair value reserve (available for sale investments) net of taxes	-124,294	-	-	-	-	-	-123,708	-	-	-123,708	-586
Actuarial gains/(losses) net of taxes	20,946	-	-	-	35,588	-	-	-	-	35,588	-14,642
Exchange differences arising on consolidation	-254,045	-	-	-	-	-	-	-124,506	-	-124,506	-129,539
Total comprehensive income for the year	902,531	-	-	-	1,160,251	-63,878	-123,708	-124,506	-	848,159	54,372
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-123,441	-	-	-	-	-	-	-	-	-	-123,441
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	-	2,255	1,141	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions/sales and equity increases	41,477	-	-	-	1,310	-	-	-	-	1,310	40,167
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	-573	-	-	-	-643	-	-	-	-	-643	70
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the year	1,182,155	-	-	-	1,012,483	-	-	-	-	1,012,483	169,672
Changes in the fair value reserve (cash flow hedge) net of taxes	-71,536	-	-	-	-	-57,895	-	-	-	-57,895	-13,641
Changes in the fair value reserve (available for sale investments) net of taxes	2,760	-	-	-	-	-	2,582	-	-	2,582	178
Actuarial gains/(losses) net of taxes	-140,411	-	-	-	-109,847	-	-	-	-	-109,847	-30,564
Exchange differences arising on consolidation	-268,926	-	-	-	-	-	-	-95,270	-	-95,270	-173,656
Total comprehensive income for the year	704,042	-	-	-	902,636	-57,895	2,582	-95,270	-	752,053	-48,011
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-170,354	-	-	-	-	-	-	-	-	-	-170,354
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	-	5,708	-857	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/sales and equity increases	4,311	-	-	-	-	-	-	553	-	553	3,758
Other reserves arising on consolidation	123	-	-	-	75	-	-	-14	-	61	62
Balance as at 31 December 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated and Non-Consolidated Statement of Cash Flows
as at 31 December 2012 and 2011

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Operating activities				
Cash receipts from customers	14,709,734	14,337,258	2,053,315	2,241,167
Proceeds from tariff adjustments securitization	442,340	684,651	-	-
Payments to suppliers	-11,665,153	-10,588,153	-2,168,670	-2,189,230
Payments to personnel	-654,672	-817,903	-22,868	-54,547
Concession rents paid	-266,570	-226,115	-	-
Other receipts / (payments) relating to operating activities	-441,352	-251,123	-44,413	-83,744
Net cash from operations	2,124,327	3,138,615	-182,636	-86,354
Income tax received / (paid)	-127,792	-191,810	21,633	-9,227
Net cash from operating activities	1,996,535	2,946,805	-161,003	-95,581
Investing activities				
Cash receipts relating to:				
Financial assets and investments	31,227	152,822	-	437,764
Property, plant and equipment and intangible assets	6,718	48,964	3,445	2,746
Investment grants	42,057	44,881	-	-
Interest and similar income	91,321	115,820	462,440	463,796
Dividends	22,932	19,560	708,313	854,084
	194,255	382,047	1,174,198	1,758,390
Cash payments relating to:				
Financial assets and investments	-201,109	-614,704	-98,898	-511,755
Changes in cash resulting from consolidation perimeter variations	1,023	-659	-	-
Property, plant and equipment and intangible assets	-2,118,998	-2,311,043	-20,588	-44,645
	-2,319,084	-2,926,406	-119,486	-556,400
Net cash from investing activities	-2,124,829	-2,544,359	1,054,712	1,201,990
Financing activities				
Receipts / (payments) relating to loans	1,530,649	732,952	744,439	439,916
Interest and similar costs including hedge derivatives	-706,962	-637,962	-328,717	-390,629
Governmental grants received	4,817	2,587	-	-
Share capital increases by non-controlling interests	-	4,503	-	-
Receipts / (payments) relating to derivative financial instruments	-57,967	-63,980	3,628	-23,329
Dividends paid to equity holders of EDP	-670,829	-616,581	-670,829	-616,581
Dividends paid to non-controlling interests	-154,656	-137,565	-	-
Treasury stock sold / (purchased)	-859	1,077	1,192	3,123
Purchase / (sale) of non-controlling interests without loss of control	175,687	356,343	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-15,159	141,111	-	-
Net cash from financing activities	104,721	-217,515	-250,287	-587,500
Changes in cash and cash equivalents	-23,573	184,931	643,422	518,909
Effect of exchange rate fluctuations on cash held	-12,615	-41,570	204	25
Cash and cash equivalents at the beginning of the year	1,731,524	1,588,163	661,609	142,675
Cash and cash equivalents at the end of the year (*)	1,695,336	1,731,524	1,305,235	661,609

(*) See details of "Cash and cash equivalents" in note 29 of the Financial Statements.

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

F-165

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	2,190,214	2,432,189
Cost of electricity	6	-1,733,128	-1,817,445
Changes in inventories and cost of raw materials and consumables used	6	-368,729	-506,380
		88,357	108,364
Other operating income / (expenses):			
Other operating income	8	14,288	13,013
Supplies and services	9	-180,879	-176,852
Personnel costs and employee benefits	10	-13,188	-14,148
Other operating expenses	11	-12,346	-11,898
		-192,125	-189,885
		-103,768	-81,521
Provisions	12	2,927	-9,516
Depreciation, amortisation expense and impairment	13	-14,008	-11,162
		-114,849	-102,199
Gains / (losses) on the sale of financial assets	14	87,945	120,345
Financial income	15	1,490,445	1,472,994
Financial expenses	15	-722,215	-878,942
Profit before income tax		741,326	612,198
Income tax expense	16	91,356	173,606
Net profit for the year		832,682	785,804

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at 31 December 2012 and 2011

Thousands of Euros	2012	2011
Net profit for the year	832,682	785,804
Fair value reserve (cash flow hedge)	-20,939	-20,852
Tax effect from the fair value reserve (cash flow hedge)	7,340	5,507
Fair value reserve (available for sale investments)	-928	-138,677
Tax effect from the fair value reserve (available for sale investments)	906	16,248
Other comprehensive income for the year, net of income tax	-13,621	-137,774
Total comprehensive income for the year	819,061	648,030

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position as at 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	208,569	200,749
Intangible assets		8	16
Investments in subsidiaries	20	9,909,534	9,708,783
Investments in associates	21	-	-
Available for sale investments	22	40,461	42,544
Investment property		10,490	11,468
Deferred tax assets	23	69,799	18,344
Debtors and other assets from commercial activities		1,555	179
Other debtors and other assets	27	6,014,090	4,848,129
Collateral deposits associated to financial debt	35	348,713	-
Total Non-Current Assets		16,603,219	14,830,212
Inventories		103	807
Trade receivables	25	172,773	149,073
Debtors and other assets from commercial activities	26	269,143	260,829
Other debtors and other assets	27	2,294,529	2,645,774
Current tax assets	28	195,587	162,377
Collateral deposits associated to financial debt	35	12,732	-
Cash and cash equivalents	29	1,305,235	661,609
Total Current Assets		4,250,102	3,880,469
Total Assets		20,853,321	18,710,681
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-97,611	-105,335
Share premium	30	503,923	503,923
Reserves and retained earnings	32	1,990,679	1,895,855
Net profit for the year		832,682	785,804
Total Equity		6,886,211	6,736,785
Liabilities			
Financial debt	35	2,032,437	1,777,527
Provisions	37	27,882	72,172
Hydrological correction account	34	33,644	69,142
Trade and other payables from commercial activities		3,831	3,410
Other liabilities and other payables	40	3,017,085	2,447,314
Total Non-Current Liabilities		5,114,879	4,369,565
Financial debt	35	7,557,620	5,700,385
Hydrological correction account	34	22,832	-
Trade and other payables from commercial activities	39	488,086	508,693
Other liabilities and other payables	40	771,228	1,393,531
Current tax liabilities	41	12,465	1,722
Total Current Liabilities		8,852,231	7,604,331
Total Liabilities		13,967,110	11,973,896
Total Equity and Liabilities		20,853,321	18,710,681

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 October to 31 December 2012 and 2011

Thousands of Euros	2012	2011
Turnover	624,005	697,706
Cost of electricity	-473,204	-486,601
Changes in inventories and cost of raw materials and consumables used	-118,165	-175,189
	32,636	35,916
Other operating income / (expenses):		
Other operating income	3,869	5,336
Supplies and services	-43,201	-44,434
Personnel costs and employee benefits	-3,778	-3,368
Other operating expenses	-2,070	-881
	-45,180	-43,347
	-12,544	-7,431
Provisions	-150	-13,398
Depreciation, amortisation expense and impairment	-3,761	-4,240
	-16,455	-25,069
Gains / (losses) on the sale of financial assets	-	9,983
Financial income	303,540	426,607
Financial expenses	-190,004	-259,270
Profit before income tax	97,081	152,251
Income tax expense	4,784	26,025
Net profit for the period	101,865	178,276

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at 31 December 2012 and 2011

Thousands of 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 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**
Comprehensive income:								
Net profit for the year	785,804	-	-	-	785,804	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-15,345	-	-	-	-	-15,345	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-122,429	-	-	-	-	-	-122,429	-
Total comprehensive income for the year	648,030	-	-	-	785,804	-15,345	-122,429	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	2,255
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the year	832,682	-	-	-	832,682	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-13,599	-	-	-	-	-13,599	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22	-	-	-	-	-	-22	-
Total comprehensive income for the year	819,061	-	-	-	832,682	-13,599	-22	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	5,708
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 31 December 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1.	Economic activity of EDP Group	171
2.	Accounting policies	177
3.	Critical accounting estimates and judgements in preparing the financial statements	188
4.	Financial-risk management policies	190
5.	Consolidation perimeter	194
6.	Turnover	195
7.	Revenue from assets assigned to concessions	196
8.	Other operating income	196
9.	Supplies and services	197
10.	Personnel costs and employee benefits	198
11.	Other operating expenses	198
12.	Provisions	199
13.	Depreciation, amortisation expense and impairment	199
14.	Gains/ (losses) on the sale of financial assets	199
15.	Financial income and expenses	200
16.	Income tax	201
17.	Property, plant and equipment	203
18.	Intangible assets	206
19.	Goodwill	207
20.	Investments in subsidiaries (Company basis)	210
21.	Investments in associates	211
22.	Available for sale investments	211
23.	Deferred tax assets and liabilities	213
24.	Inventories	214
25.	Trade receivables	214
26.	Debtors and other assets from commercial activities	215
27.	Other debtors and other assets	217
28.	Current tax assets	217
29.	Cash and cash equivalents	217
30.	Share capital and share premium	218
31.	Treasury stock	218
32.	Reserves and retained earnings	219
33.	Non-controlling interests	220
34.	Hydrological account	220
35.	Financial debt	221
36.	Employee benefits	224
37.	Provisions for liabilities and charges	232
38.	Institutional partnerships in USA wind farms	234
39.	Trade and other payables from commercial activities	234
40.	Other liabilities and other payables	235
41.	Current tax liabilities	236
42.	Assets and liabilities classified as held for sale	236
43.	Derivative financial instruments	237
44.	Commitments	239
45.	Share based payments	241
46.	Related parties	241
47.	Fair value of financial assets and liabilities	245
48.	CO_2 licenses	246
49.	Relevants or subsequent events	247
50.	Recent accounting standards and interpretations issued	248
51.	EDP Branch in Spain	252
52.	Environmental matters	252
53.	Segmental reporting	253
54.	Explanation added for translation	255
	Annex I - Companies in the Consolidation perimeter	256
	Annex II - EDP Group Activity by Business Segment	263

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. 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 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, energy services and property management.

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

Activity in the energy sector in Portugal

Electricity

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution and supply activities of electricity, and to the market organization, are established by the Decree-Law 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 was updated by DL 104/2010 of 29 September, by DL 78/2011 of 20 June, by the DL 75/2012 of 26 March and by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principals of the European Parliament and Council's Directive 2009/72/CE of 13 July, establishing common rules for the electricity internal market.

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.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, in order to economic and finance balance in terms of efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

The generation of electricity covers 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 subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 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, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

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 thousands of 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 millions of Euros for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

It is expected an adjustment to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the contractual balance (CMEC), for the period 2013 to 2027, by an average amount of 13 millions of Euros per year, corresponding to a present value of 120 millions of Euros. This adjustment results from the calculation mechanism of the CMEC fixed amount interest rate established under Decree-Law 240/2004, of 27 December.

On 20 August 2012, the Law 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guarantee by the operation of the normal market mechanisms. Availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November.

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 free supply is developed by EDP Comercial, S.A. 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 S.A.

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE.

The Decree-Law 104/2010 of 29 September, establishes the end of regulated tariffs for very high, high, medium and low-tension customers from 1 January 2011. For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sale to final customers from 1 July 2012 for customers with contracted power higher or equal to 10.35 kVA, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a system of transitional rates set by ERSE, as well as for economically vulnerable customers the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the price of access provided by law.

Public Domain Assets

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

Gas

The National Natural Gas System (SNGN) basis of organization and operation, were established by the Decree-Law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July , that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment to the DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, either in the regulated market (EDP Gás Serviço Universal) or the free market (EDP Gás.com and EDP Comercial). EDP Gás.com and EDP Comercial, with a trading license in the free market since 2008 and 2010, respectively, have operated in the market since the start of 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL,S.A.

On 15 June 2012, the tariffs set by ERSE were published for the years 2012-2013. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

In Spain, Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, HC Energia generates, 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 came 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. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principals of the European Parliament and Council's Directive 2009/72/CE of 13 July which came to repeal the Directive 2003/54/CE.

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

Generation

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

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

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 electricity tariffs from 1 October 2007, replaced the concept of "power availability" 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 remuneration 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 their generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, the Royal Decree Law 1221/2010 of 1 October was approved and changed the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective measure to promote the consumption of local coal. From the endorsement of Royal Decree Law 14/2010 of 23 December, producers under the ordinary regime have the obligation to pay for the utilisation of the transport and distribution networks. The promulgation of the Law 1/2012 of 27 January, temporarily suspended the remuneration of certain ordinary regime installations and facilities for special arrangements (applicable to the facilities that, since 28 January 2012, do not fulfill the administrative requirements referred in this standard).

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 OMI - Polo Español, S.A.

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

The Royal Decree 325/2008 of 29 February, establishes a new fee system applicable to electricity transportation facilities, that entered into service from 1 January 2009. Just as for distribution, this new model of compensation is based on investments realised.

The current text of Law 54/1997 also provides that the transmission activity will be performed by a single entity. There is also a distinction made between the primary transmission system (facilities> 380 kV with international networks and with extra-peninsular and insular 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 remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modifying the system of "Acometidas" (system that regulates the installation, that allows the connection of the distribution network with the point of delivery of energy to the customers). The new remuneration system is based on investments and increased demand of each distributor. As such, the standard provides new incentives for reducing losses and improving quality, which are pending for new regulatory developments. At 1 April, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity relative to the assets in use that are not amortised, based on their financial retribution and their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2.

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 from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as network operators.

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges. These rates exclusive to Spain, are established by the Ministry of Industry, Tourism and Trade based on the costs of regulated activities, including fixed costs and diversification and security of supply costs. Nevertheless, the Ministry may establish territorial supplements if electrical activities are aggravated by regional or local taxation.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the 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 HC - Naturgás Comercializadora Último Recurso, S.A. is included.

Vulnerable Consumers

The Royal Decree 13/2012 defined vulnerable consumers as individuals who meet certain social characteristics of consuption and consumer purchasing power determined by the Ministry of Industry, Tourism and Trade. Until then, these customers applied the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value. The decision of the Supreme Court of 7 February 2012 canceled the funding rules of the social allowance that was being undertaken by companies with production facilities, so the cost is currently being financed by the electrical system.

Gas

Naturgás, a subsidiary of HC Energia Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The transport and 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 . Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council's Directive 2009/72/CE of 13 July which came to repeal the Directive 2003/55/CE.

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

§ Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main network of transport must operate and manage their own networks or hand over their management to an independent operator, in the cases referred by legislation;

§ 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 basic gas network and secondary transmission network, attributed to ENAGÁS, S.A.

The system of provisioning and supplying based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort tariffs have been set, that can benefit consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh / year), and which will be implemented by the suppliers, who in accordance with Article 82 of Law 34/1998 have an obligation as suppliers of last resort. HC-Naturgás Comercializadora Último Recurso, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (HC-Naturgás Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010, denying to suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicle gas, establishes three types of taxes depending of the natural gas use, and the tax payer becomes the supplier rather than the distributor.

The Ministerial Order IET/2812/2012, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties, eliminating the revenues updates for the transport and distribution activities, as it defines as zero the efficiency factor applied to these infrastructures.

Activity in the energy sector in Brazil

Electricity

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

In recent years, the brazilian electricity sector has undergone major structural and institutional changes, 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.

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

The main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by ANEEL. The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines.

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.

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on August 31, 2012, relates with the extinction of public service concessions of electricity and the temporary service on the suitability for the public service of electricity.

The Provisional Measure 579 of 11 September 2012, provides a reduction in the price of electricity to the consumer. An average reduction of 20.2% is expected, due to the government action on two fronts: sectoral charges (7%) and concessions renewal (13%).

Regarding concessions renewal, the generation concessionaires which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy garantee for the quotas system to be distributed proportionally to the size of each distributor, affecting the energy acquisition.

The transmission concessionaires which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operational and maintance costs will be considered for the annual allowed revenues calculation.

The hydropower concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, according with the following conditions:

- Each hydroelectric plant should be remunerated by a tariff calculated by the Agência Nacional de Energia Eléctrica (ANELL);
- Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and
- Compliance with the quality service standards determined by ANEEL.

Generation

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

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

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

Transmission

The brazilian transmission system, with a capacity equal or 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.

In December 2012, ANEEL published the Authorization Resolution No. 3788, authorizing the transfer of the corporate direct control of Evrecy Participações Ltda., owned by EDP - Energias do Brasil S.A., to the Companhia de Transmissão de Energia Elétrica Paulista - CTEEP.

Distribution

The public 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 same 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 portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). 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 operating costs is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the index of variation of IGPM (Market prices index), discounted of productivity gains (factor X). Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occured in the period between revisions. In the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market, selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are binded to these services and cannot be removed, sold, transferred or mortgaged 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. At 18 March 2008, EDP Renováveis was converted into a public limited company.

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 thousands of Euros, of which 980,121 thousands of Euros relates to the capital increase and 586,605 thousands of Euros relates to the share premium.

Electricity

Generation

In December 2012, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L), EDP Renewables North America , L.L.C. (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia. As at 31 December 2012, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and the subsequent amendments to legislation. In May 2007, the Spanish Government approved the Royal Decree (RD 661/2007) which implemented the new regulatory framework for wind energy installations to be built from 2008 to 2012, which will be applicable for all operating assets from 31 December 2012.

According to RD 661/2007, wind farms are entitled to choose between two remuneration schemes: (i) Fixed tariff and (ii) market plus premium: wind farms receive for each hour the pool price plus a variable premium. Once the decision between the two schemes has been made for a specific wind farm, it is binding for, at least, one year. Wind farms installed before January 2008 are ruled by the transitory regime, established by Decree 436/2004. Under this transitory regime, that ended in December 2012, wind farms could choose between a fixed tariff and a market option receiving market price plus a fixed premium.

In July 2010, the Ministry of Industry established an agrement with two major associations of renewable energy (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1614/2010, of December 7, which defines (i) for the years 2011 and 2012 a reduction of 35% in the income applicable to wind generation defined by Royal Decree 661/2007, (ii) an addendum to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the income for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) the definition of a limit of 2,589 hours of operation for the installed capacity.

On 28 January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the remuneration for renewable energy capacity not included in the pre-assignation registry.

In December 2012, through the Law 15/2012 of 27 December, the Spanish Government approved a 7% across-the-board tax on electricity generation. The tax will be applied from 1 January 2013 onwards.

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May, as amended by Decree-Law No. 168/99 dated 18 May, Decree-Law No. 312/2001 dated 10 December and Decree-Law No. 339-C/2001 dated 29 December. Also relevant is Decree-Law No. 33-A/2005, dated 16 February, which establishes the current values 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 Portuguese wind sector and the Portuguese Government reached an agreement in principles that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind farm producers can voluntarily invest to obtain further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: i) alternative cap and floor selling prices; ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently iii) alternative levels of investment (on a per MW basis) to adhere a new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh values updated with inflation from 2021 onwards, in exchange for a payment of 5.800€/MW from 2013 to 2020.

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the U.S. Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly 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.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years 31 December 2012 and 2011.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 5 March 2013. The financial statements are presented in thousands of 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 into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's 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 (E.U.). 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 and company financial statements for the years ended 31 December 2012 and 2011 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2012.

The accounting policies used by the Group in preparing its accompanying consolidated financial statements as at 31 December 2012 are consistent with those used in preparing the annual consolidated financial statements as at 31 December 2011.

However, as described in note 50, the Group adopted in the preparation of consolidated financial statements as at 31 December 2012, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2012. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The adoption of these new standards and interpretations in 2012 did not have a significant impact on the Group's accounts.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 50.

These financial statements also present the fourth quarter income statement of 2012 with comparative figures for the fourth quarter of previous year.

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.

In accordance with IFRS 3 — Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are refected on the Statement of financial postion, with effect from the date of the business combinations transactions liabilities.

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).

Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset. For consistency purposes, this presentation has been applied to all statements of financial position presented (see note 38).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated 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 attributable to the Group, through the investments in associates.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed, without a loss of control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of the interest in a subsidiary following a sale or capital increase, in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting 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 of the hedged item.

Cash flow hedge

Changes in the fair value of derivatives qualified as cash flow hedges are recognised in reserves.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction occurs. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (fair value option).

Impairment

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

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

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

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed to the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, impairment losses can not be reversed and any subsequent event wich determines a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial asset, independently of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

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 non-controlling interest.

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, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged to the income statement as incurred, according to the accrual principle.

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 tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	25
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change occurs in the expected economic benefits flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes ocurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest 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 expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and depreciated on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets attributed to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

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 determined by using the weighted average method.

CO_2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant retirement complementary benefits for 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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on 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 operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

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, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. 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, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for 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 the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods 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 standards. 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

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and wich are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

The Group presents the operational segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

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 portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector 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 Turnover of Electricity and network accesses 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.

Decree-Law 87/2011 approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against "Debtors and other assets" and "Trade and other payables", in the same terms defined for the electric sector as mentioned above.

y) CO_2 licenses and greenhouse effect gas emission

The Group holds CO_2 licenses in order to deal with gas emissions resulting from its operational activity and licenses acquired for trading. The CO_2 and gas emissions 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 in the market on the grant date, usually at the beginning of each year. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price on the date of attribution.

Amortisation of Deferred Income - Subsidies is made in the year in which the subsidy is granted. When the emissions of the year exceed the CO_2 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 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 paid as financing activities and interest and dividends received as investing activities.

aa) Group concession activities

The International Financial Reporting Commitee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impraticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructure within the concession and results in the recognition of a financial asset, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in the recognition of an intangible asset.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

Intangible assets within concessions are amortised over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

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 its 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 these Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the 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.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of 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 used model, could give rise to different financial results from those considered.

Review of the useful life of the assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric and thermoelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the future maintenance plan. Based on this information, the remaining useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

The regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL) issued on 7 February 2012, the Normative Resolution 474, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards. The implementation of this change in annual depreciation rates led to an increase in the average usefull life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Usefull lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL), the respective contractual residual indemnisation values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnisation values at the end of the concessions, may be influenced by any changes in the Regulatory Legal Framework in Brazil.

Tariff adjustments

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to 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 and Gas 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 and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of deficit of 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 September 2011, the EDP Group sold unconditional tariff adjustment for the additional cost of cogeneration for the period 2009-2011.

In Spain, the Royal Decree Law 6/2009, endorsed on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (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.

The Royal Decree Law 14/2010, endorsed in 2010 addressed the correction of the tariff deficit of the electricity sector. Of this decree, the temporal mismatch of the settlement of 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures so that the various industry players contribute to the reduction, including: the establishment of the generation rates, financing plans of energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012 was published the Royal Decree Law 1/2012 establishing a moratorium on adding new facilities in the pre-allocation remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit to reach the limit provided for 2012 in the Royal Decree Law 14/2010.

EDP Group considers, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

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

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

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

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 could result in a different level of income taxes, current and deferred, recognised in the year.

In Portugal, the Tax Authorities are entitled to review the EDP, S.A. and its subsidiaries determination of its annual taxable earnings, for a period of five years for annual periods starting from 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods in case of tax losses carried forward. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in 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, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgement from those referred to could lead to different financial results than those considered.

Measuremet criteria of the concession financial receivables under IFRIC 12

In 2012, was published in Brazil the Provisional Measure 579/12, meanwhile converted into Law 12.783/13, which determines the amount of the indemnization payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indemnization amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked, under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

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. 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, 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.

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.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to the investments.

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 of EDP Energias do Brasil, 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. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of this assets.

The exchange rate and interest rate risk on the GBP, CHF 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.

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 2012 and 2011, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	Dec 2012			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	40,462	-49,454	-27,842	34,029
RON	5,957	-7,280	-	-
PLN	11,628	-14,213	-	-
	58,047	-70,947	-27,842	34,029

	Dec 2011			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	12,432	-15,195	-755	923
RON	-	-	-	-
PLN	-	-	3,309	-4,044
	12,432	-15,195	2,554	-3,121

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.

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 16 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 44% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

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 2012 and 2011 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Dec 2012			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20,121	20,121	-	-
Unhedged debt	-83,238	83,238	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	53,985	-59,599
Trading derivatives (accounting perspective)	-4,016	1,355	-	-
	-107,375	104,714	53,985	-59,599

	Dec 2011			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-66,160	66,160	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	47,501	-51,429
Trading derivatives (accounting perspective)	-7,884	4,658	-	-
	-93,126	89,900	47,501	-51,429

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 are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

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

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

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

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 35).

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 related to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions 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 and forwards of electricity and fuels 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 a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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

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

	P@R Distribution by risk factor	
Thousands of Euros	Dec 2012	Dec 2011
Risk factor:		
Negociation	-	2,000
Fuel	26,000	45,000
CO2	2,000	1,000
Electricity	18,000	19,000
Hydrological	38,000	19,000
Diversification effect	-43,000	-66,000
Total	41,000	20,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. 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 2012 and 2011 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2012	Dec 2011
Credit risk rating (S&P):		
AAA to AA-	6.63%	12.44%
A+ to A-	56.54%	81.15%
BBB+ to BBB-	33.55%	3.43%
BB+ to B-	0.59%	0.47%
No rating assigned	2.69%	2.51%
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 2012 and 2011 is as follows:

	VaR	
Thousands of Euros	Dec 2012	Dec 2011
Exchange rate risk	1,309	677
Interest rate risk	4,097	3,747
Covariation	-1,993	-604
Total	3,413	3,820

5. CONSOLIDATION PERIMETER

During 2012, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Inovação, S.A. acquired 30% of the share capital of EIDT - Engenharia, Inovação e Desenvolvimento Tecnológico, S.A., through its subsidiary EDP Ventures, S.G.P.S., S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of Pietragalla Eolico S.R.L. and 85% of the share capital of Sibioara Wind Farm, S.R.L.;
- EDP Renewables Canada, Ltd. acquired 100% of the share capital of the following companies:
  - 0867242 BC Ltd.;
  - Eolia Renewable Energy Canada Ltd.;
  - South Branch Wind Farm Inc.
- EDPR-RO-PV, S.R.L. (which was incorporated in the 3rd quarter) acquired 100% of the share capital of the following companies:
  - Cujmir Solar S.R.L.;
  - Foton Delta S.R.L.;
  - Foton Epsilon S.R.L.;
  - Potelu Solar S.R.L.;
  - Studina Solar S.R.L.;
  - Vanju Mare Solar S.R.L.
- EDP Renewables Polska SP. ZO.O. acquired 60% of the share capital of J&Z Wind Farms SP. ZO.O. and 100% of the share capital of Korsze Wind Farm SP. ZO.O.

Companies sold and liquidated:

- Generaciones Especiales I, S.L. sold by 5,531 thousands of Euros all of its interests in the following companies (holders of mini-hydrics in Spain):
  - Hidroastur S.A.;
  - Hidroeléctrica del Rumblar S.L.;
  - Hidroeléctrica Fuentermosa S.L.;
  - Hidroeléctrica Gormaz S.A.
- EDP Energias do Brasil, S.A. sold all of its interests in Evrecy Participações Ltda, by the amount of 24,489 thousands of Euros;
- A 49% share interest in 2007 Vento II, L.L.C. was sold with the subsequent loss of 49% share interest in the following companies:
  - High Prairie Wind Farm II, L.L.C.;
  - Old Trail Wind Farm, L.L.C.;
  - Post Oak Wind, L.L.C.;
  - Telocaset Wind Power Partners, L.L.C.
- EDP Renewables North America, L.L.C. liquidated Horizon Wind Energy International, L.L.C.;
- EDP Imobiliária e Participações, S.A. liquidated FCTE - Fórum do Comércio, Transacções Electrónicas e Serviços Empresariais On-line, S.A. through its subsidiary Oni Multimédia - Serviços Interactivos, S.A.; and also liquidated OPTEP, S.G.P.S.;
- EDP Renovables España, S.L. liquidated Parque Eólico Plana de Artajona, S.L.U., Parque Eólico Montes de Castejón, S.L., Siesa Renovables Canarias, S.L., Compañía Eléctrica de Energías Renovables Alternativas, S.A.U. and Corporación Empresarial de Renovables Alternativas, S.L.U.;
- EDP Distribuição - Energia, S.A. liquidated InovGrid, A.C.E.;
- Naturgas Participaciones and EDP Renewables Europe, S.L. liquidated Naturneo Energía, S.L.;
- Naturgás Energia Grupo, S.A. liquidated Naturgas Energía Comercializadoras Ultimo Recurso, S.A.

Companies merged:

- EDP Finance Company (Ireland), Ltd. was merged into EDP Servicios Financieros España, S.A.;
- The following companies were merged into Desarrollos Eólicos Promoción S.A.U., which then changed its designation to EDP Renovables España, S. L.:
  - Agrupación Eólica S.L.U.;
  - Ceasa Promociones Eólicas S.L.U.;
  - Desarrollos Eólicos, S.A.;
  - Generaciones Especiales I, S.L.;
  - Neo Catalunya S.L.;
  - Santa Quiteria Energia, S.L.U.;
  - Sinae Inversiones Eólicas S.A.
- Oni Multimédia - Serviços Interactivos, S.A. was merged into EDP Imobiliária e Participações, S.A.;
- Naturgas Energía Servicios Comunes, S.A. was merged into Naturgas Energía Servicios, S.A.

Companies incorporated:

- 2012 Vento XI, L.L.C. *;
- Casellaneta Wind S.R.L.;
- Central Eólica Aventura, S.A.;
- Central Eólica Baixa do Feijão I, S.A.;
- Central Eólica Baixa do Feijão II, S.A.;
- Central Eólica Baixa do Feijão III, S.A.;
- Central Eólica Baixa do Feijão IV, S.A.;
- EDP Renewables , S.G.P.S., S.A.;
- EDP Renewables Belgium, S.A.;
- EDP Renewables Canada GP Ltd. *;
- EDP Renewables Canada LP Ltd.;
- EDP Renováveis Servicios Financieros, S.L.;
- EDPR PT - Promoção e Operação, S.A.;
- EDPR Wind Ventures XI, L.L.C. *;
- EDPR-RO-PV, S.R.L.;
- Gas Transporte Span, S.L.;
- Laterza Wind S.R.L.;
- MFW Gryf SP. ZO.O.;
- MFW Neptun SP. ZO.O.;
- MFW Pomorze SP. ZO.O.;
- Monts de la Madeleine Energie, S.A.S.;
- Monts du Forez Energie, S.A.S.;
- SBWFI GP Inc.;
- South Dundas Wind Farm LP;
- Verde Wind Power L.L.C. *

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA and EDPR Canada, a set of subsidiaries legally incorporated in the United States and Canada without share capital and that as at 31 December 2012 does not have any assets or liabilities, or any operating activity.

Other changes:

- EDP Energias do Brasil, S.A. made a "stock split", in which its sharesholders received two shares for each one they held. The company's share capital has not changed, as well as the consolidation percentage in the EDP Group;
- Decrease of the financial interest in Windplus, S.A. from 42% to 31% through dilution, proceeding a share capital increase not fully subscribed by EDP Inovação, S.A., followed by a contribution in kind to subscribe a share capital increase in Principle Power, Inc for exchange of 31% of Windplus for 50.3% of Principle Power;
- EDP Gás.Com — Comércio de Gás Natural, S.A. demerged part of its assets, namely the business associated to natural gas supply to final customers, which were subsequently merged in EDP Comercial — Comercialização de Energia, S.A., as at 28 December 2012.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2012 and 2011 are listed in Annex I.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Electricity and network access	14,404,399	13,241,733	1,761,552	1,923,688
Gas and network access	1,771,137	1,688,936	232,827	211,223
Sales of CO_2 licenses	17,313	37,036	51,421	163,119
Other	147,005	153,146	144,414	134,159
	16,339,854	15,120,851	2,190,214	2,432,189

Turnover by geographical market, for the Group, is analysed as follows:

	Dec 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	8,105,482	3,232,648	2,516,774	364,631	184,864	14,404,399
Gas and network access	251,013	1,520,124	-	-	-	1,771,137
Sales of CO_2 licenses	17,313	-	-	-	-	17,313
Other	81,569	35,859	22,634	-	6,943	147,005
	8,455,377	4,788,631	2,539,408	364,631	191,807	16,339,854

	Dec 2011					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	7,230,770	3,255,486	2,322,204	306,350	126,923	13,241,733
Gas and network access	407,805	1,281,131	-	-	-	1,688,936
Sales of CO_2 licenses	37,036	-	-	-	-	37,036
Other	97,778	44,092	10,729	-	547	153,146
	7,773,389	4,580,709	2,332,933	306,350	127,470	15,120,851

In 2012, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,457,820 thousands of Euros (income in 31 December 2011: 610,757 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

Additionally, the caption Electricity includes on a consolidated basis 474,575 thousands of Euros (31 December 2011: 237,032 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

Following the revision of the Commercial Relations Code, from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production acquired under the applicable legislation, buying in the market all the electricity needed to supply its customers. Following this amendment, from 1 january 2012 onward the electricity purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover by its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 31 December 2012, the electricity from special regime producers sold in the market amounts to 837,773 thousands of Euros.

Cost of electricity and gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cost of electricity	8,392,199	7,320,373	1,733,128	1,817,445
Cost of gas	1,375,841	1,328,068	-	-
Changes in inventories and cost of raw materials and consumables used:				
Fuel, steam and ashes	497,340	418,130	-	-
Gas	493,792	491,413	316,730	342,756
Cost of consumables used	16,552	33,603	-	-
CO_2 licenses	48,394	5,680	51,991	163,623
Own work capitalised	-87,808	-80,523	-	-
Other	175,377	167,632	8	1
	1,143,647	1,035,935	368,729	506,380
	10,911,687	9,684,376	2,101,857	2,323,825

On a company basis, Cost of electricity includes costs of 908,895 thousands of Euros (31 December 2011: 991,867 thousands of 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. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Revenue from assets assigned to concessions	433,661	440,546
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-336,283	-338,432
Personnel costs capitalised (see note 10)	-85,775	-88,192
Capitalised interest expense from financial debt (see note 15)	-11,603	-13,922
	-433,661	-440,546
	-	-

The Revenue from assets assigned to concessions by geographical market is analysed as follows:

	Dec 2012			Dec 2011		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	336,135	97,526	433,661	301,465	139,081	440,546
Expenditure with assets assigned to concessions	-336,135	-97,526	-433,661	-301,465	-139,081	-440,546
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Gains on fixed assets	10,940	38,227	1,264	1,416
Reversal of adjustments	40,985	33,301	24	-
Customers contributions	40,071	53,609	-	-
Income arising from institutional partnerships - EDPR NA	127,350	111,610	-	-
Gains on business combinations (badwill)	32,393	51,695	-	-
Gains on sale of electricity transmission assets in Brazil	12,478	-	-	-
Remeasurement of IFRIC 12 indemnization amount in Brazil concessions	40,838	-	-	-
Other operating income	84,912	125,900	13,000	11,597
	389,967	414,342	14,288	13,013

The caption Reversal of Adjustments includes 35,859 thousands of Euros (31 December 2011: 28,470 thousands of Euros) related to impairment for trade receivables and 5,126 thousands of Euros (31 December 2011: 4,831 thousands of Euros) impairment for Debtors and other assets from commercial activities (see notes 25 and 26).

Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 37,335 thousands of Euros (31 December 2011: 47,687 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 38).

EDPR Italia acquired 100% of Pietragalla Eólico S.R.L. share capital. Additionally, EDPR Romenia acquired 100% of the share capital of six solar photovoltaic companies. During 2012, EDPR Group carried out the purchase price allocation to the identificable assets acquired and liabilities assumed of these companies which originates an operating income of 29,754 thousands of Euros in EDPR Romania and 2,639 thousands of Euros in EDPR Italia (see note 19). These bargain purchases arose from EDPR Group negotiation power, financing capacity and liquidity, as were as from Romanian Solar market stage of development which enables favorable transactions.

During 2010, the Group acquired 85% of EDP Renewables Italia, S.r.l. The EDPR Group granted the seller a put option over the remanaining 15% of the interest which, in line with the Group's accounting policy, has been treated as an advance purchase of non-controlling interests. The acquisition cost recognised in the annual accounts for 2011 included the balance settled in cash, consideration contigent on the successful implementation of projects underway, and an amount reflecting the fair value of the put option. The contigent consideration and the amount of the put option are both at fair value (see notes 19 and 40). In 2011, EDPR Italia increased its share capital and the minority shareholder, Energía in Natura,S.r.l., did not subscribe this increase. As a result, the percentage ownership on the non-controlling interests has fallen to 6.48% and as well the percentage to be adquired through that written put option. After this operation, the Group updated the estimate of the amount payable taking into account the reduced percentage of the anticipated acquisition of non-controlling interests, and considering the updated estimate of energy prices and the number of MW to be installed in the future. In light of the above, the EDPR Group has reduced the liability associated with the put option by 34,625 thousands of Euros and the contigent consideration by 17,070 thousands of Euros, and recognised a profit for the year of 51,695 thousands of Euros (see note 40).

In May 2012, EDP Energias do Brasil, S.A. signed a sale and purchase agreement to sell its financial investment in Evrecy Participações, Ltda. (owner of electricity transmission assets) to Companhia de Transmissão de Energia Elétrica Paulista - CTEEP for 25,181 thousands of Euros (63,164 thousands of Brazilian Real). On 21 December 2012, after ANEEL's approval, the disposal process was completed, originating a gain of 12,478 thousands of Euros.

In 2012, Provisional Measure 579/12, meanwhile converted into Law 12.783/13, was issued in Brazil, which establishes the calculation rule of the indemnities payable to distribution companies, related to the assets not fully amortised or depreciated at the end of the concession period, based on the new replacement value methodology. This methodology determined an increase in the indemnity receivable by Bandeirante and Escelsa, accounted for as a financial asset under IFRIC 12 terms, of 40,838 thousands of Euros (102,439 thousands of Brazilian Real), against other operating income. This amount corresponds to the difference between the residual value of the assets according to the new replacement value versus the historical cost (see note 26).

The caption Other operating income includes the power purchase agreements between EDPR NA and its customers which 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 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 31 December 2012, the amortisation for the period amounts to 9,888 thousands of Euros (31 December 2011: 10,334 thousands of Euros).

As at 31 December 2011, Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity transmission network and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE").

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Supplies and services				
Consumables and communications	52,345	54,403	9,382	11,324
Rents and leases	112,579	102,154	45,676	40,865
Maintenance and repairs	326,291	326,897	17,452	15,871
Specialised works:				
- Commercial activity	152,507	156,386	5,554	9,778
- IT services, legal and advisory fees	98,019	89,081	30,226	26,400
- Other services	59,106	46,452	11,459	12,784
Provided personnel	-	-	44,309	44,575
Other supplies and services	127,440	125,675	16,821	15,255
	928,287	901,048	180,879	176,852

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Personnel costs				
Board of Directors remuneration	16,742	15,945	5,437	5,080
Employees' remuneration	502,028	484,365	1,527	1,608
Social charges on remuneration	120,082	120,514	406	372
Performance, assiduity and seniority bonus	77,776	81,747	4,507	5,583
Other costs	24,817	33,790	886	1,240
Own work capitalised:				
- Assigned to concessions (see note 7)	-85,775	-88,192	-	-
- Other	-73,473	-78,920	-	-
	582,197	569,249	12,763	13,883
Employee benefits				
Pension plans costs	29,266	34,872	230	85
Medical plans costs and other benefits	8,585	7,458	134	135
Cost of rationalising human resources	25,133	15,797	-	-
Other	26,355	7,524	61	45
	89,339	65,651	425	265
	671,536	634,900	13,188	14,148

Pension plans costs include 12,205 thousands of Euros (31 December 2011: 16,858 thousands of Euros) related to defined benefit plans (see note 36) and 17,061 thousands of Euros (31 December 2011: 18,014 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 8,585 thousands of Euros (31 December 2011: 7,458 thousands of Euros) related to the net charge of the year. The cost of rationalising human resources results essentially from: (i) a restructuring plan in EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante; and (ii) 76 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following Setúbal power plant decommissioning process, in the amount of 21,391 thousands of Euros.

Other employee benefits include costs with medical services of employees in the amount of 8,044 thousands of Euros and costs with tariff discount of active workers in the amount of 11,532 thousands of Euros.

The breakdown by management positions and category of professional staff as at 31 December 2012 and 2011 is as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Executive Board members*	55	49	7	7
Senior management	676	650	-	-
Specialists	4,223	4,089	-	-
Middle Technicians	207	205	-	-
Intermediate Technicians	71	90	-	-
Qualified and highly Qualified Professionals	6,891	6,931	-	-
Semi Qualified Professionals	152	154	-	-
	12,275	12,168	7	7

* Do not include Non-executive Board members

In 2012, began a standardization process of the professional categories segments. Two segments have already been eliminated in all countries, except Portugal.

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Concession rents paid to local authorities and others	276,374	255,467	-	-
Direct and indirect taxes	118,401	123,725	1,492	808
Impairment losses on doubtful debts and others	59,996	55,895	15	24
Irrecoverable debts	25,954	15,602	-	-
Losses on fixed assets	41,069	41,995	584	391
Donations	20,624	19,975	8,443	7,780
Other operating costs	47,435	46,622	1,812	2,895
	589,853	559,281	12,346	11,898

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts in low tension electricity and rents paid to city councils where the power plants area located.

The impairment losses on doubtful debts and others are analised in notes 25 and 26, respectively.

12. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Charge for the period	54,411	71,755	12,171	15,679
Write-back for the period	-38,356	-71,063	-15,098	-6,163
	16,055	692	-2,927	9,516

The caption Provisions for the period is analysed in the note 37.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Property, plant and equipment:				
Buildings and other constructions	15,836	14,510	2,899	2,087
Plant and machinery	936,805	932,472	26	24
Other	77,445	72,338	11,075	9,043
Impairment loss	54,131	5,058	-	-
	1,084,217	1,024,378	14,000	11,154
Intangible assets:				
Concession rights and impairment	78,319	86,451	-	-
Intangible assets related to concessions - IFRIC 12	328,248	367,436	-	-
Other rights	3,105	3,406	8	8
	409,672	457,293	8	8
	1,493,889	1,481,671	14,008	11,162
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-24,901	-29,654	-	-
Impairment of Goodwill	-	35,489	-	-
	1,468,988	1,487,506	14,008	11,162

The partially-funded property, plant and equipment 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 from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

During 2012, as a result of impairment tests related to wind generation assets (see note 19) in Spain and United States of America, EDPR Group recognized impairment losses of 45,617 and 7,784 thousands of Euros, respectively (see note 17).

In 2011, the caption Impairment of goodwill includes essentially, an impairment loss of EDPR Italia Group of 34,737 thousands of Euros resulting from the assessment of the recoverability of these assets based on the update of the assumptions in the estimates of MW to install and future energy prices (see note 19).

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

Gains / (losses) on the sale of financial assets for the Company are analysed as follows:

Thousands of Euros	Dec 2012		Dec 2011	
	Disposal %	Value	Disposal %	Value
Available for sale investments:				
Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A.	-	-	7.70%	9,983
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	11.23%	87,945	13.80%	110,362
		87,945		120,345

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, totalling 193,909 thousands of Euros were used as a contribution in kind to subscribe a share capital increase in EDP Investments and Services, S.L. of 281,854 thousands of Euros. In accordance with the company's accounting policy, common control transactions are accounted for in company's separate financial statements in accordance with the fair value accounting method, which determined the recognition of a gain of 87,945 thousands of Euros. In October 2012, the financial investment in EDP Investments and Services, S.L. was allocated to EDP Branch in Spain.

On 4 October 2011, the sale of the investment held by EDP, S.A. in the share capital of Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A. was completed for 85,000 thousands of Euros, generating a capital gain of 9,983 thousands of Euros, net of transaction costs of 503 thousands of Euros.

On July 2011, EDP closed the process of the secondary public distribution offer of EDP Energias do Brasil, S.A. ordinary shares of 21,911,460 shares corresponding to 13.8% of EDP Brasil's share capital. This sale in the amount of 810.7 million of Reais (corresponding approximately to 363 million of Euros, based on the foreign exchange rate at liquidation date), generated a gain on a individual basis of 110,362 thousands of Euros.

15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Financial income				
Interest income from bank deposits and other applications	53,998	80,377	22,770	35,349
Interest income from loans to subsidiaries and related parties	12,263	8,040	433,734	325,696
Interest from derivative financial instruments	135,149	140,040	23,335	28,749
Derivative financial instruments	223,691	265,911	350,285	437,216
Other interest income	57,846	60,681	1,272	1,485
Income from equity investments	5,828	7,885	643,458	638,498
Foreign exchange gains	59,665	71,758	12,743	5,331
CMEC	77,322	81,272	-	-
Other financial income	105,896	102,884	2,848	670
	731,658	818,848	1,490,445	1,472,994
Financial expenses				
Interest expense on financial debt	807,627	776,628	312,049	320,179
Capitalised borrowing costs:				
Assigned to concessions (see note 7)	-11,603	-13,922	-	-
Other	-131,400	-126,721	-	-
Interest from derivative financial instruments	110,444	113,255	17,577	33,171
Derivative financial instruments	277,315	250,182	339,879	377,320
Other interest expense	41,239	54,560	8,752	8,769
Impairment of financial investments:				
Available for sale financial assets	9,328	63,435	-	-
Subsidiaries	-	-	25,307	51,854
Foreign exchange losses	54,801	123,813	5,453	77,618
CMEC	18,240	17,974	-	-
Unwinding of liabilities	114,969	107,940	-	-
Unwinding of pension liabilities	48,202	44,926	-	-
Unwinding of medical liabilities and other plans	45,251	43,161	-	-
Other financial expenses	52,511	79,004	13,198	10,031
	1,436,924	1,534,235	722,215	878,942
Financial income / (expenses)	-705,266	-715,387	768,230	594,052

The caption Other financial Income - CMEC totalling 77,322 thousands of Euros includes 18,976 thousands of Euros related to interest of the initial CMEC (31 December 2011: 19,080 thousands of Euros) included in the annuity for 2012, 55,687 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 December 2011: 57,629 thousands of Euros) and 2,659 thousands of Euros relating to the financial component of the revisable mechanism of CMEC for 2012 (31 December 2011: 4,563 thousans of Euros).

The caption Other financial income includes essentially an amount of 68,808 thousands of Euros related with interest income of tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2011: 21,578 thousands of Euros) and 10,851 thousands of Euros (31 December 2011: 7,282 thousands of Euros) related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 4,453 thousands of Euros related with interests of tariff adjustment in Portugal (31 December 2011: 4,009 thousands of Euros).

Other financial expenses - CMEC, in the amount of 18,240 thousands of Euros (31 December 2011: 17,974 thousands of Euros), relates to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

Capitalised borrowing costs 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.

The caption Impairment of available for sale financial assets in the amount of 9,328 thousands of Euros, refers essentially to impairment of the investment held in BCP in the amount of 5,495 thousands of Euros (31 December 2011: 57,851 thousands of Euros), as a result of the listed price decrease of this shares (see note 22).

As at 31 December 2012, the caption Impairment of financial investments, on a company basis, includes 25,307 thousands of Euros of the net effect related to the increased of impairment losses on equity investments in subsidiaries in the amount of 66,091 thousands of Euros (see note 20) and to the decrease of provision to cover the negative equity of subsidiary companies in the amount of 40,784 thousands of Euros (see note 37). In 2011 this caption includes an impairment booked against financial expenses as a result of losses on the subsidiaries EDP Imobiliária e Participações, S.A. (50,784 thousands of Euros) and EDP Investimentos, S.A. (1,020 thousands of Euros).

The Unwinding of discounted value liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 7,862 thousands of Euros (31 December 2011: 4,741 thousands of Euros), (ii) the unwinding related to the put option of EDP Renewables Itália of 214 thousands of Euros (31 December 2011: 1,400 thousands of Euros), (iii) the implied financial return in institutional partnership in USA wind farms which amounted to 68,431 thousands of Euros (31 December 2011: 62,538 thousands of Euros), and (iv) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 10,610 thousands of Euros (31 December 2011: 10,628 thousands of Euros), 3,035 thousands of Euros (31 December 2011: 5,051 thousands of Euros) and 10,575 thousands of Euros (31 December 2011: 11,958 thousands of Euros), respectively.

Income from equity investments is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Group companies	-	-	640,299	633,979
Other companies				
Ampla Investimentos e Serviços, S.A.	-	1,656	-	1,656
Tejo Energia, S.A.	1,667	2,222	-	-
REN - Rede Eléctrica Nacional, S.A.	3,159	2,465	3,159	2,465
Other	1,002	1,542	-	398
	5,828	7,885	643,458	638,498

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal the limit is 4 years regarding tax years in which tax losses have been assessed or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years, being the last year considered settled by the tax administration the year of 2008. 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 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 (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward is extended from 15 to 18 years.

The Law 64-B/2011 of December 30, (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed to 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective taxable deductible period.

Royal Decree-Law 12/2012, published on March 31, 2012, provides for the implementation of a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% of the adjusted operational profit. The amount of financial expenses incurred with interest which exceed the above mentioned 30% may be deducted in the 18 following years, provided that this limit is not exceeded each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 million of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 on the amount of 12.7 million of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 million of Euros in 2012.

Following these decisions, as at 31 December 2012, the total amount of 2009 and 2011 Municipal surcharge paid in excess, regarding which EDP is still awaiting for a formal decision on the administrative and legal procedures, amounts to 12.9 million of Euros.

The Royal Decree-Law 20/2012, wich was approved in July 2012, introduces a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carry forward for the years 2012 and 2013:
- Companies whose last year income are between 20 and 60 million of Euros, can only deduct tax losses until the limit of 50% of the taxable income contrary to the former foreseen limit of 75%; and
- Companies whose last year income exceed 60 million of Euros, can only deduct tax losses until the limit of 25% of the taxable income when compared to the former foreseen limit of 50%.

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Current tax	-154,025	-187,484	-15,204	69,213
Deferred tax	-128,512	-72,894	106,560	104,393
	-282,537	-260,378	91,356	173,606

The reconciliation between the nominal and the effective income tax rate for the Group, at 2012, is analysed as follows:

	Dec 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,464,692	388,143
Tax losses and tax credits	-2.2%	-122,974	-32,588
Tax benefits	-2.2%	-119,887	-31,770
Fair value of financial instruments and financial investments	0.5%	29,317	7,769
Financial investments in associates and subsidiaries	-5.0%	-276,325	-73,226
Autonomous taxation	0.4%	20,721	5,491
State surcharge	2.5%	139,970	37,092
Other adjustments, tax differencial and changes in estimates	-1.2%	-69,336	-18,374
Effective tax rate and total income tax	19.3%	1,066,178	282,537

Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 millions of Euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The Law 64-A/2011 of 30 December, modified the above referred tax, where the state surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the corporate income tax rate in Portugal applicable to entities with taxable income exceeding 7.5 millions of Euros will be 31,5%.

The reconciliation between the nominal and the effective income tax rate for the Group, at 2011, is analysed as follows:

	Dec 2011		
Thousands of Euros	Rate	Tax basis	Tax
Nominal rate and income tax	26.5%	1,592,357	421,975
Tax losses and tax credits	-6.9%	-413,072	-109,464
Tax benefits	-3.9%	-232,026	-61,487
Differences between tax and accounting gains and losses	-1.4%	-84,472	-22,385
Fair value of financial instruments and financial investments	0.5%	31,883	8,449
Financial investments in associates and subsidiaries	-0.3%	-18,045	-4,782
Autonomous taxation	0.2%	14,868	3,940
State surcharge	1.0%	62,585	16,585
Other adjustments, tax differencial and changes in estimates	0.7%	28,483	7,547
Effective tax rate and total income tax	16.4%	982,561	260,378

The reconciliation between the nominal and the effective income tax rate for the Company, at 2012, is analysed as follows:

	Dec 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	741,326	196,451
Non deductible provisions and amortisations for tax purposes	2.8%	79,328	21,022
Tax losses and tax credits	-6.8%	-190,177	-50,397
Dividends	-24.2%	-677,947	-179,656
Difference between tax and accounting gains/losses	-3.6%	-100,457	-26,621
State surcharge	2.6%	73,389	19,448
Financial investments in associates and subsidiaries	-9.1%	-255,181	-67,623
Other adjustments and changes in estimates	-0.5%	-15,020	-3,980
Effective tax rate and total income tax	-12.3%	-344,739	-91,356

Financial investments in subsidiaries and associated companies includes the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution on the transaction date.

The reconciliation between the nominal and the effective income tax rate for the Company, at 2011, is analysed as follows:

	Dec 2011		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	612,198	162,232
Non deductible provisions and amortisations for tax purposes	1.2%	28,642	7,590
Tax losses and tax credits	-16.8%	-387,592	-102,712
Dividends	-29.4%	-678,049	-179,683
Difference between tax and accounting gains/losses	-14.0%	-323,004	-85,596
State surcharge	3.6%	84,109	22,289
Other adjustments and changes in estimates	0.5%	8,581	2,274
Effective tax rate and total income tax	-28.4%	-655,115	-173,606

During 2011, as a result of tax legislation changes in Spain and of corporate restructures of EDP's Spanish fiscal group of subsidiaries, EDP re-estimated the future recovery of tax losses and credits brought forward which led to the recognition of deferred tax assets in the amount of 70 millions of Euros.

The caption Difference between tax and accounting gains/losses mainly reflects the tax impact of the conclusion of the secondary public distribution offer for the distribution of EDP - Energias do Brasil, S.A.'s ordinary shares.

The effective income tax rate for the EDP Group and EDP, SA is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Profit before tax	1,464,692	1,592,357	741,326	612,198
Income tax	-282,537	-260,378	91,356	173,606
Effective income tax rate	19.3%	16.4%	-12.3%	-28.4%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cost:				
Land and natural resources	175,796	176,310	74,569	75,026
Buildings and other constructions	654,384	551,944	93,556	95,906
Plant and machinery:				
Hydroelectric generation	8,866,085	8,036,060	254	254
Thermoelectric generation	7,672,378	7,752,912	-	-
Renewable generation	11,565,234	10,899,201	-	-
Electricity distribution	1,360,638	1,990,302	-	-
Gas distribution	1,136,865	1,100,039	-	-
Other plant and machinery	121,409	114,955	182	165
Other	809,611	775,526	117,155	109,323
Assets under construction	2,784,191	2,731,386	26,747	12,432
	35,146,591	34,128,635	312,463	293,106
Accumulated depreciation and impairment losses:				
Depreciation charge	-1,030,086	-1,019,320	-14,000	-11,154
Accumulated depreciation in previous years	-13,147,618	-12,390,019	-89,894	-81,203
Impairment losses	-54,131	-5,058	-	-
Impairment losses in previous years	-9,416	-5,925	-	-
	-14,241,251	-13,420,322	-103,894	-92,357
Carrying amount	20,905,340	20,708,313	208,569	200,749

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	176,310	3,987	-586	2,643	-7,963	1,405	175,796
Buildings and other constructions	551,944	983	-3,989	149,309	-44,505	642	654,384
Plant and machinery	29,893,469	38,453	-124,274	1,215,204	-296,607	-3,636	30,722,609
Other	775,526	28,111	-36,615	48,273	-3,118	-2,566	809,611
Assets under construction	2,731,386	1,601,467	-6,994	-1,477,183	-63,675	-810	2,784,191
	34,128,635	1,673,001	-172,458	-61,754	-415,868	-4,965	35,146,591

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	155,315	15,836	-3,926	-	-7,731	575	160,069
Plant and machinery	12,699,358	990,512	-117,152	-58,140	-50,723	-2,591	13,461,264
Other	565,649	77,869	-21,188	-56	-2,468	112	619,918
	13,420,322	1,084,217	-142,266	-58,196	-60,922	-1,904	14,241,251

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR Europe and EDPR North America during 2012. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. The subgroup EDP Brasil carried out investments related with the coal power plant Porto de Pecém and with the hydroelectric plant Santo Antônio do Jari. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Charge / Impairment losses includes 53,401 thousands of Euros on wind generation assets in United States of America and Spain (see note 13), and 22,499 thousands of Euros regarding the depreciation of Setúbal thermoelectric power plant, up to its recoverable amount, following the decision to terminate of the operation at 31 December 2012.

Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

Transfers include 61,754 thousands of Euros of cost of acquisition and 58,196 thousands of Euros of accumulated depreciation, related to cogeneration activity assets, which were classified as assets held for sale (see note 42).

Transfers from assets under construction into operation in 2012, refer mainly to wind farms of EDP Renováveis that became operational and to thermoelectric plant of Pecém I.

The movement in Exchange differences in the period results mainly from the appreciation of the Zloty (PLN) and the depreciation of the American Dolar (USD) and Brazilian Real (BRL) against the Euro in 2012.

Perimeter Variations / Regularisations includes the effect of the acquisition of Pietragalla Eolico S.R.L., J&Z SP. ZO.O., the acquisition of solar photovoltaic companies in Romenia, the effect of the sale of the companies holders of the mini-hydrics detained in Spain, as well as the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during 2012 (see note 5).

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	163,184	3,554	-289	15,174	-6,163	850	176,310
Buildings and other constructions	502,184	2,358	-6,594	74,048	-28,594	8,542	551,944
Plant and machinery	28,201,221	126,687	-37,508	1,562,398	-550	41,221	29,893,469
Other	805,664	18,777	-73,187	85,237	-1,420	-59,545	775,526
Assets under construction	3,210,711	1,584,224	-43,755	-1,979,054	-56,689	15,949	2,731,386
	32,882,964	1,735,600	-161,333	-242,197	-93,416	7,017	34,128,635

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	14,510	-5,376	-	-5,474	7,389	155,315
Plant and machinery	11,818,193	937,509	-16,181	-84,211	7,018	37,030	12,699,358
Other	596,922	72,359	-57,893	-55	-2,034	-43,650	565,649
	12,559,381	1,024,378	-79,450	-84,266	-490	769	13,420,322

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2011. Additionally, the EDP Brasil subgroup carried out investments related to the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 242,197 thousands of Euros of cost of acquisition and 84,266 thousands of Euros of accumulated depreciation, related to the regulated gas transmission activity in Spain, which were classified as assets held for sale (see note 42).

Transfers from assets under construction into operation in 2011, refer mainly to wind farms of EDP Renováveis that became operational and hydrioelectric plants of Bemposta II and Picote II.

Perimeter Variations / Regularisations includes the effect of the acquisition of Home Energy II S.A. and ECE Participações, and the effect of the sale of Subgroup Veinco, transactions made by EDP Group during 2011.

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL), Polish Zloty (PLN) and the appreciation of the American Dollar (USD) against the Euro in 2011.

As at 31 December 2012, Property, plant and equipment financed through lease contracts for the Group, amounts to 14,985 thousands of Euros (14,249 thousands of Euros at 31 December 2011), with accumulated depreciation of 6,277 thousands of Euros (5,754 thousands of Euros at 31 December 2011) and, the respective future lease payments amount to 8,606 thousands of Euros (7,882 thousands of Euros at 31 December 2011). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2012			Dec 2011		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,281	268	3,549	3,211	214	3,425
Between one and five years	4,070	255	4,325	3,882	177	4,059
More than five years	712	20	732	389	9	398
	8,063	543	8,606	7,482	400	7,882

During 2012, the costs incurred with these assets amounted to 657 thousands of Euros (31 December 2011: 690 thousands of Euros) and are booked in the income statement under Supplies and services.

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-3,291	361	580	93,556
Other	109,742	6,203	-1,272	2,918	-	117,591
Assets under construction	12,432	17,594	-	-3,279	-	26,747
	293,106	23,797	-5,020	-	580	312,463

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	22,473	2,899	-2,632	-	563	23,303
Other	69,884	11,101	-978	-	584	80,591
	92,357	14,000	-3,610	-	1,147	103,894

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	46,498	13,525	-19	15,022	-	75,026
Buildings and other constructions	24,569	2	-5,062	68,148	8,249	95,906
Other	122,680	5,063	-33,608	15,587	20	109,742
Assets under construction	82,951	28,238	-	-98,757	-	12,432
	276,698	46,828	-38,689	-	8,269	293,106

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	2,087	-4,477	-	7,469	22,473
Other	94,199	9,067	-33,384	-	2	69,884
	111,593	11,154	-37,861	-	7,471	92,357

In 2011, Transfers of Assets under construction to Buildings and other constructions relates to the new building of EDP Group in Porto, which opened in 13 April 2011.

As at 31 December 2012 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,883 thousands of Euros (3,555 thousands of Euros at 31 December 2011), with accumulated depreciation of 1,494 thousands of Euros (1,587 thousands of Euros at 31 December 2011) and the respective future lease payments amount to 2,277 thousands of Euros (1,733 thousands of Euros at 31 December 2011). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2012			Dec 2011		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	823	79	902	783	48	831
Between one and five years	1,097	71	1,168	753	39	792
More than five years	201	6	207	107	3	110
	2,121	156	2,277	1,643	90	1,733

During 2012, the costs incurred related to these assets amount to 147 thousands of Euros (169 thousands of Euros at 31 December 2011) and are booked under Supplies and services in the income statement.

18. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011
Cost:		
Concession rights	15,443,537	15,463,265
CO_2 licenses	320,164	359,058
Other intangibles	101,616	97,157
Intangible assets in progress	551,038	563,295
	16,416,355	16,482,775
Accumulated depreciation and impairment losses:		
Depreciation of concession rights	-406,567	-453,887
Depreciation of industrial property and other intangibles	-3,105	-3,406
Accumulated depreciation in previous years	-9,464,821	-9,225,004
	-9,874,493	-9,682,297
Carrying amount	6,541,862	6,800,478

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 straightline basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straightline basis over the period of the concession, until 2047, as well as the concession of the public hydric domain for hydroelectric generation.

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

The movements in Intangible assets during the year ended 31 December 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Concession rights:							
Distribution and generation Brazil	1,448,562	-	-	-	-78,658	-	1,369,904
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,371,528	28,866	-	-	-	25	1,400,419
Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	359,058	169,046	-206,191	-1,749	-	-	320,164
Assigned to concessions (IFRIC 12):							
Intangible assets	12,493,994	497	-35,309	332,523	-267,672	-	12,524,033
Intangible assets in progress	191,760	432,382	-446	-455,704	-7,584	-	160,408
Other intangibles	97,157	155	-10	389	-1,518	5,443	101,616
Other intangible assets in progress	371,535	23,781	-40	-389	-1,582	-2,675	390,630
	16,482,775	654,727	-241,996	-124,930	-357,014	2,793	16,416,355

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Concession rights	675,011	78,319	-	-	-12,904	-	740,426
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	328,248	-24,301	-	-179,703	-	9,102,486
Other intangibles	29,044	3,105	-	-	-580	12	31,581
	9,682,297	409,672	-24,301	-	-193,187	12	9,874,493

Transfers of intangible assets assigned to concessions in the amount of 123,181 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the application of revised amortisation rates in the Brazilian electricity sector, as result of the useful lives revision for the assets allocated to concessions by "Agência de Energia Elétrica" (ANEEL), in the amount of 12,985 thousands of Euros (32,572 thousands of Brazilian Reais) during 2012.

Transferes in CO_2 Licences in the amount of 1,749 thousands of Euros are related with the transfer of cogenaration assets to assets held for sale (see note 42).

Acquisitions / Increases of CO_2 Licences as at 31 December 2012 include 109,026 thousands of Euros of CO_2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 60,020 thousands of Euros of licences purchased at market. The market for CO_2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO_2 licenses correspond to CO_2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 6,282 thousands of Euros sold in the market.

In the caption Hydric Portugal, the acquisitions include 28,497 thousands of Euros (31 December 2011: 54,266 thousands of Euros) relates to the power enhancement performed during 2012 in the hydroelectric plant of Alqueva. In 2011, the negative movement in Perimeter variations / Regularisations of 2,528 thousands of Euros relates to the fact that the power enhancements predicted contractually in Pedrógão have not been performed, which implies a revision of the amount to be paid of concession rent and the update of the discount rate used in the calculation of the concession right to 6.533%.

The movements in Intangible assets during the year ended 31 December 2011, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Concession rights:							
Distribution and generation Brazil	1,254,421	251,138	-	-	-56,997	-	1,448,562
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,320,346	54,266	-556	-	-	-2,528	1,371,528
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	377,951	-231,123	-	-	-	359,058
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	20,044	-27,104	343,722	-215,012	63,461	12,493,994
Intangible assets in progress	257,298	420,502	-623	-476,845	-8,572	-	191,760
Other intangibles	93,411	2,391	-22	594	27	756	97,157
Other Intangible assets in progress	340,098	23,416	-388	-594	-630	9,633	371,535
	15,935,868	1,149,708	-259,816	-133,123	-281,184	71,322	16,482,775

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Concession rights	597,280	86,451	-	-	-8,720	-	675,011
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	367,436	-13,440	-	-138,035	63,461	8,978,242
Other intangibles	25,629	3,406	-25	-	42	-8	29,044
	9,321,729	457,293	-13,465	-	-146,713	63,453	9,682,297

Transfers in the amount of 133,123 thousands of Euros are related with the movement of Financial Assets associated with Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12.

In the caption Concession rights - distribution and generation Brazil, the amount of 251,138 thousands of Euros in Acquisitions / Increases related to the concession rights acquired in the operation of acquisition of Hidroeléctrica de Santo Antônio do Jari.

Acquisitions of CO_2 Licences as at 31 December 2011 includes 214,782 thousands of Euros of CO_2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The disposals / write-off of CO_2 licenses correspond to the licenses consumed during 2010 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros and 50,906 thousands of Euros sold in the market.

19. 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:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
HC Energia Group	1,919,526	1,916,548
EDP Renováveis Group	1,301,218	1,311,133
EDP Brasil Group	55,564	57,427
Other	42,149	42,149
	3,318,457	3,327,257

The movements in Goodwill during 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,916,548	2,978	-	-	-	-	1,919,526
EDP Renováveis Group	1,311,133	12,465	-32	-	-10,047	-12,301	1,301,218
EDP Brasil Group	57,427	-	-	-	-1,863	-	55,564
Other	42,149	-	-	-	-	-	42,149
	3,327,257	15,443	-32	-	-11,910	-12,301	3,318,457

The movements in Goodwill during 2011, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,908,476	8,072	-	-	-	-	1,916,548
EDP Renováveis Group	1,343,294	-	-12,846	-35,489	16,174	-	1,311,133
EDP Brasil Group	58,991	-	-	-	-1,564	-	57,427
Other	38,418	3,731	-	-	-	-	42,149
	3,349,179	11,803	-12,846	-35,489	14,610	-	3,327,257

HC Energia Group

During 2012, the goodwill from HC Energia Group increased by 2,978 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 December 2012 and 31 December 2011, is analysed as follows:

Thousands of Euros	EDP Renováveis Group	
	Dec 2012	Dec 2011
Goodwill in EDPR Europe Group	699,522	697,691
Goodwill in EDPR North America Group	600,302	611,882
Goodwill in EDPR Brasil Group	1,394	1,560
	1,301,218	1,311,133

EDPR Europe Group

In 2012, the increase net of regularisations in EDP Renováveis Group includes the goodwill after purchace price allocation for the companies acquisition of EDPR Italia Group and EDPR Romania Group.

During 2011, the decrease in EDPR Europe goodwill in the amount of 12,846 thousands of Euros, results from the redefinition of the final price of the liability related with the put option of Caja Madrid over the non-controlling interest held by this entity over EDPR España in the amount of 3,363 thousands of Euros and the sale of Subgrupo Veinco by 9,483 thousands of Euros. On the other hand in 2011, the impairment in EDPR Italia Group goodwill, relates essentially with an update of the assumptions in the estimatives of MW to install and future energy prices of 34,737 thousands of Euros (see note 13).

Other information for purchase price allocation included in 2012

During 2012 the EDPR Italia Group acquired 100% of the share capital of the company Pietragalla Eolico S.R.L. (see note 5) and has carried out the final purchase price allocation that originates the recognition of an operating income in the amount of 2,639 thousands of Euros (see note 8).

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	1,227	10,300	11,527
Total assets	1,227	10,300	11,527
Deferred tax liabilities	-	2,833	2,833
Other liabilities	1,035	-	1,035
Total liabilities	1,035	2,833	3,868
Net assets acquired	192	7,467	7,659
Consideration transferred	5,020		5,020
Goodwill/ (Badwill)			-2,639

During 2012 the EDPR Romania Group acquired 100% of the share capital of the companies Cujmir Solar S.R.L., Foton Delta S.R.L., Foton Epsilon S.R.L., Potelu Solar S.R.L., Studina Solar S.R.L. and Vanju Mare Solar S.R.L. (see note 5) and has carried out the final purchase price allocation that originated the recognition of an operating income in the amount of 29,754 thousands of Euros (see note 8).

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	26	43,305	43,331
Other assets (including licenses)	500	14,167	14,667
Total assets	526	57,472	57,998
Deferred tax liabilities	-	9,195	9,195
Other liabilities	513	-	513
Total liabilities	513	9,195	9,708
Net assets acquired	13	48,277	48,290
Consideration transferred	18,536		18,536
Goodwill/ (Badwill)			-29,754

Goodwill impairment test analysis — EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

The recoverable amount testing is performed for each cash flow generating unit, identified in each country where EDP Group develops its activities/operations, namely:

- HC Energia (including Naturgás) - Generation, Distribution & supply of electricity and Distribution & supply of gas;
- EDP Renováveis Europe — Wind generation;
- EDP Renováveis North America and Brasil - Wind generation;
- EDP Brasil - Generation, Distribution, and supply.

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.

Goodwill impairment test analysis — HC Energia Group (including Naturgás)

The discount rates after taxes used by the Group in the impairment test analysis range between 6.77% and 7.47% (2011: between 6.3% and 7.2% respectively).

Regarding to generation business the future cash flow projection corresponds to the remaining useful life of the respective assets (power plans). In the electricity and gas transmission business the cash flow projection period considered was five years added by a growth rate, since long-term contracts exists. Remaining businesses estimated curves prices for the reference periods.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. Contracted prices for future long term purchases were also used;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: Operating costs were projected consistent with the company's experience and internal models;

- The growth rates used to make projections for the electricity and gas generation and supply assets is zero. However, for the electricity and gas distribution business is used 1% of the growth rate. These growth rates are based on the market growth and inflation expectations;

- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates;

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) pool price; (ii) cost of fuel (iii) discount rates; and (iv) trade energy. The sensitivity analysis results show that (i) a 5% decrease on the pool price or in trade energy ; or (ii) a 5% increase in the fuel costs; or (iii) a +100bps increase on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis — EDP Renováveis

The future cash flows projection used is the useful life of the assets (25 years) which is consistent with the current depreciation method. This projection also incorporate the long-term off-take contract in place and long-term estimates of energy prices, whenever the asset holds merchant exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used; other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation;

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2012	2011
Portugal and Spain	7.0% - 7.1%	6.7%
United States	5.5% - 6.8%	5.0% - 6.9%
Rest of Europe	5.9% - 8.2%	6.0% - 8.6%

Impairment tests done have taken into account the regulation changes in each country, as disclosed in note 1.

Were performed a series of sensitivity analyses of the results of impairment tests to reasonable changes in some of the key variables, such as:
- EDPR NA, decrease in the Net Capacity Factors of 2.1%;
- EDPR NA, 10% reduction of Merchant Prices;
- EDPR EU, decrease of the terminal value until 10%.

Furthermore, EDPR Group has done an additional sensitivity analysis increasing 100 basis points the discount rate used in case base for EDPR NA and EDPR EU CGU's. These sensitivity analyses performed for each assumption independently would not suppose any impairment for the goodwill allocated to each country.

Goodwill impairment test analysis — EDP Brasil

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets / power purchase agreements. The period of considered cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rate used of 8.05% in 2011 (8.3% in 2011), reflects the Group's best estimate regarding the specific risks related to each CGU.

The terminal value of the distribution business corresponds to the present value of the assets and the end of the concession period (Regulatory Asset Base). In the generation / supply business, the terminal value corresponds to the present value of the assets net of amortisation at the end of the concession period.

This sensitivity analysis of considering +100bps on the discount rate does not result in any impairment indicators for "goodwill".

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Dec 2012	Dec 2011
Acquisition cost	11,012,092	10,863,358
Effect of equity method (transition to IFRS)	-902,524	-1,020,632
Equity investments in subsidiaries	10,109,568	9,842,726
Impairment losses on equity investments in subsidiaries	-200,034	-133,943
	9,909,534	9,708,783

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

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2012	Dec 2011
Thousands of Euros	Net amount	Net amount
Investments in subsidiaries:		
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	481,695
EDP Investments and Services, S.L.	281,854	-
EDP Comercial, S.A.	238,473	188,463
EDP Energias do Brasil, S.A.	-	193,909
Other	142,626	80,830
	9,909,534	9,708,783

The variation in the caption Investments in subsidiaries on a company basis (200,751 thousands of Euros) results, essentially, from the share capital increase of EDP Investments and Services, S.L. realised through a contribution in kind of 11.23% of the share voting rights over EDP Energias do Brasil (net effect of 87,945 thousands of Euros), from the supplementary capital conceded to EDP Imobiliária e Participações, S.A. (65,000 thousands of Euros), EDP Comercial, S.A. (50,000 thousands of Euros) and EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. (50,000 thousands of Euros) and from the impairment losses on equity investments in EDP Imobiliária e Participações, S.A. (65,000 thousands of Euros).

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, in the amount of 193,909 thousands of Euros was used to subscribe a share capital increase in EDP Investments and Services, S.L., through a contribution in kind of the referred shares, evaluated in 281,854 thousands of Euros, having been recognised a gain on the financial statements of EDP, S.A. in the amount of 87,945 thousands of Euros (see note 14).

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Associated companies:				
Investments in associates	164,018	160,443	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	163,881	160,306	-	-

As at 31 December 2012, for the Group, Investments in associates include goodwill of 47,009 thousands of Euros (31 December 2011: 44,311 thousands of Euros).

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

Thousands of Euros	Group			
	Dec 2012		Dec 2011	
	Cost	Impairment	Cost	Impairment
CEM - Companhia de Electricidade de Macau, S.A.	69,262	-	67,923	-
D. E. de Canárias, S.A.	9,933	-	12,372	-
ENEOP - Eólicas de Portugal, S.A.	9,908	-	10,696	-
SeaEnergy Renewables Inch Cape Limited	14,498	-	14,889	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	32,600	-	29,894	-
Principle Power, Inc.	5,179	-	-	-
Other	22,638	-137	24,669	-137
	164,018	-137	160,443	-137

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance as at 1 January	160,443	147,008
Acquisitions / Perimeter entries	6,054	14,516
Disposals	-2,389	-1,756
Share of profit of associates	23,777	19,477
Dividends received	-17,391	-13,281
Exchange differences	-2,101	3,859
Changes in the consolidation method	-	-4,790
Transfers / Regularisations	-4,375	-4,590
Balance as at 31 December	164,018	160,443

In 2012, EDP Inovação, S.A. acquired 50.3% of the share capital of Principle Power, Inc. and Generaciones Especiales I, S.L. sold its interest in Hidroastur, S.A. (see note 5).

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Banco Comercial Português, S.A.	29,653	19,665	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	38,408	39,361	38,408	39,361
Tejo Energia, S.A.	26,246	29,507	-	-
Others	86,991	82,780	2,053	3,183
	181,298	171,313	40,461	42,544

As at 30 June 2012, the investment held in Banco Comercial Português, S.A. decreased by 5,495 thousands of Euros, having an impairment loss been recognised in the income statement (see note 15). During the third quarter of 2012, regarding BCP share capital increase, EDP Group subscribed 250,778,389 shares of BCP at 0.04 Euros per share in a total investment of 10,031 thousands of Euros. After this operation, the Group holds 395,370,529 shares, maintaining its actual share of 2.01%, but reducing the share average cost , which in comparison with the securities market value as at 31 December 2012, generated a positive effect of 5,452 thousands of Euros in fair value reserves (see note 32).

During 2012, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 953 thousands of Euros being the decrease booked against fair value reserves (see note 32).

As at 31 December 2012, the financial investment held in Tejo Energia, S.A., decreased by 3,261 thousands of Euros and the decrease was booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 48,229 thousands of Euros (31 December 2011: 37,388 thousands of Euros), as a result of its reinsurance activity.

In 2012, the movements in Available for sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Banco Comercial Português	19,665	10,031	-	-5,495	5,452	-	29,653
REN - Redes Energéticas Nacionais	39,361	-	-	-	-953	-	38,408
Tejo Energia	29,507	-	-	-	-3,261	-	26,246
Others	82,780	12,701	-1,126	-3,833	1,451	-4,982	86,991
	171,313	22,732	-1,126	-9,328	2,689	-4,982	181,298

In 2011, the movements in Available for sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Ampla Energia e Serviços	181,221	-	-68,939	-	-112,282	-	-
Ampla Investimentos e Serviços	23,191	-	-5,575	-	-17,616	-	-
Banco Comercial Português	72,901	5,726	-1,111	-57,851	-	-	19,665
REN - Redes Energéticas Nacionais	48,220	-	-	-	-8,859	-	39,361
Tejo Energia	25,253	-	-	-	4,254	-	29,507
Others	93,179	9,952	-12,319	-5,584	-5,014	2,566	82,780
	443,965	15,678	-87,944	-63,435	-139,517	2,566	171,313

The financial investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., were sold during 2011 and resulted in a capital gain of 9,983 thousands of Euros (see note 14).

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 31 December 2012 and 2011 is analysed as follows:

Thousands of Euros	Dec 2012	Dec 2011
Banco Comercial Português, S.A.	5,452	-
REN - Redes Energéticas Nacionais, SGPS, S.A	12,588	13,541
Tejo Energia, S.A.	19,891	23,152
Others	7,419	6,319
	45,350	43,012

In addition in 2012, the variation in fair value reserve of available for sale investments includes the amount of 351 thousands of Euros attributable to non-controlling interests.

23. DEFERRED TAX ASSETS AND LIABILITIES

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

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Europe				
Tax losses and tax credits	301,906	153,868	-	-
Provisions	474,694	483,928	5,714	31,081
Financial instruments	45,852	54,326	17,956	44,436
Tangible and intangible fixed assets	192,061	241,505	139,770	95,903
Reinvested gains	-	-	7,837	8,040
Financial and available for sale investments	41,904	76,915	17,235	78,437
Tariff adjustments and tariff deficit	33,592	24,000	425,327	218,450
Allocation of fair value to assets and liabilities acquired	32,391	11,878	628,885	647,148
Accounting revaluations	-	-	113,375	123,485
Deferred income relating to CMEC	-	-	287,656	215,324
Other temporary differences	15,484	14,596	20,306	33,078
Assets/liabilities compensation of deferred taxes	-994,016	-816,936	-994,016	-816,936
	143,868	244,080	670,045	678,446
Brazil				
Tax losses and tax credits	82,005	75,260	-	-
Provisions	107,692	98,913	-	-
Allocation of fair value to assets and liabilities acquired	-	664	139,731	158,781
Accounting revaluations and other temporary differences	6,390	92,497	22,376	98,947
	196,087	267,334	162,107	257,728
United States of America and Canada				
Tax losses and tax credits	607,466	520,423	-	-
Property, plant and equipment	2,346	-	297,861	221,980
Allocation of fair 's	-	-	81,288	66,902
Gains from institutional partnerships in USA wind farms	-	-	251,786	271,959
Other temporary differences	2,123	22,590	41	-
Assets/liabilities compensation of deferred taxes	-611,074	-543,013	-611,074	-543,013
	861	-	19,902	17,828
	340,816	511,414	852,054	954,002

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:

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Tax losses and tax credits	61,424	72,626	-	-
Provisions	3,486	20,756	-	-
Financial instruments	16,248	22,949	12,829	27,552
Financial and available for sale investments	4,030	1,075	-	67,623
Property, plant and equipment	11,722	10,350	-	-
Accounting revaluations	-	-	13,092	13,021
Other temporary differences	3,065	3,039	4,255	4,255
Assets/liabilities compensation of deferred taxes	-30,176	-112,451	-30,176	-112,451
	69,799	18,344	-	-

The deferred tax movement, for the Group and for the Company, in 2012 and 2011 is analysed as follows:

Thousands of Euros	Deferred taxes Group		Deferred taxes Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at 1 January	-442,588	-340,740	18,344	-67,926
Charges to the profit and loss account	-128,512	-72,894	106,560	104,392
Charges against reserves	67,752	50,365	8,229	19,102
Exchange differences and other variations	-7,890	-79,319	-63,334	-37,224
Balance at 31 December	-511,238	-442,588	69,799	18,344

On an individual basis, the caption Other temporary differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

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 fair value allocation of assets, liabilities and contingent liabilities on the acquisition of the company ECE Participações S.A. (Hidroeléctrica Santo Antônio do Jari), occurred in 2011, determined the allocation of 82,227 thousands of Euros in deferred tax liabilities, as at 31 December 2011. This amount is presented under accounting revaluations and other temporary differences.

Taxes recorded against reserves are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Current tax				
Changes in fair value of derivative financial instruments	17	2,653	17	2,653
	17	2,653	17	2,653
Deferred tax				
Financial instruments and fair value	25,729	24,989	7,323	2,854
Actuarial gains and losses	41,928	9,141	-	-
Changes in fair value of financial assets held for sale	95	16,235	906	16,248
	67,752	50,365	8,229	19,102
	67,769	53,018	8,246	21,755

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

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Expiry date:		
2012	-	617
2013	552	736
2014	4,694	5,233
2015	60,057	20,503
2016	1,505	20,902
2017	486,853	764
2018 a 2031	2,207,128	1,880,298
Without expiry date	818,541	1,021,326
	3,579,330	2,950,379

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Merchandise	75,307	90,673
Finished, intermediate products and sub-products	28,799	39,494
Raw and subsidiary materials and consumables (coal and fuel)	187,602	124,311
Nuclear fuel	16,905	15,140
Other consumables	69,005	76,442
	377,618	346,060

The caption Other consumables includes CO_2 licenses that correspond to the amount of trading licenses held for sale, valued at market price against the profit and loss, as described in accounting policy 2 y) in the amount of 103 thousands of Euros (31 December 2011: 807 thousands of Euros) (see note 48).

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	1,050,200	925,710	182,731	159,033
Spain	684,331	730,606	-	-
Brazil	496,175	422,973	-	-
U.S.A.	42,575	31,660	-	-
Other	55,620	33,312	-	-
Public Sector:				
Portugal	102,510	94,859	-	-
Brazil	53,574	30,178	-	-
Spain	91,327	41,545	-	-
	2,576,312	2,310,843	182,731	159,033
Impairment losses	-296,208	-267,172	-9,958	-9,960
	2,280,104	2,043,671	172,773	149,073

Thousands of Euros	Group Dec 2012	Group Dec 2011	Company Dec 2012	Company Dec 2011
Trade receivables - Non-Current:				
Corporate sector and individuals:				
Brazil	11,281	19,577	-	-
Public Sector:				
Portugal	126,501	132,258	-	-
Brazil	8,571	30,948	-	-
	146,353	182,783	-	-
Impairment losses	-49,254	-74,173	-	-
	97,099	108,610	-	-
	2,377,203	2,152,281	172,773	149,073

The movement in Impairment losses, in 2012, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals:							
Portugal	133,518	-	39,339	-7,415	-7,796	2	157,648
Brazil	72,522	-6,450	4,623	-18,343	-	-3,948	48,404
Spain	49,706	-	7,566	-1,400	-	30	55,902
Public sector:							
Portugal	80,784	-	3,287	-5,223	-	-	78,848
Brazil	228	-30	337	-148	-	-8	379
Spain	4,587	-	3,024	-3,330	-	-	4,281
	341,345	-6,480	58,176	-35,859	-7,796	-3,924	345,462

The movement in Impairment losses, in 2011, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals:							
Portugal	130,033	-	33,080	-13,508	-16,102	15	133,518
Brazil	72,184	-6,162	10,494	-5,506	-	1,512	72,522
Spain	46,021	-	7,692	-2,170	-82	-1,755	49,706
Public sector:							
Portugal	86,220	-	-	-5,436	-	-	80,784
Brazil	468	-31	199	-408	-	-	228
Spain	2,765	-	3,270	-1,442	-	-6	4,587
	337,691	-6,193	54,735	-28,470	-16,184	-234	341,345

During 2012, the movement in Impairment losses in EDP S.A. is related with reversals, booked in other operating income.

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011	Company Dec 2012	Company Dec 2011
Amounts receivable from tariff expenses - Electricity - Spain	432,415	553,268	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	668,965	374,859	-	-
Receivables relating to other goods and services	75,366	98,871	43,078	61,458
Amounts receivable relating to CMEC	432,133	122,080	-	-
Accrued income relating to energy sales and purchase activity in the market	111,116	117,227	163,640	165,968
Sundry debtors and other operations	347,439	245,189	63,356	34,341
	2,067,434	1,511,494	270,074	261,767
Impairment losses on debtors - Current	-15,915	-15,878	-931	-938
	2,051,519	1,495,616	269,143	260,829

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011
Amounts receivable from tariff adjustments - Electricity - Portugal	980,225	424,787
Amounts receivable relating to CMEC	944,167	1,012,330
Amounts receivable from concessions - IFRIC 12	706,480	581,012
Sundry debtors and other operations	109,335	93,140
	2,740,207	2,111,269
Impairment losses on debtors - Non current	-3,305	-2,876
	2,736,902	2,108,393

The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2012, according to the applicable legal framework (see note 3). During 2012, the Spanish Electricity Deficit Amortisation Fund (FADE), launched sixteen bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 301,259 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,376,300 thousands of Euros, and includes 944,167 thousands of Euros as non-current and 432,133 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 680,929 thousands of Euros as non-current and 41,688 thousands of Euros as current, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2012. The remaining 263,238 thousands of Euros as non-current and 390,446 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation in 2011 and 2012.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 706,480 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes the effect of the depreciation of Brazilian Real against Euro in the amount of 27,807 thousands of Euros, transfers from intangible assets assigned to concessions in the amount of 123,181 thousands of Euros (see note 18), a revaluation of the financial assets in the amount of 40,838 thousands of Euros (102,439 thousands of Reals), as well as 7,439 thousands of Euros arising from the sale of financial assets of Evrecy Participações Ltda. to CTEEP — Companhia de Transmissões de Energia Eléctrica Paulista, which results in a gain of 12,478 thousands of Euros (see note 8).

The movement for the period in Amounts receivable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	394,057	29,726
Receipts through the electric energy tariff	-406,135	-
Tariff adjustment of 2010	188,032	131,858
Tariff adjustment for the year	226,421	396,471
Transfer from tariff adjustments payable	2,515	-
Interest income	14,194	7,384
Securitisation adjustment of cogeneration	-73,951	-110,926
Transfer from Non-Current to Current	29,726	-29,726
Balance as at 31 December 2011	374,859	424,787
Receipts through the electric energy tariff	-666,216	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the year	619,015	980,007
Transfer to tariff adjustment payable	-9,491	-
Interest income	68,808	-
Securitisation adjustment of 2010 CMEC	-143,566	-
Transfer from Non-Current to Current	424,569	-424,569
Balance as at 31 December 2012	668,965	980,225

On 21 September 2011, EDP Serviço Universal, S.A. sold without recourse of the rights to receive the full amount of the electricity tariffs adjustment related to the over cost of cogeneration produced from renewable sources between 2009 and 2011. The transaction totalled 180,524 thousands of Euros and generated a financial loss of 4,603 thousands of Euros, including transaction costs.

On 13 December 2012, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the rights for the compensation correction portion of the compensation mechanism to maintain the contractual balance (CMEC), referring to 2010, in accordance with the terms of Decree-Law n.º 109/2011. The transaction amounted to 144,320 thousands of Euros, of which 141,081 thousands of Euros were received at the moment of the transaction and 3,239 thousands of Euros were deferred in 12 monthly payments between February 2013 and January 2014, generating a financial profit of 254 thousands of Euros, including transaction costs.

In 2012, the movements in Impairment losses on debtors - Current are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at beginning of year	15,878	74,912	938	914
Charge of the year	1,809	1,160	15	24
Reversal of impairment losses / Charge off	-5,126	-60,609	-22	-
Perimeter variations / Others regularisations	3,354	415	-	-
Balance at year end	15,915	15,878	931	938

As at 31 December 2011, in the caption Reversal of impairment losses / Charge off is booked the amount of 4,831 thousands of Euros related to impairment losses (see note 8).

In 2012, the movements in Impairment losses on debtors - Non-Current are analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Balance at beginning of year	2,876	2,858
Charge of the year	11	-
Perimeter variations / Others regularisations	418	18
Balance at year end	3,305	2,876

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debtors and other assets - Current:				
Loans to subsidiaries	-	-	1,036,546	1,802,680
Dividends	-	-	86,204	152,358
Loans to related parties	38,348	122,903	17,167	20,235
Receivables from the State and concessors	48,349	30,565	-	-
Derivative financial instruments	129,814	216,817	127,169	246,766
Subsidiary Companies	-	-	1,022,077	421,855
Guarantees and tied deposits	19,548	37,834	-	-
Sundry debtors and other operations	60,615	97,575	5,366	1,880
	296,674	505,694	2,294,529	2,645,774
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	5,885,502	4,765,436
Loans to related parties	265,542	133,180	90	90
Guarantees and tied deposits	72,498	74,350	5	3,419
Derivative financial instruments	147,026	104,697	128,493	79,184
Sundry debtors and other operations	49,507	21,426	-	-
	534,573	333,653	6,014,090	4,848,129
	831,247	839,347	8,308,619	7,493,903

The Derivative financial instruments portfolio current and non current, in the amount of 129,814 thousands of Euros and 147,026 thousands of Euros respectively, correspond to the fair value of trading and hedge portfolios as at 31 December 2012 (see note 43).

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
State and other public entities:				
Income tax	168,834	271,353	81,917	77,246
Value added tax (VAT)	207,245	307,087	110,415	81,876
Turnover tax (Brazil)	17,026	30,598	-	-
Other taxes	42,523	35,781	3,255	3,255
	435,628	644,819	195,587	162,377

On EDP Group basis, the caption Other taxes includes the amount of 30,026 thousands of Euros (31 December 2011: 27,700 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cash	60	40	-	-
Bank deposits:				
Current deposits	416,038	475,206	26,345	170,629
Term deposits	1,052,822	1,219,813	601,914	490,980
Specific demand deposits in relation to institutional partnerships - EDPR NA	65	24,636	-	-
Other deposits	29,084	5,152	-	-
	1,498,009	1,724,807	628,259	661,609
Operations pending cash settlement:				
Current deposits	196,976	-	676,976	-
Other short term investments (Euros)	291	6,677	-	-
Cash and cash equivalents	1,695,336	1,731,524	1,305,235	661,609

The caption Other short term investments includes very short term investments promptly convertible into cash.

The caption Specific demand deposits of institutional partnerships - EDPR NA corresponding to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38).

On individual basis, the caption Operations pending cash settlement relate with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at trade date of each emission. This caption includes: (i) 480,000 thousands of Euros, issued at 31 December 2012, acquired by EDP Finance B.V., and which settlement date occurred at 3 January 2013; and (ii) 196,976 thousands of Euros issued on 28 December 2012 and which settlement date occurred on 2 January 2013.

30. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling 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. On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to China Three Gorges International (Europe), S.A., through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

In result of this transaction the 780,633,782 shares representing 21.35% of the share capital and voting rights of EDP are directly attributed to China Three Gorges International (Europe), S.A. Accordingly, Parpública has reduced its qualified shareholding in EDP from 25.49% of the respective share capital and voting rights to 4.14%, holding a total amount of 151,517,000 shares in EDP, all of which correspond to class B shares.

The share capital amounts of 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, 3,505,020,715 are class A shares and 151,517,000 are class B shares.

Share capital and Share premium are analysed as follows:

	Group and Company	
Thousands of Euros	Share capital	Share premium
Balance as at 31 December 2011	3,656,538	503,923
Movements during the year	-	-
Balance as at 31 December 2012	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Net profit attributable to the equity holders of EDP (in Euros)	1,012,483,169	1,124,662,975	832,681,740	785,804,149
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,012,483,169	1,124,662,975		
Weighted average number of ordinary shares outstanding	3,624,042,958	3,624,423,735	3,625,555,958	3,625,936,735
Weighted average number of diluted ordinary shares outstanding	3,624,622,918	3,625,029,212	3,626,135,918	3,626,542,212
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.31		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.31		
Basic earnings per share from continuing operations (in Euros)	0.28	0.31		
Diluted earnings per share from continuing operations (in Euros)	0.28	0.31		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the year.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,494, 757	-32,113, 980	-30,981, 757	-30,600, 980
Average number of shares during the year	3,624,042,958	3,624,423,735	3,625,555,958	3,625,936,735
Effect of stock options	579,960	605,477	579,960	605,477
Diluted average number of shares during the year	3,624,622,918	3,625,029,212	3,626,135,918	3,626,542,212

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Book value of EDP, S.A. treasury stock (thousands of Euros)	103,706	111,430	97,611	105,335
Number of shares	31,904,523	32,359,146	30,391,523	30,846,146
Market value per share (in Euros)	2.290	2.391	2.290	2.391
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	73,061	77,371	69,597	73,753

Operations performed from 1 January 2012 to 31 December 2012:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,483,938	-
Purchase price average (in Euros)	2.006	-
Purchase total value (thousands of Euros)	2,977	-
Volume sold (number of shares)	-1,938,561	-
Selling price average (in Euros)	2.153	-
Sold total value (thousands of Euros)	4,173	-
Final position (number of shares)	30,391,523	1,513,000
Highest market price (in Euros)	2.480	-
Lowest market price (in Euros)	1.640	-
Average market price (in Euros)	2.048	-

The volume and the selling prices disclosed above include the effect of the treasury stock atributable to employees, as mencioned in note 45.

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.

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Legal reserve	578,435	539,145	578,435	539,145
Fair value reserve (cash flow hedge)	-121,097	-40,625	-16,069	4,870
Tax effect of fair value reserve (cash flow hedge)	34,979	13,537	4,938	-2,402
Fair value reserve (available for sale investments)	45,350	43,012	8,238	9,166
Tax effect of fair value reserve (available for sale investments)	-1,408	-1,652	1,957	1,051
Exchange differences arising on consolidation	24,268	121,469	-	-
Treasury stock reserve (EDP, S.A.)	97,611	105,335	97,611	105,335
Other reserves and retained earnings	2,464,978	2,155,619	1,315,569	1,238,690
	3,123,116	2,935,840	1,990,679	1,895,855

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	7,660	-190,098
Transfer of impairment to profit or loss	-	60,664
Transfer to the income statement relating to assets sold	-17,743	-
Balance as at 31 December 2011	485,789	-442,777
Changes in fair value	8,674	-13,939
Transfer of impairment to profit or loss	-	7,603
Balance as at 31 December 2012	494,463	-449,113

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	5,452	-5,495
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-953
Tejo Energia, S.A.	-	-3,261
Other	3,222	-4,230
	8,674	-13,939

Exchange differences on consolidation

Exchange differences 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:

		Exchange rates at Dec 2012		Exchange rates at Dec 2011	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.319	1.285	1.294	1.392
Brazilian Real	BRL	2.704	2.508	2.416	2.327
Macao Pataca	MOP	10.533	10.062	10.353	10.985
Canadian Dollar	CAD	1.314	1.284	1.322	1.376
Zloty	PLN	4.074	4.185	4.458	4.121
Romanian Leu	RON	4.445	4.459	4.323	4.239
Pound Sterling	GBP	0.816	0.811	0.835	0.868

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the booking amount of treasury stock held.

Dividends

On 17 April 2012, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 16 May 2012 of the net profit for the year 2011 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,630 thousands of Euros).

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Non-controlling interests in income statement	169,672	207,316
Non-controlling interests in equity and reserves	3,069,642	3,069,929
	3,239,314	3,277,245

Non-controlling interests, by company, are made up as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
EDP Renováveis Group	1,516,865	1,319,812
Energias do Brasil Group	1,604,316	1,844,400
Other	118,133	113,033
	3,239,314	3,277,245

During the year ended 31 December 2012 EDP Group generated profits of 169,672 thousands of Euros attributable to non-controlling interest (31 December 2011: 207,316 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 38,792 thousands of Euros, a decrease of 4,805 thousands of Euros related to dividends paid and a decrease of the fair value reserve net of taxes of 12,627 thousands of Euros. In November 2012, EDP Renováveis has reached an agreement with Borealis Infrastructure for the sale, without loss of control of Vento II, of 49% equity shareholding in a portfolio of wind farm assets in the United States of America, and, as a result, the Group recognised non-controlling interests of 176,614 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 123,070 thousands of Euros of profits attributable to non-controlling interests, 169,978 thousands of Euros from the negative exchange differences, a decrease of 162,554 thousands of Euros related to dividends paid and the effect of changes in actuarial losses net of taxes, resulted in a decrease on the period in the non-controlling interests of 30,565 thousands of Euros.

34. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

	Group and Company	
Thousands of Euros	Dec 2012	Dec 2011
Non-Current	33,644	69,142
Current	22,832	-
	56,476	69,142

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Dec 2012	Dec 2011
Balance at the beginning of the year	69,142	75,098
Amounts received / (paid) during the year	-15,155	-8,036
Financial charges	2,489	2,080
Balance at the end of the year	56,476	69,142

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.

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP - Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements. At extinction date, and for purpose of extinction movement, until 31 December 2016, the government will incorporate a team/workforce composed by representatives of ERSE, of National Electricity Distribution Network (RND), of National Electricity High Tension Transport (RNT) and National Conseil of Consumption, to determine such final movements.

35. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	61,567	45,161	61,567	45,161
EDP Finance B.V.	2,205,915	358,445	-	-
EDP Brasil Group	113,666	147,014	-	-
HC Energia Group	1,917	907	-	-
EDP Renováveis Group	95,486	126,041	-	-
EDP Produção	8,862	8,021	-	-
Portgás	26,759	33,803	-	-
Others	4,578	4,724	-	-
	2,518,750	724,116	61,567	45,161
Non-convertible bond loans:				
EDP, S.A.	150,000	-	150,000	-
EDP Finance B.V.	348,231	1,621,314	-	-
EDP Brasil Group	141,521	34,175	-	-
	639,752	1,655,489	150,000	-
Commercial paper:				
EDP, S.A.	319,500	311,400	7,335,000	5,641,400
HC Energia Group	2,192	498	-	-
	321,692	311,898	7,335,000	5,641,400
Other loans:				
Investco preference shares	2,847	1,058	-	-
EDP Brasil Group	8,843	9,176	-	-
EDP Renováveis Group	2,885	3,111	-	-
EDP Produção	1,231	1,231	-	-
	15,806	14,576	-	-
Accrued interest	311,503	292,619	11,053	13,824
Total Debt and borrowings - Current	3,807,503	2,998,698	7,557,620	5,700,385
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-12,732	-	-12,732	-
Other collateral deposits	-719	-	-	-
Total Collateral Deposits - Current	-13,451	-	-12,732	-
	3,794,052	2,998,698	7,544,888	5,700,385

(*) Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit in the amount of 361,445 thousands of Euros (348,713 thousands of Euros non-current and 12,732 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 67,051 thousands of Euros (66,332 thousands of Euros non-current and 719 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,097,196	1,137,824	1,097,196	1,137,824
EDP Finance B.V.	3,653,295	3,972,309	-	-
EDP Brasil Group	803,140	794,732	-	-
HC Energia Group	2,231	3,126	-	-
EDP Renováveis Group	792,181	680,350	-	-
EDP Produção	150,876	159,738	-	-
Portgás	35,609	43,278	-	-
	6,534,528	6,791,357	1,097,196	1,137,824
Non-convertible bond loans:				
EDP, S.A.	731,942	630,782	731,942	630,782
EDP Finance B.V.	8,654,038	7,831,887	-	-
EDP Brasil Group	385,244	353,924	-	-
	9,771,224	8,816,593	731,942	630,782
Commercial paper:				
EDP, S.A.	196,976	-	196,976	-
	196,976	-	196,976	-
Other loans:				
Investco preference shares	17,263	19,719	-	-
EDP Brasil Group	35,000	46,313	-	-
EDP Renováveis Group	21,787	24,284	-	-
EDP Produção	2,319	3,505	-	-
Others	1,163	517	-	-
	77,532	94,338	-	-
	16,580,260	15,702,288	2,026,114	1,768,606
Accrued interest	20,056	11,802	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	115,409	72,321	6,323	8,921
Total Debt and borrowings - Non-current	16,715,725	15,786,411	2,032,437	1,777,527
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-348,713	-	-348,713	-
Other collateral deposits	-66,332	-68,372	-	-
Total Collateral Deposits - Non-current	-415,045	-68,372	-348,713	-
	16,300,680	15,718,039	1,683,724	1,777,527

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 2012 and 2011 these loans amounted to 1,018,578 thousands of Euros and 888,776 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

EDP Group has short-term credit facilities of 183,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being 183,000 thousands of Euros available; as well as Commercial Paper programs of 300,000 thousands of Euros with guaranteed placement, being fully available. EDP Group has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,700,000 thousands of Euros are available. For liquidity management needs in USD, has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 December 2012 is totally drawn down.

In non-current debt it is presented an amount of 200,000 thousands of Euros, with upfront interests paid in the amount of 3,024 thousands of Euros, relating to a Commercial Paper program with a firm underwriting commitment for a period exceeding one year.

The nominal value of Bond loans issued and outstanding, as at 31 December 2012, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	757,920	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	88,020	-
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	757,920	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	75,792	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.0%	Fair Value	Nov/18	103,922	-
EDP Finance B.V.	Dec-12	Variable Rate (iv)	n.a.	Dec/13	350,000	-
					9,095,156	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110.5% of CDI	n.a.	Oct/13	110,963	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	144,252	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	61,649	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	44,385	-
Energias do Brasil	Sep/12	105.5% of CDI	n.a.	Feb/14	166,445	-
					527,694	-
					10,522,850	900,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

Loans by maturity, is analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011	Company Dec 2012	Company Dec 2011
Bank loans:				
Up to 1 year	2,558,583	740,584	64,171	48,146
From 1 to 5 years	5,142,798	5,422,511	659,126	625,655
More than 5 years	1,407,686	1,380,647	438,070	512,169
	9,109,067	7,543,742	1,161,367	1,185,970
Bond loans:				
Up to 1 year	908,935	1,924,756	156,537	4,065
From 1 to 5 years	6,952,783	5,753,834	456,324	339,703
More than 5 years	2,937,950	3,135,080	281,941	300,000
	10,799,668	10,813,670	894,802	643,768
Commercial paper:				
Up to 1 year	324,089	318,672	7,336,912	5,648,174
From 1 to 5 years	196,976	-	196,976	-
	521,065	318,672	7,533,888	5,648,174
Other loans:				
Up to 1 year	15,896	14,686	-	-
From 1 to 5 years	52,837	61,859	-	-
More than 5 years	24,695	32,480	-	-
	93,428	109,025	-	-
	20,523,228	18,785,109	9,590,057	7,477,912

The fair value of EDP Group's debt is analysed as follows:

	Dec 2012		Dec 2011	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	3,807,503	3,452,211	2,998,698	2,650,355
Debt and borrowings - Non-current	16,715,725	17,164,909	15,786,411	13,939,717
	20,523,228	20,617,120	18,785,109	16,590,072

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements in IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 31 December 2012, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Debt and borrowings - Non-current	-	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	16,715,725
Debt and borrowings - Current	3,807,503	-	-	-	-	-	3,807,503
	3,807,503	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	20,523,228

Future payments of capital in debt and interests and guarantees are detailed in note 44.

Future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Bank loans:							
Euro	2,415,111	641,451	506,810	744,239	850,536	884,953	6,043,100
Brazilian Real	64,187	106,817	79,175	37,958	38,429	322,133	648,699
US Dollar	6,008	1,136,880	795,513	-	-	-	1,938,401
Others	73,277	70,043	71,626	36,868	26,454	200,599	478,867
	2,558,583	1,955,191	1,453,124	819,065	915,419	1,407,685	9,109,067
Bond loans:							
Euro	719,625	1,398,277	1,799,642	2,250,000	1,043,160	1,339,623	8,550,327
Brazilian Real	161,094	254,975	57,701	51,043	22,193	3,231	550,237
US Dollar	28,216	-	75,792	-	-	1,595,096	1,699,104
	908,935	1,653,252	1,933,135	2,301,043	1,065,353	2,937,950	10,799,668
Commercial paper:							
Euro	324,089	-	-	196,976	-	-	521,065
	324,089	-	-	196,976	-	-	521,065
Other loans:							
Euro	3,084	10,694	2,994	9,201	1,305	-	27,278
Brazilian Real	10,189	6,637	6,072	5,294	4,246	24,695	57,133
US Dollar	1,122	1,266	-	-	-	-	2,388
Others	1,501	1,501	1,501	1,501	625	-	6,629
	15,896	20,098	10,567	15,996	6,176	24,695	93,428
	3,807,503	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	20,523,228

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Provisions for social liabilities and benefits	939,399	1,003,943
Provisions for medical liabilities and other benefits	994,026	819,215
	1,933,425	1,823,158

Provisions for social liabilities and benefits as at 31 December 2012 include 932,194 thousands of Euros relating to retirement pension defined benefit plans (31 December 2011: 994,661 thousands of Euros) and 7,205 thousands of Euros (31 December 2011: 9,282 thousands of Euros) related 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	
Thousands of Euros	Dec 2012	Dec 2011
Balance at the beginning of the year	1,003,943	1,104,406
Charge for the period	60,407	61,784
Pre-retirements (curtailments)	20,269	15,183
Actuarial (gains)/losses	8,067	-21,562
Charge-off	-149,441	-155,592
Transfers, reclassifications and exchange differences	-3,846	-276
Balance at the end of the year	939,399	1,003,943

Pre-retirements (curtailments) are related with costs of rationalising human resources and result from 76 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following of the Setúbal Generation Center decommissioning process.

The movement in Provisions for Medical liabilities and other benefits is analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Balance at the beginning of the year	819,215	800,473
Charge for the year	53,836	50,619
Pre-retirements (curtailments)	1,174	614
Benefits Reduction	-	1,308
Actuarial (gains)/losses	174,272	9,757
Charge-off	-44,308	-41,710
Transfers, reclassifications and exchange differences	-10,163	-1,846
Balance at the end of the year	994,026	819,215

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 thousands of 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 recognised in 2012 gains of 182,339 thousands of Euros and in 2011 gains of 11,805 thousands of Euros.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere with 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). The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, until 31 May 2011. From this date, the plans management became the responsability of EnerPrev, a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB 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 DB 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 2012 and 2011 the number of participants covered by the pension plans was as follows:

	2012			2011		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants:						
Retirees and pensioners	17,959	1,517	1,743	18,010	1,564	1,669
Active workers	5,932	1,433	1,493	6,168	1,348	1,690
	23,891	2,950	3,236	24,178	2,912	3,359

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2012				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	3.25%	not applicable	9.30%	9.30%	9.30%
Discount rate	3.25%	3.35%	9.30%	9.30%	9.30%
Salary increase rate	3.00%	3.00%	6.90%	6.90%	6.90%
Pension increase rate	2.00%	not applicable	5.00%	5.00%	5.00%
Social Security salary appreciation	2013 - 0% // After 2013 - 1.9%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	5.00%	5.00%	5.00%
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
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

	Dec 2011				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.00%	not applicable	11.10%	11.10%	11.10%
Discount rate	5.00%	5.40%	10.25%	10.25%	10.25%
Salary increase rate	3.50%	2.75% (IPC + 0.5%) in all years	7.59%	7.59%	7.59%
Pension increase rate	2.50%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	2012 - 0% // After 2012 - 1.9%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2012.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2012 and 2011 is analysed as follows:

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366
Fair value of plan assets at the end of the year	-960,342	-	-321,431	-1,281,773
Asset ceiling	-	-	32,601	32,601
Provision at the end of the year	766,869	104,539	60,786	932,194

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529
Fair value of plan assets at the end of the year	-941,238	-	-311,384	-1,252,622
Asset ceiling	-	-	40,754	40,754
Provision at the end of the year	863,587	90,599	40,475	994,661

The caption Asset ceiling refers to the unrecognised assets in the respective accounting years.

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:

Thousands of Euros	2012	2011	2010	2009	2008
Provision for Pension Plans					
Liability at the end of the year	2,181,366	2,206,529	2,340,207	2,302,307	2,192,985
Fair value of plan assets at the end of the year	-1,281,773	-1,252,622	-1,290,865	-1,233,762	-1,146,273
Asset ceiling	32,601	40,754	43,733	27,436	20,841
Provision at the end of the year	932,194	994,661	1,093,075	1,095,981	1,067,553

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:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Plan liabilities	-25,009	-53,764	11,939	-9,112	-33,781
Experience adjustments for the Plan assets	32,511	-70,732	-33,724	13,676	-136,929

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:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Plan liabilities	3,469	-12,478	-3,238	2,701	4,693
Experience adjustments for the Plan assets	21,032	35,706	4,244	5,160	-18,938

The past service liability of the pension plans for the Group, as at 31 December 2012 and 2011 is as follows:

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,804,825	90,599	311,105	2,206,529
Current service cost	11,796	376	33	12,205
Interest cost	86,121	5,662	30,020	121,803
Benefits paid	-189,262	-10,217	-16,424	-215,903
Curtailments / settlements	20,217	-	52	20,269
Actuarial losses and gains	-6,486	18,341	59,827	71,682
Currency fluctuation	-	-	-38,480	-38,480
Other	-	-222	3,483	3,261
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,961,418	92,936	285,853	2,340,207
Current service cost	13,781	3,480	-403	16,858
Interest cost	93,240	3,339	28,581	125,160
Benefits paid	-192,580	-10,239	-16,273	-219,092
Curtailments / settlements	15,183	-	-	15,183
Actuarial losses and gains	-86,217	-2,719	37,817	-51,119
Currency fluctuation	-	-	-25,321	-25,321
Other	-	3,802	851	4,653
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529

The components of consolidated net cost of the pensions plans recognised in the year were as follows:

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	11,796	376	33	12,205
Curtailments / settlements	20,217	-	52	20,269
Operational component (see note 10)	32,013	376	85	32,474
Interest cost	86,121	5,662	30,020	121,803
Expected return on plan assets	-45,553	-	-28,048	-73,601
Financial component (see note 15)	40,568	5,662	1,972	48,202
Net cost for the year	72,581	6,038	2,057	80,676

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	13,781	3,480	-403	16,858
Curtailments / settlements	15,183	-	-	15,183
Operational component (see note 10)	28,964	3,480	-403	32,041
Interest cost	93,240	3,339	28,581	125,160
Expected return on plan assets	-55,201	-	-25,033	-80,234
Financial component (see note 15)	38,039	3,339	3,548	44,926
Net cost for the year	67,003	6,819	3,145	76,967

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	941,238	-	311,384	1,252,622
Group contribution	-	-	6,313	6,313
Plan participants contributions	-	-	925	925
Benefits paid	-58,960	-	-15,892	-74,852
Actual return on plan assets	45,553	-	28,048	73,601
Actuarial gains/(losses)	32,511	-	26,991	59,502
Currency fluctuation	-	-	-36,495	-36,495
Other varitions	-	-	157	157
Assets value at the end of the year	960,342	-	321,431	1,281,773

The actuarial gains/losses in Brazil include the amount of 4,113 thousands of Euros (10,317 thousands of Reais) related to actuarial gains and losses of asset ceiling not recognised in reserves (2011: positive in 632 thousands of Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 32,601 thousands of Euros, converted at closing rate of Brazilian Real (88,140 thousands of Reais). As at 31 December 2011 the value of the asset ceiling was 40,754 thousands of Euros.

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	1,013,829	-	277,036	1,290,865
Group contribution	-	-	7,522	7,522
Plan participants contributions	-	-	836	836
Benefits paid	-57,060	-	-16,010	-73,070
Actual return on plan assets	55,201	-	25,033	80,234
Actuarial gains/(losses)	-70,732	-	41,809	-28,923
Currency fluctuation	-	-	-24,919	-24,919
Other varitions	-	-	77	77
Assets value at the end of the year	941,238	-	311,384	1,252,622

As at 31 December 2012 and 2011, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-2,512	535,916	222,703	147,783	56,452	960,342
31 December 2011	10,466	524,803	194,954	159,777	51,238	941,238

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-0.26%	55.80%	23.19%	15.39%	5.88%	100.00%
31 December 2011	1.11%	55.76%	20.71%	16.98%	5.44%	100.00%

Properties included in the fund, that are being used by the Group amount to 118,232 thousands of Euros as at 31 December 2012 (124,722 thousands of Euros at 31 December 2011). Bonds include 16,166 thousands of Euros (4,916 thousands of Euros as at 31 December 2011) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

Thousands of Euros	2012	2011
Shares:		
EDP Renováveis	5,911	5,849
EDP S.A.	-	27
	5,911	5,876

Pension fund assets in Brazil as at 31 December 2012 and 2011 are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-	289,354	26,144	1,109	4,824	321,431
31 December 2011	-	272,074	31,949	1,281	6,080	311,384

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-	90.02%	8.13%	0.35%	1.50%	100.00%
31 December 2011	-	87.38%	10.26%	0.41%	1.95%	100.00%

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at the date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

The expected return rate of assets for 2012, as presented as follows:

	2012	
Portugal	Weight	Expected annual return rate
Bonds	55.40%	2.90%
Shares	23.60%	6.80%
Hedge Funds	3.10%	3.90%
Property	16.00%	4.50%
Other	1.90%	6.50%
Total	100.00%	5.00%

The real return rate of assets in 2012 was positive in 8.73% (2011: negative in 1.39%).

	2012	
Brazil	Weight	Expected annual return rate
Bonds	82.40%	10.22%
Shares	14.40%	16.27%
Hedge Funds	-	-
Property	0.60%	10.01%
Other	2.60%	10.77%
Total	100.00%	11.10%

The expected return rate of assets for 2013 and subsequent years, in accordance with expectations in January 2013, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, amounting to 3.25% in Portugal and 9.30% in Brazil.

As at 31 December 2012 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

	Expected future benefits to be paid		
Portugal	Pensions	Medical plans and other benefits	Total
2013	188,545	35,833	224,378
2014	180,193	36,646	216,839
2015	169,099	37,572	206,671
2016	158,460	38,233	196,693
2017	150,317	39,525	189,842
2018	139,574	40,356	179,930
2019	131,569	41,513	173,082
2020	123,063	42,472	165,535
2021	111,781	43,362	155,143
2022	100,340	43,780	144,120

In 2012 and 2011, no contributions to the pension funds were made.

In 2012, the pensions paid by the funds in Portugal totalled 58,960 thousands of Euros (31 December 2011: 57,060 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2013	10,445
2014	11,156
2015	11,382
2016	7,145
2017	5,850
2018	5,344
2019	4,801
2020	4,262
2021	3,725
2022	3,192

In 2012, the pensions paid by the Funds in Spain totalled 10,218 thousands of Euros (10,239 thousands of Euros in December 2011).

The amount of 104,539 thousands of Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 64,996 thousands of Euros (31 December 2011: 42,057 thousands of Euros) related with provisions for revision of the collective labour agreement. The provision includes 39,543 thousands of Euros (31 December 2011: 48,542 thousands of Euros) related with responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2013	15,361	6,524	640	22,525
2014	16,579	7,174	49	23,802
2015	17,718	7,864	71	25,653
2016	19,025	8,578	205	27,808
2017	20,845	9,294	101	30,240
2018	22,413	10,085	185	32,683
2019	23,964	10,887	65	34,916
2020	25,577	11,694	117	37,388
2021	27,280	12,707	71	40,058
2022	28,818	13,714	85	42,617

The contributions made to the Pension funds in 2012 amounted to 6,313 thousands of Euros (31 December 2011: 7,522 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2012 totalled 15,892 thousands of Euros (31 December 2011: 16,010 thousands of Euros).

II. Defined contribution pension plan

Subsidiaries of EDP Group from Spain, Brazil and Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa, Energest and Investco 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:

	Dec 2012		Dec 2011	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Assumptions				
Discount rate	3.25%	9.3%	5.00%	10.25%
Annual increase rate of medical service costs	3.5%	11.44% (b)	4.00%	11% (c)
Estimated administrative expenses per beneficiary per year (Euros)	215€ / year	not applicable	200€ / year	not applicable
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational
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) 11.44% in the first year, decreasing to 6% in 11 years.
(c) 11% in the first year, decreasing to 6% in 11 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2012 and 2011 is as follows:

	Dec 2012		Dec 2011	
	Portugal	Brazil	Portugal	Brazil
Number of participants:				
Retirees and pensioners	17,947	2,151	18,010	1,980
Current employees	5,932	1,168	6,168	1,205
	23,879	3,319	24,178	3,185

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

Thousands of Euros	2012	2011	2010	2009	2008
Provision for medical care					
Liability at the end of the year	994,026	819,215	800,473	770,357	750,982
Provision at the end of the year	994,026	819,215	800,473	770,357	750,982

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Plans are analysed as follows:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Medical Plan liabilities	36,991	35,051	15,249	57,164	-4,160
	36,991	35,051	15,249	57,164	-4,160

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Plans is analysed as follows:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Medical Plan liabilities	-39,238	-2,469	-7,931	-9,771	2,717
	-39,238	-2,469	-7,931	-9,771	2,717

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2012			Dec 2011		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the year	741,503	77,712	819,215	758,314	42,159	800,473
Current service cost	6,575	2,010	8,585	6,860	598	7,458
Current interest cost	36,488	8,763	45,251	37,442	5,719	43,161
Benefits reduction	-	-	-	-	1,308	1,308
Benefits paid	-37,249	-7,059	-44,308	-36,903	-4,807	-41,710
Curtailments / settlements	1,174	-	1,174	852	-238	614
Actuarial gains and losses	108,338	65,934	174,272	-28,172	37,929	9,757
Currency fluctuation	-	-13,295	-13,295	-	-4,956	-4,956
Other and "mútua"	3,132	-	3,132	3,110	-	3,110
Liability at end of the year	859,961	134,065	994,026	741,503	77,712	819,215
Provision at end of the year	859,961	134,065	994,026	741,503	77,712	819,215

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the consolidated net cost of this medical and other benefits plans recognised during the year are as follows:

	Dec 2012			Dec 2011		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the year						
Current service cost	6,575	2,010	8,585	6,860	598	7,458
Curtailment	1,174	-	1,174	852	-238	614
Operational component (see note 10)	7,749	2,010	9,759	7,712	360	8,072
Interest cost	36,488	8,763	45,251	37,442	5,719	43,161
Financial component (see note 15)	36,488	8,763	45,251	37,442	5,719	43,161
Net cost for the year	44,237	10,773	55,010	45,154	6,079	51,233

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

		Sensitivity assumption - medical care inflation	
Thousands of Euros	Central Assumptions	+1%	-1%
Liabilities at the end of the year	859,961	920,631	810,340

Medical Care Plan and Other Benefits in Brazil includes liabilities of 135,123 thousand Euros relating to medical care, whose sensitivity analysis is as follows:

Thousands of Euros	Central Assumptions	Sensitivity assumption - medical care inflation +1%	-1%
Liabilities at the end of the year	135,123	153,595	119,743
2013 cost for the year	14,685	16,041	13,581

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011	Company Dec 2012	Company Dec 2011
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	78,495	87,143	-	-
Provision for customer guarantees under current operations	10,121	37,867	-	-
Provisions for dismantling and decommissioning	169,402	140,212	-	-
Provision for other liabilities and charges	124,848	149,927	27,882	72,172
	382,866	415,149	27,882	72,172

The changes in the Provisions for legal and labour matters and other contingencies are analysed as follows:

Thousands of Euros	Group Dec 2012	Group Dec 2011
Balance at the beginning of the year	87,143	92,406
Charge for the year	26,018	33,779
Reversals	-12,739	-13,559
Charge-off for the year	-21,695	-56,972
Other and exchange differences	-232	31,489
Balance at the end of the year	78,495	87,143

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, have booked provisions of an amount sufficient to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies, includes provisions for litigation in progress and other labour contingencies of 51,701 thousands of Euros (31 December 2011: 79,529 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 14,722 thousands of Euros (31 December 2011: 19,498 thousands of Euros). The requests result from the 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, which estimated liability amounts to 2,852 thousands of 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;

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2006 to 2008, in a total amount of 3,852 thousands of Euros. In the second quarter of 2012, and following a final and unfavorable decision relating to the litigations of the years 2004 and 2005, the EDP Group used the provision for litigation in the amount of 6,344 thousands of Euros;

iv) Following the decision by the arbitration court, which partially accepted Terriminas claim, condemning EDP Produção to pay the amount of 1.3 millions of Euros regarding the price differential for 1985 and 1986, as at 31 December 2012, EDP Produção booked a provision in the amount of 5 millions of Euros, corresponding to the initial amount updated to current prices;

v) 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:

Thousands of Euros	Group Dec 2012	Group Dec 2011
Balance at the beginning of the year	37,867	108,480
Charge for the year	27	6,165
Reversals	-2,924	-23,614
Charge-off for the year	-34,119	-38,804
Other and exchange differences	9,270	-14,360
Balance at the end of the year	10,121	37,867

Provisions for customer guarantees under current operations of 10,121 thousands of Euros (31 December 2011: 37,867 thousands of Euros) includes essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Balance at the beginning of the year	140,212	65,331
Unwinding	7,862	4,741
Increase of the responsability	23,125	41,094
Other and exchange differences	-1,797	29,046
Balance at the end of the year	169,402	140,212

As at 31 December 2012, Provision for dismantling and decommissioning on a consolidated basis includes the following situations:

i) The Group holds a provision of 29,059 thousands of Euros (31 December 2011: 22,877 thousands of 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 63,336 thousands of Euros (31 December 2011: 57,694 thousands of Euros) to cover the costs of returning the sites to their original state, from which 37,652 thousands of Euros referring to the wind farms of the EDPR North America Group, 24,810 thousands of Euros to the wind farms of the EDPR Europe Group and 874 thousands of Euros to the wind farms of the EDPR Brazil 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 decontaminating land where electric power plants are located. As at 31 December 2012, the provision which amounts to 56,044 thousands of Euros (31 December 2011: 43,215 thousands of Euros) and 20,194 thousands of Euros (31 December 2011: 15,608 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the 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.

The movement in Provision for other liabilities and charges for is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at the beginning of the year	149,927	164,977	72,172	21,867
Charge for the year	28,366	31,811	12,171	56,463
Reversals	-22,693	-33,890	-55,882	-6,163
Charge-off for the year	-22,930	-14,519	-	-
Other and exchange differences	-7,822	1,548	-579	5
Balance at the end of the year	124,848	149,927	27,882	72,172

During the second quarter of 2012, the EDP Group reversed a provision in the amount of 16,667 thousands of Euros related to a litigation with Iberdrola for damages and losses for their unjustified opposition to the access of HC Energia to the transportation networks in the community of Valencia during the years 2001 and 2002. On 17 May 2012, HC Energia was notified by the High Court of Valencia of the decision to accept an expert report which strengthens the HC Energia position. Thus, HC Energia reviewed the contingency associated with this litigation, and considered as remote the possibility of returning to Iberdrola the compensation received following the court decision subject to an appeal by Iberdrola.

As at 31 December 2012, Provision for other liabilities and charges includes, in individual basis, the variation of 40,784 thousands of Euros related to a reduction on the provision to cover for the negative equity of subsidiary companies, booked against financial results (see note 15).

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Groups opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 December 2012, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 28,117 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 32,366 thousands of Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2012, the amount of this tax contingency totals 224 millions of 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 in force at present date (actual article 81).

Consequently, EDP Group is currently using 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, being at this moment in the inicial phase of the judicial claim. As a result of the administrative appeal implied dismissing, EDP presented a judicial claim, on 6 June 2012.

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Deferred income related to benefits provided	737,598	773,252
Liabilities arising from institutional partnerships in USA wind farms	942,155	1,010,609
	1,679,753	1,783,861

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

As referred in the note 2 a), EDP Group changed the presentation of Deferred tax equity costs to be deducted to the caption Institutional partnerships in US wind farms. Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, the EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset (see note 27). In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2011 comparative figures to conform to this change in presentation. The Group reclassified 12,948 thousands of Euros as at 31 December 2011 from Other debtors and other assets — Non-current - Sundry debtors and other operations to Institutional partnerships in US wind farms.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Suppliers	1,169,387	1,110,659	236,425	250,114
Accrued costs related with supplies	391,834	371,858	175,934	180,632
Property, plant and equipment suppliers and accruals	731,769	788,496	6,708	5,342
Holiday pay, bonus and other charges with employees	142,229	154,622	7,284	14,861
CO_2 emission licenses	142,084	185,154	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	144,994	67,473	-	-
Amounts payable for tariff adjustments - Electricity - Spain	8,280	39,624	-	-
Other creditors and sundry operations	490,022	578,794	61,735	57,744
	3,220,599	3,296,680	488,086	508,693

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Government grants for investment in fixed assets	522,551	541,850
Amounts payable for tariff adjustments - Electricity - Portugal	842	12,376
Energy sales contracts - EDPR NA	49,449	61,664
Deferred income - CMEC	392,841	377,508
Amounts payable for concessions	240,051	247,933
Other creditors and sundry operations	57,037	48,105
	1,262,771	1,289,436

The movement for the period in Amounts payable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	173,831	61,557
Payment through the electricity tariff	-175,952	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the year	-	12,135
Interest expense	3,768	241
Transfer to tariff adjustments receivable	2,515	-
Transfer from Non-Current to Current	63,311	-63,311
Balance as at 31 December 2011	67,473	12,376
Payment through the electricity tariff	-70,177	-
Tariff adjustment of the year	141,202	-
Interest expense	4,453	-
Transfer of tariff adjustment to receive	-10,333	842
Transfer from Non-Current to Current	12,376	-12,376
Balance as at 31 December 2012	144,994	842

The caption CO_2 emission licenses related with the CO_2 consumptions made during the year in Portugal and Spain, in the amounts of 81,892 thousands of Euros and 60,192 thousands of Euros, respectivaly . This licenses will be return to the "Instituto do Ambiente" in each country.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operational income (see note 8).

Deferred income - CMEC non-current in the amount of 392,841 thousands of Euros (31 December 2011: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2012 and including unwinding (see note 15).

Amounts payable for concessions refer to the amounts payable non-current related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 150,489 thousands of Euros (31 December 2011: 152,259 thousands of 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 89,562 thousands of Euros (31 December 2011: 95,674 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2011: 14,317 thousands of Euros).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Other liabilities and other payables - Current:				
Payables to related companies	137,402	128,587	-	-
Derivative financial instruments	62,629	111,857	61,543	75,745
Payables - Group companies	-	-	679,503	1,288,583
Amounts payable for acquisitions and success fees	135,932	215,524	-	-
Other creditors and sundry operations	32,180	79,109	30,182	29,203
	368,143	535,077	771,228	1,393,531
Other liabilities and other payables - Non-Current:				
Payables to related companies	108,850	94,259	-	-
Put options over non-controlling interest liabilities	90,371	89,651	-	-
Derivative financial instruments	145,614	95,719	-	-
Payables - Group companies	-	-	3,006,023	2,436,252
Amounts payable for acquisition and success fees	41,735	48,675	-	-
Other creditors and sundry operations	23,167	32,797	11,062	11,062
	409,737	361,101	3,017,085	2,447,314
	777,880	896,178	3,788,313	3,840,845

The caption Payables - Group companies Current on a Company basis includes 462,142 thousands of Euros (31 December 2011: 885,752 thousands of Euros) related to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and with EDP Servicios Financieros España, S.A. and also 189,116 and 28,245 thousands of Euros , relatied to debt financing obtained from EDP Renováveis and EDPR Europe, respectively (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 3,006,023 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholding position. As a consequence of the agreement mentioned above, as at 31 December 2012 the caption Amounts payable for acquisitions and success fees (current) includes the amount of 109,074 thousands of Euros (31 December 2011: 214,767 thousands of Euros). Additionally, this caption includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 10,085 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 83,425 thousands of Euros (31 December 2011: 83,244 thousands of Euros) and the put option of Energia in Natura to EDPR Europe for 6.48% of EDPR Italia share capital of 3,475 thousands of Euros (31 December 2011: 3,266 thousands of Euros).

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of EDPR Italia, Relax Wind Group, EDPR Romania Group, Greenwind, Elektrownia Wiatrowa Kresy,Bodzanow, Starozreby, Wyszorod, Elebrás and solar photovoltaic companies held by EDPR-RO-PV, S.R.L (see note 5). As at 31 December 2011, this caption includes the contingent price reduction associated with the exercise of the put option held by Energia in Natura to EDPR Europe in the amount of 17,070 thousands of Euros.

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
State and other public entities:				
Income tax	103,633	167,316	9,930	1,158
Withholding tax	64,763	65,999	256	213
Value added tax (VAT)	94,461	97,835	2,229	307
Turnover tax (Brazil)	52,956	59,596	-	-
Social tax (Brazil)	41,984	36,952	-	-
Other taxes	109,941	119,108	50	44
	467,738	546,806	12,465	1,722

As at 31 December 2012, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 44,512 thousands of Euros, Naturgas Group of 29,667 thousands of Euros (31 December 2011: HC Energia Group of 53,539 thousands of Euros and Naturgás Group of 34,656 thousands of Euros) and EDP Brasil Group of 12,710 thousands of Euros (31 December 2011: 13,437 thousands of Euros).

42. 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, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Assets classified as held for sale		
Assets of the business of gas transmission - Naturgas	212,850	201,924
Assets of the business of cogeneration	29,001	-
	241,851	201,924
Liabilities classified as held for sale		
Liabilities of the business of gas transmission - Naturgas	-23,628	-21,329
Liabilities of the business of cogeneration	-15,758	-
	-39,386	-21,329
	202,465	180,595

As a result of the negociations for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were reclassified to assets and liabilities held for sale. The assets of the business of gas transmission relate mostly to tangible fixed assets in operation and in progress. This operation will be concluded during the first quarter of 2013.

On 21 January 2013, EDP Produção sold the cogeneration assets, particularly representative 82% of Soporgen, S.A to the other shareholder, Soporcel, S.A., for the amount of 5,060 thousands of Euros, as a result of the call option exercised by Soporcel as established in the shareholders' agreement. Consequently, as at 31 December 2012, the assets and liabilities associated with Soporgen are presented in the captions of assets and liabilities classified as held for sale. Simultaneously with this divestment, EDP Produção received full reimbursement of the shareholders loans granted to Soporgen, including accrued interest, in the amount of 3,281 thousands of Euros.

These reclassification were made only for presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of their assets and liabilities, in accordance with IFRS 5.

43. 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 as net investment hedge.

In 2012 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	3,867	-422	-	122,412	-	122,412
	3,867	-422	-	122,412	-	122,412
Fair value hedge						
Interest rate swaps	68,239	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	131,981	-37,933	-	497,911	514,236	1,012,147
	200,220	-37,933	-	1,497,911	514,236	2,012,147
Cash flow hedge						
Commodities swaps	7,894	-16,106	553,172	98,354	-	651,526
Interest rate swaps	14	-108,903	120,888	248,837	552,033	921,758
Foreign exchange forwards	125	-8,728	255,759	259,379	-	515,138
OMIP futures	2,346	-	13,686	-	-	13,686
	10,379	-133,737	943,505	606,570	552,033	2,102,108
Trading						
Commodities swaps	7,157	-10,164	2,340,530	898	-	2,341,428
Interest rate swaps	45,181	-11,209	470	501,881	600,470	1,102,821
Cross-currency interest rate swaps	4,707	-2,378	-	57,000	104,460	161,460
Currency forwards	5,329	-12,400	453,045	30,738	-	483,783
	62,374	-36,151	2,794,045	590,517	704,930	4,089,492
	276,840	-208,243	3,737,550	2,817,410	1,771,199	8,326,159

In 2011 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	7,807	-	-	77,008	-	77,008
	7,807	-	-	77,008	-	77,008
Fair value hedge						
Interest rate swaps	54,302	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	95,205	-52,177	-	177,911	730,314	908,225
	149,507	-52,177	-	1,177,911	730,314	1,908,225
Cash flow hedge						
Commodities swaps	50,289	-28,901	1,000,785	2,885	-	1,003,670
Interest rate swaps	82	-71,615	52,816	279,481	488,350	820,647
Foreign exchange forwards	11,265	-28,652	559,667	-	-	559,667
OMIP futures	539	-1,239	16,352	-	-	16,352
	62,175	-130,407	1,629,620	282,366	488,350	2,400,336
Trading						
Commodities swaps	23,398	-334	2,874,382	551	-	2,874,933
Interest rate swaps	48,177	-10,145	-	500,000	600,000	1,100,000
Cross-currency interest rate swaps	15,970	-1,131	1,901	-	99,800	101,701
Currency forwards	3,965	-2,160	96,377	92,785	-	189,162
Commodities forwards	10,515	-10,369	258,681	-	-	258,681
Options purchased and sold	-	-853	-	-	-	-
	102,025	-24,992	3,231,341	593,336	699,800	4,524,477
	321,514	-207,576	4,860,961	2,130,621	1,918,464	8,910,046

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use generally discounted cash flow techniques accepted and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

			2012		2011	
			Changes in fair value		Changes in fair value	
Thousands of Euros	Hedging instrument	Hedged risk	Instrument	Risk	Instrument	Risk
Net investment	Cross-currency interest rate swaps	Subsidiary accounts in PLN and BRL	-4,362	4,966	8,881	-8,881
Fair value	Interest rate swap	Interest rate	13,937	-12,459	10,234	-10,234
Fair value	Cross-currency interest rate swaps	Exchange and interest rate	51,020	-46,166	103,147	-103,147
Cash flow	Interest rate swap	Interest rate	-37,356	-	-44,899	-
Cash flow	Currency forwards	Exchange rate	8,784	-	16,673	-
Cash flow	OMIP futures	Commodity prices	3,046	-	-700	-
Cash flow	Commodities swaps	Commodity prices	-29,600	-	-19,199	-
			5,469	-53,659	74,137	-122,262

The changes in the fair value reserve related to cash flow hedges in 2012 and 2011 were as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Balance at the beginning of the year	-40,625	45,180
Fair value changes	-78,747	-18,966
Transfers to results from hedging of financial liabilities and commodity prices	-590	-69,383
Effect of sales without a loss of control of EDP Brasil	-	2,544
Effect of the sale without loss of control of Vento II	-1,135	-
Balance at the end of the year	-121,097	-40,625

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2012 and 2011 are as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Derivatives held for trading	-59,964	8,667	10,562	-4,118
Net investment hedge - inefectiveness	604	-	-	-
Fair value hedges				
Derivatives	64,957	113,381	-39,323	-7,407
Hedged liabilities	-58,625	-113,381	39,323	7,407
Cash flow hedges				
Transfer to results from hedging of financial liabilities	-440	7,459	-	-
Transfer to results from hedging of commodity prices	1,030	61,924	698	28,234
Ineffectiveness	-156	-397	-156	-397
	-52,594	77,653	11,104	23,719

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2012 are as follows:

			Group	
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,687,645	EUR	[5.01% - -0.34%]	[5.50% - -0.34%]
Interest rate swaps	238,584	USD	[5.82% - 5.79%]	[4.01% - 3.51%]
Interest rate swaps	98,350	PLN	5.41%	4.22%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.21% - 2.15%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	25,204	USD / BRL	8.19%	[1.81% - 1.78%]
CIRS (currency interest rate swaps)	79,255	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	134,010	EUR / PLN	[3.84% - 3.16%]	0.19%
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[5.65% - 5.38%]	[0.22% - 0.19%]
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.48% - 2.91%]	[4.01% - 3.51%]
Exchange rate contracts				
Currency forwards	240,313	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2011 were as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,574,715	EUR	[5.01% - 0.88%]	[5.50% - 0.88%]
Interest rate swaps	253,896	USD	[5.82% - 5.79%]	4.31%
Interest rate swaps	92,036	PLN	5.41%	4.90%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[5.54% - 3.26%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	1,901	USD / BRL	[12.98% - 11.42%]	4.96%
CIRS (currency interest rate swaps)	99,800	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR / PLN	[4.13% - 4.01%]	1.39%
CIRS (currency interest rate swaps)	177,911	EUR / CHF	[4.20% - 4.18%]	3.51%
Exchange rate contracts				
Currency forwards	253,896	BRL / USD		

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2012 and 2011, are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Financial guarantees				
EDP, S.A.	312,237	268,890	312,237	268,890
HC Energia Group	37,539	33,083	-	-
EDP Brasil Group	867,623	645,811	-	-
EDP Renováveis Group	3,411	5,656	-	-
Other	3,711	3,711	-	-
	1,224,521	957,151	312,237	268,890
Operating guarantees				
EDP, S.A.	745,324	770,668	745,324	770,668
HC Energia Group	334,226	357,709	-	-
EDP Brasil Group	433,613	322,233	-	-
EDP Renováveis Group	1,208,810	1,100,414	-	-
Other	9,272	10,094	-	-
	2,731,245	2,561,118	745,324	770,668
Total	3,955,766	3,518,269	1,057,561	1,039,558
Real guarantees	29,504	19,820	-	-

The financial guarantees contracted include, at 31 December 2012 and 2011, 1,139,074 thousands of Euros and 743,665 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 129,845 thousands of Euros at 31 December 2012 for loans obtained by Brazilian companies to finance the construction of hydroelectrical power plants, which have counter-guarantees of 51,938 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2012 and 2011, 397,266 thousands of Euros and 465,989 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2012 and 2011 these loans amounted to 1,018,578 thousands of Euros and 888,776 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2012 and 2011, EDPR's obligations under the tax equity agreements, in the amount of 901,301 thousands of Euros and 942,123 thousands of Euros, are reflected on the balance sheet Institutional Partnerships in US Wind farms.

Real guarantees, as at 31 December 2012, includes 9,615 thousands of Euros (31 December 2012: 6,482 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

In addition EDP has constituted an escrow deposit in the amount of 361,445 thousand of Euros (348,713 thousand of Euros non-current and 12,732 thousand of Euros current, as presented in note 35, associated with several loans contracted with the EIB. This escrow deposit will be reduced by the repayment of these loans.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, as at 31 December 2012 and 2011, by maturity, as follows:

	Dec 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,838,923	4,265,240	8,312,603	6,176,972	5,084,108
Finance lease commitments	8,606	3,549	4,325	732	-
Operating lease commitments	977,501	53,430	88,047	73,940	762,084
Purchase obligations	35,528,350	4,217,391	7,027,214	5,454,492	18,829,253
Other long term commitments	2,149,686	249,086	475,500	433,896	991,204
	62,503,066	8,788,696	15,907,689	12,140,032	25,666,649

	Dec 2011				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	22,275,659	3,478,927	7,230,868	6,106,545	5,459,319
Finance lease commitments	7,882	3,425	4,059	398	-
Operating lease commitments	1,002,777	71,529	101,127	73,131	756,990
Purchase obligations	32,376,753	5,152,650	8,005,283	5,214,648	14,004,172
Other long term commitments	2,419,855	265,182	523,169	485,601	1,145,903
	58,082,926	8,971,713	15,864,506	11,880,323	21,366,384

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 to its customers in the Europe, United States of America and Brazil as well to comply with medium and long term investment objectives of the Group.

The short and long term debt corresponds to the balance of borrowings and related falling due interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period.

Falling due 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 statement of financial position (note 36).

As at 31 December 2012, 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;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.R.L. holds a put option for 6.48% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
  - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
  - When EDP Renewables Italy build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the begining of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of contruction works of the first park.

45. 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 the acreation of value added.

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 Remunerations Committe and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 31 December 2012	567,201	2.21

Information regarding stock options as at 31 December 2012, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
567,201	2.21	1.05	567,201	391,615

During 2012 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During 2012, EDP Group granted treasury stocks to employees (941,383 shares) totalling 2,051 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2012 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	168,037,578	4.60%	4.60%
Parpública Group	151,517,000	4.14%	4.14%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,667,974	3.35%	3.35%
Banco Espírito Santo Group	86,865,254	2.38%	2.38%
Sonatrach	87,007,443	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	31,904,523	0.87%	
Remaining shareholders	1,491,639,955	40.80%	
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held by company officers in 31 December 2012 and 2011 are as follows:

	2012 Nr. of shares	2011 Nr. of shares
General and Supervisory Board		
Until 20 February:		
António de Almeida	100	100
Diogo Campos Barradas de Lacerda Machado	260	260
Ricardo José Minotti da Cruz Filipe	6,622	6,622
	6,982	**6,982**
From 21 February:		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Eduardo de Almeida Catroga	1,375	1,375
Fernando Masaveu Herrero	44,188,463	-
Luís Filipe da Conceição Pereira	1,459	19,739
Rui Eduardo Rodrigues Pena	2,945	1,445
Vasco Joaquim Rocha Vieira	3,203	-
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	44,245,488	**70,602**

	2012 Nr. of shares	2011 Nr. of shares
Executive Board of Directors		
Until 20 February:		
Jorge Manuel Pragana da Cruz Morais	100,000	100,000
	100,000	**100,000**
From 21 February:		
António Luís Guerra Nunes Mexia	41,000	41,000
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
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	100,000
Miguel Stilwell de Andrade	111,576	61,198
	330,570	**255,192**

Remuneration of company

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations 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 Remunerations Committee appointed by the General and Supervisory Board.

In 2012, the annual fixed and variable remuneration cost accounted for the members of the Executive Board of Directors (EBD) and the fixed remuneration of the General and Supervisory Board (GSB), was as follows:

Thousands of Euros	EBD	GSB
President	1,195	499
Members	4,822	1,087
	6,017	**1,586**

The remuneration costs accounted with the EBD, includes the amount of 1,833 thousands of Euros related to the annual variable remuneration. This amount was calculated considering the maximum potential variable remuneration for the year, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the estimated amount from the previous year compared with the amount paid.

The EBD and GSB remuneration recorded costs disclosed include the company officers remuneration in exercise until 20 February 2012, election date of the new company officers and the remuneration of this new officers nominated in that date.

Additionally the Remunerations Committee policy of the GSB , foresees in certain circunstances, a variable multi-annual remuneration to the EBD members, which payment would be made at the end of the current mandate (2012-2014). On this basis, an estimated amount of 3,074 thousands of Euros was accrued.

During 2012 the costs incurred with the fees of the Statutory Auditor amounts to 180,000 Euros and the remuneration costs of the members of the Remunerations Committee of the General Assembly amounts to 35,000 Euros.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In May 11, 2012, with the entry into force of the strategic partnership agreement signed with the China Three Gorges Corporation in December 2011, this company (as well as three other companies in the CTG Group) became members of the General and Supervisory Board of EDP.

Subsequently and in the framework of the implementation of this partnership, an agreement was concluded between EDP Renewables Europe and a CTG Group society (China Three Gorges International (Hong Kong) Company Limited) whereby the parties agreed on the sale of a 49% stake in EDP Renováveis Portugal, subject to prior obtaining regulatory approvals (see note 49).

In its normal activity, EDP celebrates business and conducts operations with different entities, including financial institutions, as well as holders of qualified participations in the EDP share capital and EDP subsidiaries or group companies. These operations are conducted under normal market conditions for similar operations, irrespective of their relevance, and are part of EDP's current activity.

Balances and transactions with subsidiaries and associates

The credits and debits over subsidiaries and associates, at Company level and eliminated in the consolidated financial statements are analysed as follows:

Credits

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests to receive	Other Credits	Total
Companies				
Balwerk	13,505	265,125	1,691	280,321
EDP Comercial	62,543	10,070	114,903	187,516
EDP Distribuição	529,322	2,339,954	13,283	2,882,559
EDP Finance BV	-	104,009	1,939	105,948
EDP Gás -SGPS	3,114	112,019	1,464	116,597
EDP Produção	314,591	3,979,577	88,037	4,382,205
EDP Imobiliária e Participações	1,870	96,733	299	98,902
EDP Renováveis	-	-	227,552	227,552
Other	31,129	23,144	308,683	362,956
	956,074	6,930,631	757,851	8,644,556

	December 2011			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests to receive	Other Credits	Total
Companies				
Balwerk	7,796	262,750	4,941	275,487
EDP Comercial	48,371	40,280	96,084	184,735
EDP Distribuição	170,354	2,040,367	40,320	2,251,041
EDP Finance BV	-	116,561	349	116,910
EDP Gás - SGPS	25,541	108,726	2,235	136,502
EDP Produção	1,327	3,850,476	231,208	4,083,011
EDP Imobiliária e Participações	-	178,107	368	178,475
EDP Renováveis	-	-	237,918	237,918
HC Energia	1,494	87,173	47,083	135,750
Other	26,112	46,064	111,346	183,522
	280,995	6,730,504	771,852	7,783,351

Debits

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests to pay	Other Debits	Total
Companies				
EDP Finance BV	-	10,110,805	6,128	10,116,933
EDP Servicios Financieros (España)	-	213,360	-	213,360
EDP Produção	-	-	232,083	232,083
EDP Renováveis	-	189,116	3,867	192,983
EDP Serviço Universal	-	-	85,905	85,905
Other	13,930	187,744	106,777	308,451
	13,930	10,701,025	434,760	11,149,715

Thousands of Euros	December 2011			
	Intra-Group Financial Mov.	Loans and Interests to pay	Other Debits	Total
Companies				
EDP Finance BV	-	8,528,004	1,187	8,529,191
EDP Produção	-	-	255,870	255,870
EDP Renováveis	-	198,714	9,872	208,586
EDP Serviço Universal	-	-	115,617	115,617
Naturgás Comercializadora	-	145,187	-	145,187
Other	7,819	147,755	143,943	299,517
	7,819	9,019,660	526,489	9,553,968

Expenses and income related to intra-Group transactions, at Company level, eliminated on consolidation are analysed as follows:

Expenses

Thousands of Euros	December 2012			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
Companies				
EDP Finance BV	-	-228,450	-4,941	-233,391
EDP Produção	-333	-	-941,924	-942,257
HC Energia	-	-	-37,211	-37,211
Empresa Hidroeléctrica do Guadiana	-	-	-28,567	-28,567
Naturgás Comercializadora	-	-	-17,545	-17,545
Other	-766	-6,872	-79,578	-87,216
	-1,099	-235,322	-1,109,766	-1,346,187

Thousands of Euros	December 2011			
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
Companies				
EDP Finance BV	-	-176,885	-4,730	-181,615
EDP Produção	-677	-	-1,179,509	-1,180,186
EDP Renováveis	-	-935	-27,098	-28,033
HC Energia	-	-	-95,991	-95,991
Empresa Hidroeléctrica do Guadiana	-	-	-38,083	-38,083
Other	-536	-3,457	-116,809	-120,802
	-1,213	-181,277	-1,462,220	-1,644,710

Income

Thousands of Euros	December 2012			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	1,688	1,441	566,431	569,560
EDP Distribuição	11,279	134,542	254,554	400,375
EDP Gás.Com	18	-	238,341	238,359
EDP Produção	2,190	247,862	328,233	578,285
HC Energia	-	-	199,567	199,567
Other	1,361	33,083	217,415	251,859
	16,536	416,928	1,804,541	2,238,005

Thousands of Euros	December 2011			
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	494	1,923	479,303	481,720
EDP Distribuição	13,010	70,172	35,996	119,178
EDP Gás.Com	-	-	217,524	217,524
EDP Produção	757	214,147	104,928	319,832
EDP Renováveis	-	588	73,950	74,538
HC Energia	-	-	117,792	117,792
Other	991	23,263	106,416	130,670
	15,252	310,093	1,135,909	1,461,254

Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and liabilities

	December 2012		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	268,041	539	267,502
Jointly controlled entities	39,393	12,014	27,379
	307,434	12,553	294,881

	December 2011		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	236,714	3,834	232,880
Jointly controlled entities	25,212	12,249	12,963
	261,926	16,083	245,843

Transactions

	December 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	15,448	11,378	-3,334	-3
Jointly controlled entities	74,910	636	-30,360	-514
	90,358	12,014	-33,694	-517

	December 2011			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	6,475	7,263	-3,087	-75
Jointly controlled entities	64,199	6,229	-24,009	-459
	70,674	13,492	-27,096	-534

47. 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 2012 and 2011, 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 2012			31 December 2011		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.19%	0.31%	7.06%	1.36%	0.58%	10.41%
6 months	0.32%	0.51%	7.09%	1.62%	0.81%	10.15%
1 year	0.54%	0.84%	7.14%	1.95%	1.13%	10.04%
2 years	0.38%	0.39%	7.71%	1.31%	0.73%	10.48%
3 years	0.44%	0.48%	8.19%	1.36%	0.82%	10.75%
4 years	0.60%	0.64%	8.44%	1.54%	1.01%	10.92%
5 years	0.77%	0.83%	8.64%	1.72%	1.23%	10.98%
6 years	0.95%	1.06%	8.79%	1.91%	1.45%	11.05%
7 years	1.12%	1.27%	9.00%	2.07%	1.64%	11.05%
8 years	1.29%	1.47%	9.16%	2.19%	1.80%	11.07%
9 years	1.43%	1.65%	9.22%	2.29%	1.93%	11.17%
10 years	1.57%	1.81%	9.33%	2.38%	2.03%	11.22%

Fair value of financial assets and liabilities as at 31 December 2012 and 2011 is analysed as follows:

	Group Dec 2012			Group Dec 2011		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	181,298	181,298	-	171,313	171,313	-
Trade receivables	2,377,203	2,377,203	-	2,152,281	2,152,281	-
Debtors and other assets from commercial activities	4,788,421	4,788,421	-	3,604,009	3,604,009	-
Other Debtores and other assets	554,407	554,407	-	517,833	517,833	-
Derivative financial instruments	276,840	276,840	-	321,514	321,514	-
Financial assets at fair value through profit or loss	390	390	-	212	212	-
Cash and cash equivalents	1,695,336	1,695,336	-	1,731,524	1,731,524	-
	9,873,895	9,873,895	-	8,498,686	8,498,686	-
Financial liabilities						
Financial debt	20,523,228	20,617,120	93,892	18,785,109	16,590,072	-2,195,037
Suppliers and accruals	1,901,156	1,901,156	-	1,899,155	1,899,155	-
Institutional Partnerships in USA Wind Farms	1,679,753	1,679,753	-	1,783,861	1,783,861	-
Trade and other payables from commercial activities	2,059,663	2,059,663	-	2,145,111	2,145,111	-
Other liabilities and other payables	569,637	569,637	-	688,602	688,602	-
Derivative financial instruments	208,243	208,243	-	207,576	207,576	-
	26,941,680	27,035,572	93,892	25,509,414	23,314,377	-2,195,037

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 market value of loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	31 December 2012			31 December 2011		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	75,387	48,229	57,682	69,957	37,388	63,968
Derivative financial instruments	-	276,840	-	-	321,514	-
Financial assets at fair value through profit or loss	390	-	-	212	-	-
	75,777	325,069	57,682	70,169	358,902	63,968
Financial liabilities						
Derivative financial instruments	-	208,243	-	-	207,576	-
	-	208,243	-	-	207,576	-

As at 31 December 2012 and 2011, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

	Available for sale investments	
Thousands of Euros	Dec 2012	Dec 2011
Balance at beginning of year	63,968	91,898
Change in fair value reserve	-4,544	-17,934
Acquisitions	3,701	2,952
Disposals	-1,126	-16,894
Impairment	-306	-121
Transfers and other changes	-4,011	4,067
Balance at year end	57,682	63,968

48. CO_2 LICENSES

The movements in the CO_2 licenses portfolio are analysed as follows:

	Group	
CO_2 (Ton)	Dec 2012	Dec 2011
CO_2 licenses as at 1 January	9,899,228	240,239
Licenses granted free of charge	18,063,481	17,970,369
Licenses purchased	5,201,575	11,638,492
Licenses transferred (from own consumption to trading)	-693,289	-3,087,262
	32,470,995	26,761,838
Licenses to be returned (consumed)	17,969,768	16,862,610
Excess/(Lack) of licenses	14,501,227	9,899,228

Licenses equivalent to total emissions during the civil year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 18, 24 and 39).

The movements in the portfolio of CO_2 licenses held for trading and classified as inventories are analysed as follows:

CO_2 (Ton)	Group	
	Dec 2011	Dec 2010
CO_2 licenses held for trading on 1 January	116,920	3,931,328
Licenses acquired in the market	5,196,229	7,129,846
Emission licenses transferred to the trading portfolio	693,289	3,087,262
Licenses sold	-5,443,141	-14,031,516
CO_2 licenses held for trading on 31 December	563,297	116,920
CO_2 Licenses for trading on 31 December (in thousands of Euros)	103	807

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 24), in accordance with Accounting policy - note 2 l).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

49. RELEVANTS OR SUBSEQUENT EVENTS

EDPR agrees with CTG on the first investment in minority stakes in wind farms

On 20 December 2012, EDP Renováveis S.A. ("EDPR"), 77.5% controlled by EDP, entered into an agreement with China Three Gorges International (Hong Kong) Company Limited ("CTGI HK"), a fully owned subsidiary of China Three Gorges ("CTG"), to sell a 49% equity shareholding and 25% of the outstanding shareholders loans in EDP Renováveis Portugal, S.A. ("EDPR PT") for a total consideration of 359 millions of Euros.

The transaction is subject to customary regulatory approvals with closing expected to occur by the first half of 2013.

The transaction scope covers 615 MW in operation in Portugal, with an average age of 6 years, as well as 29 MW ready-to-build, remunerated under a feed-in-tariff regime in accordance to Decree-Law 33-A/2005, article 4. This operation corresponds to a non-controlling interests sale, without loss of control, in 2013 according with the accounting policy 2 b).

This transaction was agreed in the context of the EDP/CTG strategic partnership established in December 2011 and that entered into force on May 2012.

Capital Research and Management Company notifies qualified shareholding in EDP

On 24 January 2013, Capital Research and Management Company notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it holds a qualifying shareholding of 73,625,043 ordinary shares of EDP, which corresponds to 2.0135% of EDP's share capital and 2.0135% of the respective voting rights.

EDP signed credit facility of 1,600 millions of Euros

On 31 January 2013, EDP — Energias de Portugal, S.A. has signed a five-year term loan facility in the amount of 1,600 millions of Euros with a group of 16 domestic and international banks.

The new facility will be used during 2013 to refinance two existing and fully draw loans: (i) a Revolving Credit Facility ("RCF") of 925 millions of Euros signed in 2008 and maturing in April 2013, which will be early prepaid and cancelled and (ii) a RCF of 1,100 millions of Euros signed in 2006, to be repaid at maturity in November 2013.

The 5 year tenor of the new facility, with a 50% amortisation in the 4th anniversary, aims to extend the average life of EDP's debt and reinforce financial flexibility. For the current rating level the facility bears an interest rate of Euribor plus 4%.

The new facility was self-arranged as a Club Deal and received the support of a strong group of domestic and international banks. "Mandated Lead Arrangers" are Banco Bilbao Vizcaya Argentaria, S.A., Banco BPI, BNP Paribas, Citi, HSBC Bank plc Sucursal en España, ICBC, ING Commercial Banking, J.P. Morgan, Société Générale Corporate & Investment Banking, The Royal Bank of Scotland plc, Caixa — Banco de Investimento, S.A., Deutsche Bank Luxembourg S.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd, Banco Espirito Santo, Caja de Ahorros y Pensiones de Barcelona "la Caixa", Santander Global Banking & Markets. BNP Paribas acts as a Facility Agent.

Spanish Government publishes Royal Decree-Law with regulatory modifications for the electricity sector

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 ("RDL 2/2013") that encompasses a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that the RDL 2/2013 envisages vis-à-vis the Royal Decree 661/2007 with an impact on EDP Renováveis S.A. ("EDPR") effective from 1 January 2013, are as follows:

- All the energy production facilities operating under the special regime will be remunerated according with the current feed-in tariff schemes for the remaining useful life of the asset;
- The operators of the facilities under the special regime currently operating under the market option have the option to select, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price without the renewable energy premium, the cap or the floor;
- The index used to annually update all the regulated activities in the electricity sector will be the annual inflation excluding energy products and food prices, and any impact of tax changes.

Approval of the "The American Taxpayer Relief Act"

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that include an extension of the Production Tax Credit (PTC) for wind, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2013 and changed the qualification criteria (projects can now qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows depreciation of a higher percentage of the cost of the project (less 50% of the ITC) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

Conclusion of sale of gas transmission bussiness in Spain

On 15 February 2013, following CMVM´s request, the information released to the market on 20 July 2012 and the obtention of the required authorizations by the regulatory and antitrust authorities, EDP, through its gas sector subsidiary in Spain, Naturgas Energía Grupo,S.A. ("Naturgas") has completed today the sale of the gas transmission business owned by EDP Group in Spain, to Enagás, S.A. ("Enagás"), the Spanish gas transmission system operator.

As a result of the sale of the gas transmission assets of Naturgas, Enagás and the Basque Government, through EVE, will own 90% and 10%, respectively.

The agreed transaction price represents an enterprise value of 258 millions of Euros (245 millions of Euros paid by Enagás for 90% of the shares and the entire intra--group debt). The expected consolidated capital gain will be accounted in the fisrt quarter of 2013.

Decreases on qualified shareholding

On 21 February 2013, Parpública — Participações Públicas (SGPS) S.A. ("Parpública") notified EDP that, on 19 February 2013, it has sold 151,517,000 shares, which correspond to 4,14% of EDP share capital.

The decrease of the participation resulted from a private offer via an "acelerated bookbuilding" process, in which Caixa — Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this transaction, Parpública decreased its qualifying holding from 4.14% to 0% of EDP share capital.

Change in the CMEC fixed portion

Following the measures announced by the Portuguese government to reduce costs associated with energy production, Decree-Law 32/2013 of 26 February provides foresees the reduction of charges that are part of the compensation granted to electricity producers for the early termination of Power Purchase Agreements, allowing the modification of the calculation of the annuity rate corresponding to the portion of the CMEC fixed costs, and consequently result in a cost savings to the National Electricity System. Law 85-A/2013 of 27 February fixes the nominal rate applicable to the fixed portion of CMEC in 4.72% in the period from 1 January 2013 to 31 December 2027.

50. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

IFRS 7 (Amendment) - Financial instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, amendments to IFRS 7 — Financial Instruments: Disclosures for transfer transactions of financial assets, with effective date of mandatory application of 1 July 2011.

The amendment to IFRS 7, clarifies the disclosures required to all financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction ocurred.

An entity transfers all or part of a financial asset, if, and only if, it either:
- transfers the contractual rights to receive the cash flows of that financial asset ; or
- retains the contractual rights to receivethe cash flow of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

The entity shall disclose at each reporting date for each class of tranferred financial assets that are not derecognised in their entirety: (i) the nature of transferred assets; (ii) the nature of the risks and rewards between the transferred assets and associated liabilities.

For transferred financial assets that are derecognised in their entirety the disclosures includes: (i) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets , and the line items in which the carrying amount of those assets and liabilities are recognised; (ii) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets; (iii) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined; and (iv) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets or other amounts payable to the transference in respect of the transferred assets, indicating the remaining contractual maturities depending on the company's continuing involvement.

In addition, an entity shall disclose for each type of continuing involvement:
- the gain or loss recognised at the date of transfer of the assets;
- income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets;
- if the total amount of proceeds from transfer activity in a reporting period is not evenly distributed throughout the reporting period;
- when the greatest transfer activity took place within that reporting period;
- the amount recognised from transfer activity in that part of the reporting period; and
- the total amount of profits from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive income is presented.

No significant impact in the Group resulted from the adoption of this amendment.

Annual Improvement Project

In May 2012, IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes is 1 January 2013, being early adoption allowed. This project has not yet been adopted by the European Union.

- Changes to IAS 1 - Presentation of Financial Statements. This changes clarifies the difference between voluntary additional comparative information and the minimim required comparative information in cases of retrospective statements, reclassifications and changes in accounting policies. Generally, the minimum required comparative information is the previous period.

  No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 16 - Property, Plant and Equipment. This amendment clarifies that if spare parts and servicing equipment meet with the definition of property, plant and equipment are not inventory.

  No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 32 - Financial Instruments: Presentation. The amendment clarifies that income taxes arising from distributions to equity holders are accounted in accordance with IAS 12 Income taxes.

  No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 34 - Interim Financial Reporting. The amendments aligns the disclosures requirement for total segment assets with total liabilities in interim financial statements, ensuring that interim disclosures are aligned with annual disclosures in relation to the changes of profit and losses account and other comprehensive income.

  No significant impact is expected in the Group from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IFRS 7 (Amendment) - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB), issued in December 2011, amendments to IFRS 7 — Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application of 1 January 2013, being early adoption allowed.

With this change, the disclosures of financial instruments include information that will evaluate the effect or potential effect of the compensation arrangements, including the countervailing duties recognised as assets and financial liabilities in the statement of financial position.

The adoption of this amendment will only have impact on the financial statement disclosures.

IFRS 10 - Consolidated Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard introduces a new approach in determining which investments should be consolidated, replacing IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation SPE. This standard establishes a single model to be applied in assessing the existence of control over subsidiaries, where an investor has control over a subsidiary when it is exposed, or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns because of the power over it. Additionally, was introduced the concept of "de facto control".

The Group is evaluating the impact of adopting this standard.

IFRS 11 - Joint Arrangements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard superseded IAS 31 - Interests in Joint Ventures and introduces several changes for accounting jointly controlled investments, the main aspect is the elimination of the option to consolidate joint ventures by the proportional method, being the equity method mandatory.

The structure of a joint agreement ceases to be the main factor in determining the accounting model to adopt. The classification of a joint agreement requires the identification and evaluation of the structure, legal form of the contractual agreement and other facts and circumstances.

The Group is evaluating the impact of adopting this standard.

IFRS 12 - Disclosure of Interests in Other Entities

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The information disclosed has to help users of the financial statements evaluate the nature and risks associated with its interests in other entities and the effects of those interests on the financial statements. The main issues considered are as follows:

- for the interests in subsidiaries, should be disclosed: (i) the composition of the group;(ii) non-controlling interests; (iii) significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiares; (iv) the nature of, and changes in, the risks associated with interests in consolidated structured entities; and (v) changes in its ownership interest that did or did not result in a loss of control during the reporting period;

- for the interests in joint arrangements and associates, it should be disclosed: (i) the nature, extent and financial effects of its interests in joint arrangements and associates, including information about contractual relationships with other parties; and (ii) the nature of, and the changes in, the associated risks with its interests in joint ventures and associates;

- for the interests in unconsolidated structured entities, should be disclose: (i) the nature and the extent of its interests in unconsolidated structured entities; and (ii) the evaluation of the nature and changes in the risks associated with the interests in unconsolidated structured entities.

The Group is evaluating the impact of adopting this standard.

IFRS 13 - Fair Value Measurement

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 13 - Fair Value Measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

This standard presents a revised concept of fair value and determines new disclosures requirements. The main aspects considered are as follows: (i) principles of fair value, (ii) appropriate valuations techniques and fair value hierarchy and (iii) additional disclosure requirements.

No significant impact in the Group is expected from the adoption of this standard.

IAS 1 (Amended) - Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued in June 2011, IAS 1 (Amended) - Presentation of Financial Statements: Presentation of items of other comprehensive income, with effective date of mandatory application for periods beginning on or after 1 July 2012, being allowed its early adoption.

The principal changes are the following:

- the amendments retain the option to present profit or loss and other comprehensive income in either a single continuos statement or in two separate but consecutive statements;
- items of other comprehensive income, and the respective tax effect, are required to be grouped into those that will and will not subsequently be reclassified to profit or loss.

The Group is evaluating the impact from the adoption of this change.

IAS 19 (Amended) - Employee Benefits

The International Accounting Standards Board (IASB) issued in June 2011, IAS 19 (Amended) - Employee Benefits, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

The amendments to IAS 19, make important improvements by:
- eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulnesss of presentation;
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; and
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

No significant impact in the Group is expected from the adoption of this change.

IAS 27 (Amended) - Separate Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The amendment to IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 - Consolidated Financial Statements, addresses the principle of control and requirements relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the standard's amended title, Separate financial statements.

No significant impact in the Group is expected from the adoption of this change.

IAS 28 (Amended) - Investments in Associates and Joint Ventures

The International Accounting Standards Board (IASB) issued in May 2011, IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment to IAS 28 (2003) describes the accounting treatment to be adopted by the investor in associates and joint ventures, defining the accounting requirements for applying the equity method for both associates and joint ventures.

No significant impact in the Group is expected from the adoption of this change.

IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB) issued in December 2011, IAS 32 (Amended) - Financial Statements: Presentation - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment clarifies the required conditions to be met in order to present the net position of the financial assets and liabilities in the financial position of an entity, as follows: (i) the entity currently has a legally enforceable right to set off the recognized amounts, and (ii) the entity has the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

No significant impact in the Group is expected from the adoption of this change.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

The International Accounting Standards Board (IASB), issued in October 2012, Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption. These amendments, have not yet been adopted by the European Union.

IASB defines the term "investment entity" as an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and must evaluate the performance of its investments on a fair value basis.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries ar fair value through profit or losses, rather than consolidate them these amendments also set out the disclosure requirements for investment entities.

No significant impact in the Group is expected from the adoption of these amendments.

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 2015, being allowed its early adoption. This standard, changed in October 2010, 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;

- 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;

- there is no exemption that allows unquoted equity investments and related derivatives to measure at cost, under IAS 39, is not allowed in IFRS 9;

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact of adopting this standard.

51. 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., EDP Servicios Financieros España, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and direct representation on iberian ambit EDP Management Committee.

The Executive Committee of EDP is composed essentially 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 Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 31 December 2012 and 2011 is analysed as follows:

	EDP Branch	
Thousands of Euros	Dec 2012	Dec 2011
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	482,695	481,695
EDP Investments and Services, S.L.	281,854	-
Other	60	60
Deferred tax assets	54,636	65,859
Other debtors and others assets	129,006	79,794
Total Non-Current Assets	5,869,938	5,549,095
Trade receivables	10,985	13,573
Debtors and other assets	325,212	387,595
Tax receivable	43,943	37,306
Cash and cash equivalents	361	11,649
Total Current Assets	380,501	450,123
Total Assets	6,250,439	5,999,218
Equity	2,515,135	2,269,465
Trade and other payables	3,006,023	2,436,252
Total Non-Current Liabilities	3,006,023	2,436,252
Trade and other payables	726,998	1,293,150
Tax payable	2,283	351
Total Current Liabilities	729,281	1,293,501
Total Liabilities	3,735,304	3,729,753
Total Equity and Liabilities	6,250,439	5,999,218

52. 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 2012 and 2011 are analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Air and climate protection	4,573	19,301
Water management	285	382
Waste management	466	680
Soil, subterranean and surface water protection	1,679	1,940
Noise and vibration reduction	141	93
Biodiversity protection	8,883	9,360
Landscape protection	6,147	5,718
Energetic efficiency	1,228	94
Research and development in the environmental area	21	37
Other environmental management and protection activities	8,214	10,581
	31,637	48,186

Investments recognised in Air and climate protection as Property, plant and equipment in 2012 include costs incurred by EDP Produção of 4,172 thousands of Euros (31 December 2012: 18,674 thousands of Euros). The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2012, have a net book value of 248 millions of Euros (31 December 2012: 274 millions of Euros).

During the year, the Group recognised expenses that are analysed as follows:

	Group	
Thousands of Euros	Dec 2012	Dec 2011
Air and climate protection	6,958	3,200
Water management	1,946	3,079
Waste management	4,528	2,966
Soil, subterranean and surface water protection	4,861	5,235
Noise and vibration reduction	133	94
Biodiversity protection	5,413	5,728
Landscape protection	1,930	95
Energetic efficiency	4,116	55
Radiations management	7	99
Research and development in the environmental area	481	949
Other environmental management and protection activities	18,504	7,736
	48,877	29,236

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 56,044 thousands of Euros and 20,194 thousands of Euros as at 31 December 2012, for the electric power plants located in Portugal and Spain, respectively. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2012, the provisions amount to 63,336 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 29,059 thousands of Euros (see notes 2 o) and 37).

During the year 2012, EDP Group incurred in fines and other penalties for breaching environmental regulations and indemnities to third parties related with past pollution of 2,218 thousands of Euros.

Environmental income recognised in 2012 relates to the sale of environmental subproducts of 2,797 thousands of Euros (31 December 2011: 4.742 thousands of Euros) and the sale of environmental waste of 1,971 thousands of Euros (31 December 2011: 2.186 thousands of Euros).

53. SEGMENTAL REPORTING

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, 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 Brasil).

The Executive Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Energin, S.A.;
- Soporgen, S.A.;
- EDP Produção Bioléctrica, S.A.;
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Electrica de la Ribera del Ebro, S.A.;
- Hidroeléctrica Del Cantábrico, S.L.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- Patrimonial de La Ribera del Ebro, S.L.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- EDP Soluções Comerciais, S.A.;
- Naturgás Comercializadora, S.A.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas 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.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Transporte, S.A.U.;
- Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America, EDPR Canada and EDPR Brasil 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 Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil, S.A. 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 column Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column Adjustments segment includes 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 statement of financial position 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.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In 2012, the EDP Group changed the reported segments, as well as the information disclosed in the Segmental Reporting, according to the mentioned above criteria. To be comparable, the information as of 31 December 2011 has been restated to reflect the changes occurred in 2012.

54. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2012 are as follows:

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:										
Portugal:										
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715	EUR	17,511,661	10,320,464	7,191,198	3,665,115	869,866	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000	EUR	288,615	280,343	8,272	23,368	4,032	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435	EUR	3,586	3,615	-29	966	-69	52.07%	-
EDP - Projectos SGPS, S.A.	Lisbon	50,000	EUR	725	769	-44	11	-146	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000	EUR	21,619	16,001	5,618	51,641	2,480	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000	EUR	121,637	101,943	19,694	7,361	-7,479	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000	EUR	23,240	20,802	2,438	5,166	-247	100.00%	100.00%
EDP Internacional S.A.	Lisbon	50,000	EUR	20,794	18,436	2,358	17,829	1,064	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000	EUR	8,212	6,712	1,500	6	-1,183	100.00%	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000	EUR	13,286	10,060	3,226	11,039	-481	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000	EUR	22,776	15,938	6,838	34,187	2,818	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000	EUR	145	80	65	376	-	100.00%	-
Other Countries:										
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000	MOP	142	-	142	-	-	100.00%	-
EDP ASIA - Investimento e Consultadoria , Limitada	Macao	200,000	MOP	64,256	15	64,241	10,565	9,433	100.00%	99.00%
EDP Finance BV	Amsterdam	2,000,000	EUR	16,190,713	16,066,365	124,348	687,738	15,017	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	4,702	EUR	462,354	111,409	350,946	41,239	29,700	100.00%	-
EDP Servicios Financieros España, S.A.	Oviedo	10,300,058	EUR	956,471	421,979	534,492	65,108	28,799	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	3,000,000	EUR	67,282	37,407	29,875	12,660	4,142	100.00%	100.00%
Electricity and Gas Activity - Portugal:										
Electricity Generation:										
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505	EUR	8,168,919	5,940,048	2,228,871	1,748,344	333,366	100.00%	100.00%
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000	EUR	520,549	492,875	27,674	61,782	-6,069	100.00%	-
Energin, S.A.	Lisbon	50,000	EUR	19,053	22,268	-3,215	43,878	-3,469	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000	EUR	31,066	34,659	-3,593	28,143	-2,365	51.00%	-
Greenvouga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A.	Oliveira de Frades	1,000,000	EUR	95,156	60,638	34,518	3,902	-210	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000	EUR	6,362	5,332	1,030	7,423	107	100.00%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100	EUR	146,485	152,806	-6,321	16,492	1,668	100.00%	-
Soporgen, S.A.	Lisbon	50,000	EUR	29,001	19,037	9,964	65,371	3,381	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000	EUR	3,853	3,088	765	5,679	102	100.00%	-
Electricity Distribution:										
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000	EUR	5,051,686	4,487,894	563,792	3,128,892	212,592	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000	EUR	1,445	1,331	114	26	-556	100.00%	-
Electricity Supply:										
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,824,695	EUR	344,694	318,582	26,112	1,145,107	-7,945	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000	EUR	2,576,851	2,512,157	64,694	5,060,181	24,815	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Lisbon	50,000	EUR	50,366	10,793	39,573	9,996	-4,188	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000	EUR	3,887	2,942	945	7,292	427	100.00%	100.00%
Home Energy II, S.A.	Lisbon	50,000	EUR	3,885	1,753	2,132	2,807	-2,184	100.00%	-
Gas Supply and Distribution:										
EDP Gás - SGPS, S.A.	Lisbon	73,200,000	EUR	272,499	118,370	154,129	34,353	20,639	100.00%	100.00%
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998	EUR	8,286	3,727	4,558	3,816	602	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996	EUR	38,721	26,009	12,712	92,386	1,065	71.97%	-
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000	EUR	61,236	45,612	15,625	320,853	8,900	100.00%	100.00%
ENAGÁS - SGPS, S.A.	Lisbon	299,400	EUR	15,200	14,340	860	327	25	60.00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150	EUR	423,836	283,341	140,494	119,607	31,078	71.97%	-
Shared Services:										
EDP Soluções Comerciais, S.A.	Lisbon	50,000	EUR	121,291	115,629	5,663	169,789	7,509	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000	EUR	73,315	65,223	8,092	59,549	2,602	100.00%	100.00%
Other Activities:										
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000	EUR	240	397	-157	-	-187	91.00%	-
Electricity and Gas Activity - Spain:										
Electricity Generation:										
Central Termica Ciclo Combinado Grupo, S.L.	Oviedo	2,117,000	EUR	177,256	241,516	-64,259	62,549	-18,156	75.00%	-
Ciclo Combinado Soto 5, S.L.	Oviedo	21,000,000	EUR	311,647	14,671	296,976	25,582	-6,680	100.00%	-
Cogeración Bergara, A.I.E.	Bergara	450,000	EUR	1,109	324	785	2,118	-87	50.00%	-
Cogeración Montjuic, S.L.U.	Bilbao	1,250,000	EUR	2,723	26	2,696	76	49	100.00%	-
Cogeración Serantes, S.L.U.	Bilbao	2,750,000	EUR	6,348	523	5,824	904	758	70.00%	-
Electrica de la Ribera del Ebro, S.A.	Castejón	5,000,000	EUR	640,476	684,290	-43,814	103,223	-53,559	100.00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2,139,603	EUR	1,656	3,038	-1,383	6,593	530	90.00%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030	EUR	9,131	8,811	320	5,039	8	50.10%	-
Hidrocantábrico Cogeneracion, S.L.	Oviedo	5,829,200	EUR	54,256	44,027	10,229	40,900	-62	100.00%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790	EUR	4,764,589	2,703,518	2,061,071	2,031,551	100,153	100.00%	96.60%
Millenium Energy, S.L.	Bilbao	130,260,000	EUR	1,594,390	675,255	919,136	6,530	-8,451	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Castejón	150,000,000	EUR	752,301	41,483	710,818	43,413	30,044	100.00%	-
Electricity Distribution:										
Electra de Llobregat Energía, S.L.	Barcelona	300,000	EUR	5,624	5,355	269	670	217	75.00%	-
Iberenergia, S.A.	Oviedo	60,200	EUR	61	8	53	-	-	100.00%	100.00%
Electricity Supply:										
EDP Energia Ibérica, S.A.	Madrid	60,200	EUR	17	13,376	-13,359	-	-	100.00%	-
HC Naturgas Comercializadora de Ultimo Recurso, S.A.	Oviedo	60,000	EUR	32,377	36,032	-3,655	136,578	-4,893	97.50%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000	EUR	880,416	590,693	289,723	256,942	58,888	100.00%	-
Hidrocantabrico Energia, S.A.U.	Oviedo	1,000,000	EUR	436,881	370,384	66,497	1,678,326	29,194	100.00%	-
Gas Supply and Distribution:										
Naturgas Energia Grupo, S.A. (NG Energia Subgroup Parent Company)	Bilbao	296,385,957	EUR	1,750,437	621,387	1,129,051	440,232	92,901	95.00%	-
Gas Transporte Span, S.L.	Bilbao	20,130,443	EUR	12,880	-	12,880	-	-	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400	EUR	1,031,011	47,893	983,118	445,261	39,882	100.00%	-
HC Naturgas Servicios Energeticos S.L.	Santander	90,000	EUR	3,111	2,669	442	6,267	161	97.50%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Electricity and Gas Activity - Spain:										
Gas Supply and Distribution:										
HC Naturgas Ultimo Recurso, S.A.	Oviedo	60,000	EUR	14,261	11,797	2,464	26,524	-1,640	97.50%	-
Naturgas Energia Comercializadora, S.A.	Bilbao	8,255,306	EUR	380,970	427,263	-46,293	1,343,877	-17,519	95.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185	EUR	145,480	87,156	58,324	23,155	4,436	94.98%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000	EUR	1,829,423	310,784	1,518,639	230,756	97,167	95.00%	-
Naturgas Energia Participaciones, S.A.U.	Bilbao	300,500	EUR	730	107	623	447	263	95.00%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200	EUR	8,508	8,239	270	10,906	76	95.00%	-
Naturgas Energia Transporte, S.A.U.	Bilbao	12,880,200	EUR	174,606	149,640	24,966	32,057	13,463	95.00%	-
Shared Services:										
HC Soluciones Comerciales, S.A.	Oviedo	60,300	EUR	17,225	17,174	50	67,593	-26	97.50%	-
Hidrocantábrico Servicios, S.A.	Oviedo	60,150	EUR	3,391	2,164	1,228	7,869	410	100.00%	-
Other Activities:										
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247	EUR	523	2,428	-1,905	1,095	-190	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2,996,022	EUR	7,509	4,046	3,464	17,124	1,080	100.00%	-
Renovamed, S.A.	Oviedo	60,200	EUR	261	1,233	-972	1,091	177	75.00%	-
Sinova Medoambiental, SA	Oviedo	2,687,364	EUR	16,532	9,443	7,089	20,038	1,686	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202	EUR	18,328	3,528	14,800	20,047	2,192	88.00%	-
Electricity and Gas Activity - Brazil:										
Parent company and Related Activities:										
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	3,182,715,954	BRL	1,967,189	283,218	1,683,970	200,607	123,341	51.09%	-
Escelsapar	Espirito Santo	2,800,000	BRL	1,616	2,752	-1,136	37	-576	51.09%	-
Electricity Generation:										
Companhia Energética do Jari - Ceja	Sao Paulo	56,173,746	BRL	204,337	206,933	-2,596	2,628	-13,444	51.09%	-
Costa Rica Energética, Lda.	Sao Paulo	14,318,185	BRL	9,262	555	8,707	7,087	5,043	26.06%	-
ECE Participações, S.A.	Sao Paulo	111,275,545	BRL	191,198	153,488	37,710	7,813	-3,096	51.09%	-
Enercouto, S.A.	Sao Paulo	5,816,118	BRL	1,814	35	1,779	-	-95	51.09%	-
Energest, S.A.	Sao Paulo	263,435,676	BRL	283,170	100,178	182,992	101,833	38,454	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748	BRL	742,270	258,052	484,217	164,536	70,268	30.65%	-
Investco, S.A.	Tocantins	804,458,842	BRL	504,391	97,037	407,354	102,715	34,218	20.83%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541	BRL	594,277	76,243	518,034	209,218	62,228	28.54%	-
Omega Engenharia e Assessoria, Ltda	Rio Grande do Sul	10,071,319	BRL	3,636	-	3,636	-	-5	51.09%	-
Pantanal Energética, Ltda	Sao Paulo	23,390,369	BRL	33,871	4,706	29,165	20,362	12,687	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000	BRL	65,416	25,821	39,595	11,485	4,923	51.09%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100	BRL	90	6,617	-6,527	-	-231	47.00%	-
Electricity Distribution:										
Bandeirante Energia, S.A.	Sao Paulo	254,628,684	BRL	942,146	641,242	300,904	1,079,750	29,060	51.09%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630	BRL	920,612	678,002	242,610	827,812	57,147	51.09%	-
Electricity Supply:										
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758	BRL	80,990	58,502	22,487	557,638	14,243	51.09%	-
Renewable Energy Activity:										
Parent company and Related Activities:										
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810	EUR	8,593,954	3,383,580	5,210,374	388,013	50,838	77.53%	62.02%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	3,000	EUR	3	1	2	-	-1	77.53%	-
Europe Geography / Platform:										
Spain:										
EDP Renewables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	30,000,000	EUR	4,882,027	4,663,185	218,842	363,767	95,602	77.53%	-
Acampo Arias,S.L.	Zaragoza	3,314,300	EUR	26,088	22,532	3,555	4,297	581	76.12%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288	EUR	1,390	7	1,383	565	558	47.68%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350	EUR	1,377	81	1,296	392	100	37.75%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000	EUR	70,594	53,750	16,844	11,258	912	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	12,600,000	EUR	74,239	55,180	19,060	14,574	5,292	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000	EUR	68,895	64,846	4,049	11,938	1,515	77.53%	-
Ceprastur, AIE	Oviedo	360,607	EUR	407	3	404	-	-4	44.01%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945	EUR	1,459	161	1,298	675	269	58.79%	-
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190	EUR	17,428	12,846	4,582	3,213	615	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369	EUR	10,406	5,895	4,511	2,917	1,271	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100	EUR	10,112	1,651	8,460	3,509	1,011	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000	EUR	67,476	45,160	22,316	18,398	7,763	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650	EUR	11,333	1,359	9,974	4,536	1,651	77.53%	-
Desarrollo Eólico Dumbría, S.A.U.	La Coruna	61,000	EUR	82,129	64,653	17,476	15,579	4,284	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950	EUR	33,063	19,613	13,450	8,947	3,600	73.72%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006	EUR	25,665	8,835	16,829	7,718	3,187	65.09%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600	EUR	49,071	26,474	22,598	1,724	267	46.52%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200	EUR	13,776	2,742	11,034	3,938	1,126	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100	EUR	322	262	60	6	-	39.54%	-
EDP Renovables España, S.L.	Madrid	8,061,000	EUR	1,083,016	558,041	524,974	148,950	47,535	77.53%	-
EDP Renováveis Cantábria, S.L.	Madrid	300,000	EUR	2,029	1,759	270	60	-15	77.53%	-
Energia Eólica La Manchuela, S.L.U.	Madrid	1,141,900	EUR	24,244	20,437	3,807	4,917	1,505	77.53%	-
Eneroliva, S.A.	Seville	308,249	EUR	427	76	350	-	-137	77.53%	-
Eólica Alfoz, S.L.	Madrid	8,480,000	EUR	158,054	144,301	13,752	25,571	3,987	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980	EUR	23,377	13,217	10,161	6,927	2,623	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994	EUR	93,478	63,393	30,084	22,916	8,409	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200	EUR	81,439	79,848	1,591	12,233	1,518	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000	EUR	63,766	43,635	20,131	8,465	686	77.53%	-
Eólica Don Quijote, S.L.	Albacete	3,006	EUR	45,895	42,907	2,989	10,335	2,985	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000	EUR	30,118	28,245	1,873	6,197	1,692	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000	EUR	44,731	33,939	10,792	6,298	349	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000	EUR	46,780	30,571	16,209	835	3	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000	EUR	180,238	172,212	8,026	26,781	615	77.53%	-
Eólica La Janda, S.L.	Madrid	4,525,000	EUR	200,374	185,629	14,745	23,284	91	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000	EUR	36,146	33,069	3,076	6,898	1,755	77.53%	-
Eólica Muxía, S.L.	La Coruna	23,480,000	EUR	23,815	354	23,461	102	66	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466	EUR	121,593	88,232	33,361	12,908	-1,300	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728	EUR	25,800	22,776	3,024	5,188	883	77.53%	-
Industrias Medioambientales Rio Carrión, S.A.	Madrid	15,124	EUR	2	597	-595	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970	EUR	145,926	124,210	21,716	20,379	1,784	46.20%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300	EUR	454	180	274	203	70	62.02%	-
NEO Energia Aragon, S.L.	Madrid	10,000	EUR	8	1	7	-	-1	77.53%	-
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	1,693,010	EUR	40,599	40,381	217	3,943	-772	77.53%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:										
Europe Geography / Platform:										
Spain:										
Parc Eòlic de Coll de Moro, S.L.	Barcelona	4,172,795	EUR	101,772	101,145	627	5,124	96	46.52%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	4,172,927	EUR	95,971	93,083	2,887	13,319	2,666	46.52%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	1,432,091	EUR	48,597	46,369	2,228	6,768	1,274	46.52%	-
Parc Eolic Molinars, S.L.	Girona	3,006	EUR	245	241	3	1	-	41.87%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	3,458,010	EUR	28,139	18,882	9,257	4,004	218	77.53%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,444,956	EUR	32,965	12,692	20,273	10,861	3,954	47.29%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000	EUR	39,789	29,763	10,026	10,133	3,206	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000	EUR	18,310	11,899	6,410	5,185	2,045	50.27%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050	EUR	30,631	25,062	5,568	6,983	2,475	77.53%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000	EUR	35,310	33,985	1,324	6,313	900	46.52%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680	EUR	51,994	20,483	31,510	12,093	3,316	77.53%	-
Rasacal Cogeneración, S.A.	Madrid	60,200	EUR	7	423	-416	-	-	46.52%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102	EUR	33,250	30,800	2,450	6,552	1,501	69.78%	-
Sierra de la Peña, S.A.	Madrid	3,294,000	EUR	60,695	47,633	13,062	13,174	3,570	65.82%	-
Sotromal, S.A.	Soria	112,880	EUR	16	184	-168	8	8	69.78%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200	EUR	10	-	10	-	-6	62.02%	-
Portugal:										
EDP Renováveis Portugal, S.A.	Oporto	7,500,000	EUR	814,579	733,390	81,189	151,611	45,580	77.53%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000	EUR	977	942	34	326	-16	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000	EUR	5,361	5,902	-540	1,699	-590	77.53%	-
Eólica da Alagoa, S.A.	Arcos de Valdevez	50,000	EUR	10,844	7,536	3,308	3,353	1,529	46.52%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000	EUR	15,077	10,951	4,126	2,866	936	38.84%	-
Eólica de Montenegrelo, S.A.	Vila Pouca de Aguiar	50,000	EUR	25,101	18,073	7,028	5,268	1,933	38.84%	-
Malhadizes, S.A	Oporto	50,000	EUR	21,406	20,350	1,056	5,034	906	77.53%	-
France:										
EDP Renewables France, S.A.S.	Paris	48,526,642	EUR	293,034	269,340	23,694	30,081	-9,303	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000	EUR	15,261	15,109	152	2,558	477	77.53%	-
C.E. Gueltas Noyal-Pontivy, S.A.S.	Paris	2,261,000	EUR	8,670	3,440	5,230	1,550	637	77.53%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	37,500	EUR	88	73	16	-	-10	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000	EUR	16,360	11,122	5,238	3,200	1,378	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000	EUR	14,845	11,812	3,033	2,650	735	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000	EUR	15,391	11,693	3,698	2,850	784	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004	EUR	26	23	3	-	-5	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000	EUR	13,344	13,233	111	291	146	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	29	65	-36	-	-9	77.53%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000	EUR	14	51	-36	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000	EUR	13,877	13,559	317	1,931	393	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000	EUR	8,422	8,582	-160	1,292	134	77.53%	-
Monts du Forez Energie, S.A.S.	Paris	37,000	EUR	431	394	37	125	-	77.53%	-
Parc Eolien D'Ardennes	Elbeuf	1,000	EUR	77	234	-157	11	-	77.53%	-
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004	EUR	7	10	-2	-	-4	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000	EUR	14	59	-45	-	-3	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000	EUR	11,417	10,060	1,357	1,978	670	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003	EUR	13,654	14,609	-955	2,678	466	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	144	304	-160	5	2	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000	EUR	67	152	-85	-	-10	77.53%	-
Parc Eolien des Vatines, S.A.S.	Elbeuf	37,004	EUR	13,067	14,729	-1,662	2,316	163	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001	EUR	10,753	11,988	-1,235	1,890	172	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000	EUR	4,391	4,328	63	588	125	77.53%	-
Plouvien Breiz, S.A.S.	Carhaix	40,000	EUR	10,876	12,856	-1,979	1,481	-89	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000	EUR	18,439	18,358	81	2,685	721	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	EUR	9,096	9,049	47	1,276	152	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000	EUR	17,252	17,421	-169	2,656	258	77.53%	-
Poland:										
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000	PLN	301,760	190,890	110,870	52,195	5,957	77.53%	-
Elektrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000	PLN	12,495	13,015	-520	792	-254	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500	PLN	2,158	2,126	32	74	-27	77.53%	-
J&Z Wind Farms SP. ZO.O.	Warsaw	14,518,000	PLN	41,250	33,359	7,891	360	123	46.52%	-
Karpacka Mala Energetyka, SP. ZO.O.	Warsaw	50,000	PLN	267	330	-63	-	-36	77.53%	-
Korsze Wind Farm, SP. ZO.O.	Warsaw	5,000	PLN	-	-	-	-	-1	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500	PLN	10,154	5,613	4,542	174	-70	77.53%	-
MFW Gryf SP. ZO.O.	Warsaw	5,000	PLN	138	151	-13	-	-14	77.53%	-
MFW Neptun SP. ZO.O.	Warsaw	5,000	PLN	163	175	-13	-	-14	77.53%	-
MFW Pomorze SP. ZO.O.	Warsaw	5,000	PLN	155	167	-13	-	-14	77.53%	-
Relax Wind Park I, S.P. ZO.O	Warsaw	2,140,000	PLN	202,914	204,056	-1,142	27,908	-577	74.76%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000	PLN	853	856	-3	41	-23	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	59,602,500	PLN	129,502	115,881	13,622	1,738	-744	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000	PLN	145	880	-735	42	-601	77.53%	-
Romania:										
EDP Renewables Romania, S.R.L.	Bucharest	200	RON	173,723	169,865	3,858	39,676	-2,609	65.90%	-
Casellaneta Wind, S.R.L.	Milan	10,000	RON	10	3	7	-	-3	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	40,317,400	RON	213,505	220,451	-6,946	33,604	455	65.90%	-
Cujmir Solar, S.R.L.	Bucharest	10,520	RON	11,642	11,521	121	235	118	77.53%	-
EDPR-RO-PV, S.R.L.	Bucharest	10,050	RON	23,598	23,511	86	479	84	77.53%	-
Foton Delta, S.R.L.	Bucharest	1,020	RON	234	234	-	3	-	77.53%	-
Foton Epsilon, S.R.L.	Bucharest	1,020	RON	325	325	-	3	-	77.53%	-
Laterza Wind, S.R.L.	Milan	10,000	RON	10	3	7	-	-3	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	28,755,070	RON	130,677	144,825	-14,148	8,082	331	65.90%	-
Potelu Solar, S.R.L.	Bucharest	1,020	RON	10,979	10,927	52	138	51	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	1,000	RON	7,382	7,476	-94	384	-90	65.90%	-
Sibioara Wind Farm, S.R.L.	Bucharest	600	RON	32,534	32,467	67	835	255	65.90%	-
Sludina Solar, S.R.L.	Bucharest	15,520	RON	12,001	11,895	106	280	101	77.53%	-
Vanju Mare Solar, S.R.L.	Bucharest	10,520	RON	7,482	7,390	91	184	88	77.53%	-
VS Wind Farm, S.A.	Bucharest	105,000	RON	26	16	10	-	-11	65.90%	-
Great Britain:										
EDPR UK Limited	Cardiff	100,000	GBP	41,628	45,006	-3,378	4,405	-3,182	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909	GBP	30,264	19,422	10,842	1,243	-156	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Other Countries:										
EDP Renewables Italia, S.R.L.	Milan	21,335,000	EUR	80,048	53,682	26,366	22,024	-1,712	77.53%	-
EDP Renewables Belgium, S.A.	Brussels	61,500	EUR	62	12	50	-	-12	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000	EUR	86,804	55,451	31,353	13,951	3,172	54.27%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:										
Europe Geography / Platform:										
Other Countries:										
Monts de la Madeleine Energie, S.A.S.	Paris	37,000	EUR	570	533	37	220	-	77.53%	-
Pietragalla Eolico, S.R.L.	Milan	15,218	EUR	30,245	30,173	72	-	-120	77.53%	-
Re Plus - S.R.L	Milan	100,000	EUR	3,211	2,821	391	2,481	-120	62.02%	-
Repano Wind, S.R.L.	Milan	11,000	EUR	377	250	128	-	-7	77.53%	-
Tarcan, BV	Amsterdam	20,000	EUR	14,337	2,338	11,999	3,410	3,075	77.53%	-
Villa Castelli Wind, S.R.L.	Milan	100,000	EUR	43,505	36,949	6,556	-	-141	77.53%	-
North America Geography / Platform:										
United States of America:										
EDP Renewables North America, L.L.C. (EUA Subgroup Parent Company)	Texas	4,152,653,714	USD	3,043,893	128,557	2,915,336	25,802	-62,007	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	-	USD	-	-	-	-	-	77.53%	-
2007 Vento I, L.L.C.	Texas	999,800,385	USD	764,878	2,011	762,868	4,571	1,363	77.53%	-
2007 Vento II	Texas	884,530,227	USD	667,805	366	667,439	-	-318	39.54%	-
2008 Vento III	Texas	987,531,291	USD	746,333	421	745,912	-	-617	77.53%	-
2009 Vento IV, L.L.C.	Texas	231,165,777	USD	174,869	-	174,869	-	-102	77.53%	-
2009 Vento V, L.L.C.	Texas	150,107,525	USD	113,438	-	113,438	-	-102	77.53%	-
2009 Vento VI, L.L.C.	Texas	198,407,223	USD	150,130	-	150,130	-	-90	77.53%	-
2010 Vento VII, L.L.C.	Texas	191,415,405	USD	144,891	-	144,891	-	-90	77.53%	-
2010 Vento VIII, L.L.C.	Texas	202,770,321	USD	153,513	39	153,474	-	-128	77.53%	-
2011 Vento IX, L.L.C.	Texas	190,550,259	USD	144,299	-	144,299	-	-89	77.53%	-
2011 Vento X, L.L.C.	Texas	154,156,378	USD	116,748	-	116,748	-	-72	77.53%	-
2012 Vento XI, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	14,676,692	USD	11,089	92	10,997	-	-116	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	155,140,958	USD	130,016	6,914	123,101	13,137	1,591	77.53%	-
Aroostook Wind Energy, L.L.C.	Maine	13,119,477	USD	9,881	29	9,853	-	-1	77.53%	-
Ashford Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	341,599,725	USD	263,942	-	263,942	5,064	2,114	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	6,347,964	USD	4,813	4	4,809	-	-1	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	305,362,297	USD	307,473	87,324	220,148	17,174	-4,867	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	5,968,952	USD	4,634	121	4,513	-	-1	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	145,874,101	USD	142,155	39,047	103,107	8,879	-977	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	146,159,624	USD	132,508	7,782	124,726	14,251	1,776	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	149,669,970	USD	134,331	1,928	132,403	16,711	7,776	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	154,037,025	USD	126,834	8,368	118,466	8,098	1,707	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	300,791,221	USD	227,970	-	227,970	-	-	77.53%	-
Cloud County Wind Farm	Kansas	292,502,263	USD	228,676	3,019	225,657	19,590	1,835	77.53%	-
Cloud West Wind Project, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	-	USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	-	USD	-	-	-	-	-	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	60,024,051	USD	116,838	68,342	48,496	7,273	3,045	77.53%	-
EDPR Wind Ventures XI, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Five-Spot, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	-	USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	-	USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	135,652,617	USD	114,144	10,385	103,759	11,512	1,424	39.54%	-
High Trail Wind Farm, L.L.C.	Illinois	338,678,886	USD	276,904	6,544	270,360	27,934	6,044	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	838,282,358	USD	1,742,755	844,606	898,149	40,059	21,325	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	300,809,246	USD	670,403	370,847	299,556	34,131	18,938	39.54%	-
Horizon Wind Ventures IC, L.L.C.	Texas	7,946,608	USD	384,363	356,959	27,404	29,043	8,190	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	141,581,004	USD	175,205	64,808	110,397	2,070	1,069	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	62,344,604	USD	113,770	63,133	50,637	6,731	2,575	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	75,703,433	USD	144,422	90,582	53,839	1,290	-853	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	112,738,628	USD	150,605	66,508	84,097	1,559	363	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	109,571,086	USD	145,078	61,379	83,699	1,627	687	77.53%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:										
North America Geography / Platform:										
United States of America:										
Horizon Wind Ventures VIII, L.L.C.	Texas	109,387,895	USD	157,148	74,552	82,596	1,714	167	77.53%	-
Horizon Wind, Freeport Windpower I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,555,525	USD	4,229	53	4,176	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	598,963	USD	-	3	-3	-	-456	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	11,351,517	USD	8,603	8	8,595	-	-	77.53%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	198,082,085	USD	139,121	2,836	136,285	12,774	-158	77.53%	-
Machias Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Madison Windpower, L.L.C.	New York	12,464,461	USD	5,658	428	5,230	510	-1,031	77.53%	-
Marble River, L.L.C.	New York	300,783,466	USD	350,859	124,230	226,628	6,111	913	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,618,299	USD	2,751	32	2,719	-	-7	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	191,169,414	USD	142,869	1,999	140,870	6,544	-2,162	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	121,954,764	USD	127,283	35,435	91,847	6,931	-707	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	3,167,632	USD	2,406	14	2,393	-	-3	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	279,469,712	USD	278,745	78,416	200,328	15,587	-3,822	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	145,203,342	USD	150,512	42,931	107,581	8,387	-1,323	77.53%	-
Mesquite Wind, L.L.C.	Texas	224,796,755	USD	217,050	21,561	195,489	24,182	3,507	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	-	USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	363,430,722	USD	282,844	4,159	278,685	28,588	6,345	39.54%	-
OPQ Property, L.L.C.	Illinois	-	USD	111	-	111	-	-	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	190,388,129	USD	155,420	4,470	150,949	14,406	4,437	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,307,470	USD	3,206	28	3,179	-	-57	77.53%	-
Paulding Wind Farm IV, L.L.C	Ohio	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,763,855	USD	4,368	3	4,365	-	-2	77.53%	-
Peterson Power Partners, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	529,728,199	USD	413,192	6,418	406,775	46,972	11,798	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Post Oak Wind, L.L.C.	Texas	260,171,441	USD	245,782	12,799	232,983	26,724	4,710	39.54%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	5,428,998	USD	4,151	51	4,100	-	-	77.53%	-
Rail Splitter, L.L.C.	Illinois	230,722,612	USD	162,334	5,312	157,022	6,410	-5,144	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Rush County Wind Farm, L.L.C	Kansas	-	USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	2,342,872	USD	1,480	3	1,477	-	-295	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	202,544,824	USD	137,307	8,120	129,186	3,155	-15,789	77.53%	-
Sardinia Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,424,302	USD	2,526	5	2,522	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	112,864,460	USD	122,689	12,842	109,847	15,920	5,303	39.54%	-
The Nook Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003	USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Verde Wind Power, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	3,450,625	USD	2,686	76	2,610	-	-5	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	79,605,407	USD	109,858	32,155	77,702	14,144	4,491	77.53%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, L.L.C.	Wisconsin	-	USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	2,165,228	USD	793	-	793	7	-7	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	-	USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	5,990	USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Canada:										
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	3,000,000	CAD	9,944	10,132	-189	131	-1,345	77.53%	-
0867242 BC, Ltd.	Ontario	4,375	CAD	3,441	3,438	3	-	-	77.53%	-
EDP Renewables Canada GP, Ltd.	Ontario	-	CAD	-	-	-	-	-	77.53%	-
EDP Renewables Canada LP, Ltd.	Ontario	4,427,674	CAD	3,370	-	3,370	-	-	77.53%	-
Eolia Renewable Energy Canada, Ltd.	Ontario	3,750	CAD	1,833	1,830	3	-	-	77.53%	-
SBWFI GP, Inc.	Ontario	-	CAD	-	-	-	-	-	77.53%	-
South Branch Wind Farm, Inc.	Ontario	100	CAD	3,441	3,441	-	-	-	77.53%	-
South Dundas Wind Farm LP	Ontario	-	CAD	7,685	7,689	-4	-	-4	77.53%	-
South America Geography / Platform:										
Brazil:										
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	217,335,929	BRL	86,611	13,313	73,299	5,391	-2,382	65.63%	-
Central Eólica Aventura, S. A.	Sao Paulo	1,000	BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijao I, S.A.	Sao Paulo	10	BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijao II, S.A.	Sao Paulo	10	BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijao III, S.A.	Sao Paulo	10	BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijao IV, S.A.	Sao Paulo	10	BRL	-	-	-	-	-	65.63%	-
Central Nacional de Energia Eólica, S.A.	Sao Paulo	12,396,000	BRL	13,022	7,569	5,453	3,259	900	65.63%	-
Elebras Projetos, Ltda	Sao Paulo	103,779,268	BRL	127,612	82,050	45,561	22,861	4,721	65.63%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2012 are as follows:

Jointly controled entities	Head Office	Share Capital / Currency		Non-current Assets 31-Dec-12 Euro'000 *	Current Assets 31-Dec-12 Euro'000 *	Non-current Liabilities 31-Dec-12 Euro'000 *	Current Liabilities 31-Dec-12 Euro'000 *	Equity 31-Dec-12 Euro'000 *	Total Income 31-Dec-12 Euro'000 *	Total Costs 31-Dec-12 Euro'000 *	Net Profit/(Loss) 31-Dec-12 Euro'000 *	% Group	% Company
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700	EUR	937	1,336	961	1,414	-102	1,465	-1,653	-188	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	141	41	12	155	15	37	-21	16	35.21%	-
Bioastur, AIE	Sérin	60,101	EUR	32	949	-	551	430	1,600	-1,429	171	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	219	32,358	24	32,371	182	124,927	-124,923	4	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	92	2,590	-	679	2,003	3,199	-3,105	94	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	43,999	9,885	11,605	6,815	35,464	17,995	-10,119	7,876	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	75,351	3,335	47,547	24,463	6,676	20,430	-18,172	2,258	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,328	59	1,269	-	2,595	-2,595	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	22,304	3,229	17,488	1,934	6,111	5,568	-3,570	1,998	38.11%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	59,347	568	503	34	59,378	2,388	-4,966	-2,578	38.76%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885	USD	147,901	2,304	1,308	131	148,766	11,170	-14,062	-2,892	38.76%	-
Futurocompact, Lda	Lisbon	5,000	EUR	10	1	-	-	11	-	-	-	40.01%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,527,000	BRL	-	552	-	415	137	5	-59	-54	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	15	188	-	78	125	322	-397	-75	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,689,672,262	BRL	687,271	81,755	455,689	87,182	226,155	66,963	-108,224	-41,261	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	6,175	1,146	131	6,923	267	3,770	-3,775	-5	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	12,872	6,349	11,141	2,498	5,582	4,398	-3,482	916	38.76%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2011 are as follows:

Jointly controled entities	Head Office	Share capital / Currency		Non-current Assets 31-Dec-11 Euro'000 *	Current Assets 31-Dec-11 Euro'0000 *	Non-current Liabilities 31-Dec-11 Euro'000 *	Current Liabilities 31-Dec-11 Euro'000 *	Equity 31-Dec-11 Euro'000 *	Total Income 31-Dec-11 Euro'000 *	Total Costs 31-Dec-11 Euro'000 *	Net Profit/(Loss) 31-Dec-11 Euro'000 *	% Group	% Company
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700	EUR	935	1,539	538	1,599	337	1,486	-1,754	-268	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	141	41	24	154	4	38	-30	8	35.21%	-
Bioastur, AIE	Sérin	60,101	EUR	40	1,179	-	710	509	2,082	-1,782	300	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	234	38,958	-	39,015	177	125,027	-125,125	-98	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	159	3,109	-	1,359	1,909	3,107	-2,911	196	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	47,204	9,709	19,424	6,826	30,663	17,986	-10,214	7,772	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	79,344	5,629	52,444	28,112	4,417	18,709	-17,679	1,030	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,352	24	1,328	-	2,223	-2,223	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	23,319	5,025	18,850	2,134	7,360	5,255	-3,578	1,677	38.11%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885	USD	158,942	3,125	1,265	28	160,774	11,565	-13,815	-2,250	38.76%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	63,658	863	487	68	63,966	2,740	-4,609	-1,869	38.76%	-
Futurocompact, Lda	Lisbon	5,000	EUR	10	1	-	-	11	-	-	-	40.01%	-
InovGrid, A.C.E.	Lisbon	-	EUR	-	1,172	-	1,172	-	441	-441	-	55.00%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,101,000	BRL	-	348	211	16	121	7	-118	-111	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	16	265	-	63	218	186	-218	-32	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	986,412,262	BRL	668,910	42,395	449,956	109,256	152,093	23,605	-39,002	-15,397	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	7,082	1,179	99	7,883	279	4,001	-3,914	87	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	14,607	6,095	13,063	2,220	5,419	4,108	-3,276	832	38.76%	-
WINDPLUS, S.A.	Lisbon	85,750	EUR	6,574	227	5,320	1,483	-2	314	-412	-98	41.63%	-

* Corresponding to the proportion held by the EDP Group

The associated companies included in the consolidation under the equity method as at 31 December 2012 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000	EUR	50	-	50	-	-	49.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	28,135	25,087	3,048	130	-103	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Blue Canyon Windpower I, L.L.C.	Oklahoma	50,417,419	USD	35,927	1,597	34,330	5,112	-912	25.00%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	13,108	9,302	3,806	31,022	1,181	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	583,613	300,478	283,135	542,975	59,605	21.19%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963	BRL	959	-	959	-	-	25.03%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	4,291,140	EUR	8,412	692	7,720	4,248	2,123	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	578	99	479	-	-220	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000	EUR	155	16	139	27	-85	30.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525	EUR	1,318,686	1,288,975	29,711	1,190	11,315	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	24,445	29,704	-5,259	706	-6,250	49.90%	-
Inkolan, A.I.E.	Bilbao	96,162	EUR	691	432	259	556	45	13.57%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	9,957	4,091	5,866	17,277	3,060	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	30,045	26,092	3,953	2,949	1,195	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	60,235	43,466	16,770	12,332	4,770	32.56%	-

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000	EUR	14,377	4,850	9,527	16,136	4,220	39.60%	-
Principle Power (Europe) Ltd	London	1	GBP	272	376	-104	627	-104	50.29%	-
Principle Power Portugal Unipessoal Lda	Lisbon	5,000	EUR	1,689	1,833	-144	-	-51	50.29%	-
Principle Power, Inc	Seattle	7,674	USD	10,441	3,448	6,993	5,605	1,349	50.29%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	12,263	13,187	-924	-	-880	37.99%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	182,464	120,737	61,727	36,398	8,196	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	10,037	6,867	3,170	31,062	-364	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	-	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	1,608	230	1,378	1,053	380	38.00%	-
Windfloat Maine LLC	Maine	-	USD	-	-	-	-	-	50.29%	-
Windfloat Oregon LLC	Oregon	-	USD	-	-	-	-	-	50.29%	-

The associated companies included in the consolidation under the equity method as at 31 December 2011 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	27,852	24,431	3,151	52	-352	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	14,401	11,775	2,626	30,072	892	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	547,855	271,795	276,060	457,447	43,623	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	4,291,140	EUR	13,966	797	13,169	-3,870	1,800	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	777	77	700	-	-217	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525	EUR	1,234,769	1,205,026	29,743	106,380	6,027	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	29,868	28,878	990	305	-3	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000	EUR	9,824	267	9,557	2,183	3,558	19.38%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	1,814	1,858	-44	-	-12	37.99%	-
Inkolan, A.I.E.	Bilbao	60,101	EUR	298	138	160	-	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	8,957	4,626	4,331	14,700	1,702	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	30,880	27,709	3,171	4,859	-1,202	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	34,936	22,936	12,000	11,043	3,424	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000	EUR	18,999	3,132	15,867	15,732	3,120	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	181,064	127,525	53,539	38,069	8,753	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	10,856	7,322	3,534	33,542	816	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	1,575	221	1,354	1,039	357	38.00%	-
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000	EUR	-	-	-	-	-	49.00%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2012, 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%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Feedzai - Consultoria e Inovação Tecnológica, S.A.	Coimbra - Portugal	11.08%	-

ANNEX II

EDP Group Activity by Business Segment
31 December 2012

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	1,493,411	6,226,941	5,962,732	1,170,443	2,491,691	582	-	(2,941,401)	14,404,399
Gas and network accesses	-	1,727,089	396,185	-	-	-	-	(352,137)	1,771,137
Other	60,425	315,334	17,544	11,813	22,634	34,773	274,083	(572,288)	164,318
	1,553,836	8,269,364	6,376,461	1,182,256	2,514,325	35,355	274,083	(3,865,826)	16,339,854
Cost of electricity	(54,951)	(5,104,602)	(4,435,732)	(17,112)	(1,704,584)	(582)	-	2,925,364	(8,392,199)
Cost of gas	-	(1,522,791)	(59,104)	-	-	-	-	206,054	(1,375,841)
Change in inventories and cost of raw materials and consumables used	(510,490)	(869,006)	(6,903)	(7,348)	(2,420)	(10,866)	-	263,386	(1,143,647)
	(565,441)	(7,496,399)	(4,501,739)	(24,460)	(1,707,004)	(11,448)	-	3,394,804	(10,911,687)
	988,395	772,965	1,874,722	1,157,796	807,321	23,907	274,083	(471,022)	5,428,167
Other operating income / (expenses)									
Other operating income	10,808	13,862	90,962	190,466	90,821	13,111	33,487	(53,550)	389,967
Supplies and services	(83,499)	(272,823)	(421,714)	(261,810)	(177,137)	(13,513)	(189,948)	492,157	(928,287)
Personnel costs and employee benefits	(90,350)	(104,794)	(173,336)	(62,660)	(126,628)	(9,645)	(122,736)	18,613	(671,536)
Other operating expenses	(23,241)	(92,934)	(313,251)	(86,212)	(59,655)	(6,909)	(15,754)	8,103	(589,853)
	(186,282)	(456,689)	(817,339)	(220,216)	(272,599)	(16,956)	(294,951)	465,323	(1,799,709)
	802,113	316,276	1,057,383	937,580	534,722	6,951	(20,868)	(5,699)	3,628,458
Provisions	(6,163)	1,361	(2,790)	3	(11,097)	19	2,612	-	(16,055)
Depreciation, amortisation and impairment	(206,150)	(257,561)	(327,590)	(502,709)	(145,395)	(882)	(19,683)	(33,919)	(1,493,889)
Compensation of amortisation and depreciation	1,989	332	2,730	15,231	4,564	67	12	(24)	24,901
	591,789	60,408	729,733	450,105	382,794	6,155	(37,927)	(39,642)	2,143,415
Gain/(losses) on the sale of financial assets	-	-	-	2,766	-	-	99,995	(99,995)	2,766
Financial results	(58,514)	(187,602)	(138,929)	(277,616)	(97,953)	(1,783)	859,147	(802,016)	(705,266)
Share of profit in associates	1,123	-	166	6,833	(1,156)	13,069	-	3,742	23,777
Profit/(loss) before income tax	534,398	(127,194)	590,970	182,088	283,685	17,441	921,215	(937,911)	1,464,692
Current tax	(73,996)	(10,870)	30,439	(85,225)	(58,333)	(333)	22,426	21,867	(154,025)
Deferred tax	(84,978)	14,090	(172,965)	39,185	(15,227)	(984)	133,982	(41,615)	(128,512)
Net profit/(loss) for the year	**375,424**	**(123,974)**	**448,444**	**136,048**	**210,125**	**16,124**	**1,077,623**	**(957,659)**	**1,182,155**
Equity holders of EDP	377,912	(108,171)	448,405	126,264	134,166	16,157	1,092,991	(1,075,241)	1,012,483
Non-controlling interests	(2,488)	(15,803)	39	9,784	75,959	(33)	(15,368)	117,582	169,672
Net profit/(loss) for the year	**375,424**	**(123,974)**	**448,444**	**136,048**	**210,125**	**16,124**	**1,077,623**	**(957,659)**	**1,182,155**
Total assets	6,981,962	5,582,783	8,319,316	13,301,973	5,308,419	118,170	20,305,393	(17,290,172)	42,627,844
Total liabilities	3,550,191	5,314,601	6,758,443	7,553,146	2,941,590	88,378	14,076,241	(9,086,414)	31,196,176
Increase of the period:									
Property, plant and equipment	49,566	485,319	121,990	690,108	288,113	1,127	45,023	(8,245)	1,673,001
Intangible assets	62,557	161,383	332,682	24	101,289	2	3,512	(6,722)	654,727
Goodwill	-	-	-	12,465	-	-	-	2,978	15,443

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks						
Turnover									
Electricity and network accesses	1,412,725	6,380,606	5,200,822	969,155	2,302,216	-	-	(3,023,791)	13,241,733
Gas and network accesses	-	1,608,910	380,146	-	-	-	-	(300,120)	1,688,936
Other	58,044	236,520	17,907	22,597	10,729	36,394	291,480	(483,489)	190,182
	1,470,769	8,226,036	5,598,875	991,752	2,312,945	36,394	291,480	(3,807,400)	15,120,851
Cost of electricity	(50,870)	(5,207,616)	(3,727,397)	(12,283)	(1,284,854)	-	-	2,962,647	(7,320,373)
Cost of gas	22	(1,475,587)	(53,578)	-	-	-	-	201,075	(1,328,068)
Change in inventories and cost of raw materials and consumables used	(410,705)	(750,963)	(10,876)	(22,252)	1,656	(12,459)	(4,370)	174,034	(1,035,935)
	(461,553)	(7,434,166)	(3,791,851)	(34,535)	(1,283,198)	(12,459)	(4,370)	3,337,756	(9,684,376)
	1,009,216	791,870	1,807,024	957,217	1,029,747	23,935	287,110	(469,644)	5,436,475
Other operating income / (expenses)									
Other operating income	12,285	41,640	178,030	196,154	17,803	15,874	25,619	(73,063)	414,342
Supplies and services	(87,467)	(262,601)	(426,239)	(225,069)	(184,491)	(10,577)	(200,314)	495,710	(901,048)
Personnel costs and employee benefits	(79,147)	(100,481)	(163,859)	(60,832)	(121,576)	(8,866)	(120,610)	20,471	(634,900)
Other operating expenses	(16,896)	(101,916)	(294,417)	(66,732)	(59,744)	(9,111)	(19,482)	9,017	(559,281)
	(171,225)	(423,358)	(706,485)	(156,479)	(348,008)	(12,680)	(314,787)	452,135	(1,680,887)
	837,991	368,512	1,100,539	800,738	681,739	11,255	(27,677)	(17,509)	3,755,588
Provisions	2,267	26,237	6,625	266	(20,754)	(26)	(11,361)	(3,946)	(692)
Depreciation, amortisation and impairment	(206,888)	(262,199)	(351,017)	(468,494)	(176,315)	(957)	(16,293)	(34,997)	(1,517,160)
Compensation of amortisation and depreciation	2,092	264	2,544	14,986	36,844	248	9	(27,333)	29,654
	635,462	132,814	758,691	347,496	521,514	10,520	(55,322)	(83,785)	2,267,390
Gain/(losses) on the sale of financial assets	-	122	-	10,499	-	-	123,325	(113,069)	20,877
Financial results	(64,689)	(76,116)	(128,435)	(244,130)	(119,127)	12	540,725	(623,627)	(715,387)
Share of profit in associates	684	-	143	4,796	(1,257)	10,480	-	4,631	19,477
Profit/(loss) before income tax	571,457	56,820	630,399	118,661	401,130	21,012	608,728	(815,850)	1,592,357
Current tax	(169,769)	(19,546)	15,744	(29,060)	(93,561)	203	30,198	78,307	(187,484)
Deferred tax	6,246	(3,340)	(158,318)	1,022	1,973	(3,980)	109,637	(26,134)	(72,894)
Net profit/(loss) for the period	**407,934**	**33,934**	**487,825**	**90,623**	**309,542**	**17,235**	**748,563**	**(763,677)**	**1,331,979**
Equity holders of EDP	407,446	44,964	488,925	88,603	225,799	17,356	763,989	(912,419)	1,124,663
Non-controlling interests	488	(11,030)	(1,100)	2,020	83,743	(121)	(15,426)	148,742	207,316
Net profit/(loss) for the period	**407,934**	**33,934**	**487,825**	**90,623**	**309,542**	**17,235**	**748,563**	**(763,677)**	**1,331,979**
Total assets	6,970,120	6,982,418	7,327,784	13,044,929	5,693,903	139,330	53,054,750	(51,945,605)	41,267,629
Total liabilities	3,816,039	5,092,770	5,721,506	7,591,203	2,962,526	167,100	40,331,156	(35,801,450)	29,880,850
Increase of the period:									
Property, plant and equipment	59,328	436,282	157,594	830,711	197,359	6,027	63,754	(15,455)	1,735,600
Intangible assets	131,399	327,454	299,523	9	396,506	89	124	(5,396)	1,149,708
Goodwill	-	3,732	837	-	-	-	380	6,854	11,803

EXTERNAL CHECKS

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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

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

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

In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December 2012 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December 2012 (showing total assets of 42,627,844 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,192,354 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,012,483 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

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

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

KPMG

Scope

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

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

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

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

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2012, the consolidated results of its operations, the consolidated cash flows , the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

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

Lisbon, 5 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2012

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

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, 2012.

2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.

4 Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, of consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the consolidated financial statements.

Lisbon, 5 March, 2013

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.° 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.° 1081)

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AUDITORS' REPORT

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

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at and for the year ended 31 December 2012 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December 2012 (showing total assets of 20,853,321 thousand Euros and shareholders' equity of 6,886,211 thousand Euros, including a net profit of 832,682 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that presents fairly the financial position of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

KPMG

Scope

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

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

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

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

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2012, 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 as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

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

Lisbon, 5 March 2013

KPMG & Associados
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REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2012

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

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, 2012.

2 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, of 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, 5 March, 2013

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010 *
Turnover	6	15,120,851	14,170,742
Cost of electricity	6	-7,320,373	-6,808,261
Cost of gas	6	-1,328,068	-945,270
Changes in inventories and cost of raw materials and consumables used	6	-1,035,935	-1,012,880
		5,436,475	5,404,331
Revenue from assets assigned to concessions	7	440,546	392,017
Expenditure with assets assigned to concessions	7	-440,546	-392,017
		-	-
Other operating income / (expenses)			
Other operating income	8	414,342	320,889
Supplies and services	9	-901,048	-862,256
Personnel costs and employee benefits	10	-634,900	-643,468
Other operating expenses	11	-559,281	-521,384
		-1,680,887	-1,706,219
		3,755,588	3,698,112
Provisions	12	-692	-103,578
Depreciation, amortisation expense and impairment	13	-1,517,160	-1,469,002
Compensation of amortisation and depreciation	13	29,654	22,279
		2,267,390	2,147,811
Gains / (losses) on the sale of financial assets	14	20,877	60,821
Financial income	15	818,848	820,743
Financial expenses	15	-1,534,235	-1,391,012
Share of profit in associates		19,477	23,470
Profit before income tax		1,592,357	1,661,833
Income tax expense	16	-260,378	-427,232
Net profit for the year		1,331,979	1,234,601
Attributable to:			
Equity holders of EDP		1,124,663	1,078,925
Non-controlling Interests	34	207,316	155,676
Net profit for the year		1,331,979	1,234,601
Earnings per share (Basic and Diluted) - Euros	31	**0.31**	**0.30**

* Includes the reclassification due to the change in accounting policy as described in note 2 a)

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 December 2011 and 2010

Thousands of Euros	2011		2010	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the year	1,124,663	207,316	1,078,925	155,676
Exchange differences arising on consolidation	-124,506	-129,539	146,964	152,159
Fair value reserve (cash flow hedge)	-88,349	-11,348	-35,264	-1,640
Tax effect from the fair value reserve (cash flow hedge)	24,471	3,171	8,581	56
Fair value reserve (available for sale investments)	-140,090	-439	-9,364	2,861
Tax effect from the fair value reserve (available for sale investments)	16,382	-147	-55	-169
Actuarial gains / (losses)	33,996	-22,191	-93,788	-14,127
Tax effect from the actuarial gains / (losses)	1,592	7,549	22,443	4,795
Other comprehensive income for the year, net of income tax	-276,504	-152,944	39,517	143,935
Total comprehensive income for the year	848,159	54,372	1,118,442	299,611

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010
Assets			
Property, plant and equipment	17	20,708,313	20,323,583
Intangible assets	18	6,800,478	6,614,139
Goodwill	19	3,327,257	3,349,179
Investments in associates	21	160,306	146,871
Available for sale investments	22	171,313	443,965
Deferred tax assets	23	511,414	515,332
Trade receivables	25	108,610	117,442
Debtors and other assets from commercial activities	26	2,108,393	1,438,199
Other debtors and other assets	27	414,973	258,518
Total Non-Current Assets		34,311,057	33,207,228
Inventories	24	346,060	356,978
Trade receivables	25	2,043,671	2,069,676
Debtors and other assets from commercial activities	26	1,495,616	2,045,017
Other debtors and other assets	27	505,694	514,609
Tax receivable	28	644,819	640,485
Financial assets at fair value through profit or loss	29	212	35,745
Cash and cash equivalents	30	1,731,524	1,588,163
Assets classified as held for sale	43	201,924	30,952
Total Current Assets		6,969,520	7,281,625
Total Assets		41,280,577	40,488,853
Equity			
Share capital	31	3,656,538	3,656,538
Treasury stock	32	-111,430	-115,731
Share premium	31	503,923	503,923
Reserves and retained earnings	33	2,935,840	2,730,903
Consolidated net profit attributable to equity holders of EDP		1,124,663	1,078,925
Total Equity attributable to equity holders of EDP		8,109,534	7,854,558
Non-Controlling Interests	34	3,277,245	2,930,401
Total Equity		11,386,779	10,784,959
Liabilities			
Financial debt	36	15,786,411	14,887,195
Employee benefits	37	1,823,158	1,904,879
Provisions	38	415,149	431,194
Hydrological correction account	35	69,142	75,098
Deferred tax liabilities	23	954,002	856,072
Institutional partnerships in USA wind farms	39	1,796,809	1,644,048
Trade and other payables from commercial activities	40	1,289,436	1,416,047
Other liabilities and other payables	41	361,101	759,722
Total Non-Current Liabilities		22,495,208	21,974,255
Financial debt	36	2,998,698	3,004,451
Trade and other payables from commercial activities	40	3,296,680	3,489,294
Other liabilities and other payables	41	535,077	683,538
Tax payable	42	546,806	552,356
Liabilities classified as held for sale	43	21,329	-
Total Current Liabilities		7,398,590	7,729,639
Total Liabilities		29,893,798	29,703,894
Total Equity and Liabilities		41,280,577	40,488,853

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 October to 31 December 2011 and 2010

Thousands of Euros	2011	2010 *
Turnover	3,958,944	3,932,133
Cost of electricity	-1,943,208	-1,860,818
Cost of gas	-366,939	-318,166
Changes in inventories and cost of raw materials and consumables used	-294,840	-343,307
	1,353,957	1,409,842
Revenue from assets assigned to concessions	131,707	165,777
Expenditure with assets assigned to concessions	-131,707	-165,777
	-	-
Other operating income / (expenses)		
Other operating income	180,916	130,618
Supplies and services	-250,887	-240,623
Personnel costs and employee benefits	-163,135	-181,129
Other operating expenses	-140,291	-134,281
	-373,397	-425,415
	980,560	984,427
Provisions	1,041	-35,269
Depreciation, amortisation expense and impairment	-438,958	-372,443
Compensation of amortisation and depreciation	4,373	5,483
	547,016	582,198
Gains / (losses) on the sale of financial assets	10,597	58,246
Financial income	227,591	255,778
Financial expenses	-397,039	-415,232
Share of profit in associates	2,048	5,125
Profit before income tax	390,213	486,115
Income tax expense	-18,213	-121,691
Net profit for the year	372,000	364,424
Attributable to:		
Equity holders of EDP	301,033	304,653
Non-controlling interests	70,967	59,771
Net profit for the year	372,000	364,424
Earnings per share (Basic and Diluted) - Euros	**0.08**	**0.08**

* Includes the reclassification due to the change in accounting policy as described in note 2 a)

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 31 December 2011 and 31 December 2010

Thousands of 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	Non-controlling interests
Balance as at 31 December 2009	**9,978,013**	**3,656,538**	**501,992**	**471,387**	**2,381,683**	**61,794**	**174,103**	**165,859**	**-119,784**	**7,293,572**	**2,684,441**
Comprehensive income:											
Net profit for the year	1,234,601	-	-	-	1,078,925	-	-	-	-	1,078,925	155,676
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,267	-	-	-	-	-26,683	-	-	-	-26,683	-1,584
Changes in the fair value reserve (available for sale investments) net of taxes	-6,727	-	-	-	-	-	-9,419	-	-	-9,419	2,692
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchange differences arising on consolidation	299,123	-	-	-	-	-	-	146,964	-	146,964	152,159
Total comprehensive income for the year	1,418,053	-	-	-	1,007,580	-26,683	-9,419	146,964	-	1,118,442	299,611
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to non-controlling interests	-62,018	-	-	-	-	-	-	-	-	-	-62,018
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	-	2,323	291	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	8,538	-	-	-	-	-	-	-	-	-	8,538
Other reserves arising on consolidation	-148	-	-	-	23	-	-	-	-	23	-171
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**
Comprehensive income:											
Net profit for the year	1,331,979	-	-	-	1,124,663	-	-	-	-	1,124,663	207,316
Changes in the fair value reserve (cash flow hedge) net of taxes	-72,055	-	-	-	-	-63,878	-	-	-	-63,878	-8,177
Changes in the fair value reserve (available for sale investments) net of taxes	-124,294	-	-	-	-	-	-123,708	-	-	-123,708	-586
Actuarial gains/(losses) net of taxes	20,946	-	-	-	35,588	-	-	-	-	35,588	-14,642
Exchange differences arising on consolidation	-254,045	-	-	-	-	-	-	-124,506	-	-124,506	-129,539
Total comprehensive income for the year	902,531	-	-	-	1,160,251	-63,878	-123,708	-124,506	-	848,159	54,372
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-123,441	-	-	-	-	-	-	-	-	-	-123,441
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	-	2,255	1,141	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions/sales and equity increases	41,477	-	-	-	1,310				-	1,310	40,167
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	-573	-	-	-	-643	-	-	-	-	-643	70
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal

Consolidated and Non-Consolidated Statement of Cash Flows
for the years ended 31 December 2011 and 2010

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Operating activities				
Cash receipts from customers	14,337,258	13,153,511	2,241,167	1,890,333
Proceeds from tariff adjustments securitization	684,651	-	-	-
Payments to suppliers	-10,588,153	-9,415,651	-2,189,230	-1,810,537
Payments to personnel	-817,903	-654,063	-54,547	-49,502
Concession rents paid	-226,115	-236,440	-	-
Other receipts / (payments) relating to operating activities	-251,123	-321,258	-83,744	-56,178
Net cash from operations	3,138,615	2,526,099	-86,354	-25,884
Income tax received / (paid)	-191,810	-683,955	-9,227	25,793
Net cash from operating activities	2,946,805	1,842,144	-95,581	-91
Investing activities				
Cash receipts relating to:				
Financial assets	152,822	155,286	437,764	98,122
Property, plant and equipment and intangible assets	48,964	65,292	2,746	2,024
Investment grants	44,881	31,313	-	-
Interest and similar income	115,820	127,218	463,796	324,606
Dividends	19,560	37,387	854,084	346,968
	382,047	416,496	1,758,390	771,720
Cash payments relating to:				
Financial assets	-614,704	-283,708	-511,755	-3,039
Changes in cash resulting from consolidation perimeter variations	-659	5,440	-	-
Property, plant and equipment and intangible assets	-2,311,043	-2,983,595	-44,645	-59,617
	-2,926,406	-3,261,863	-556,400	-62,656
Net cash from investing activities	-2,544,359	-2,845,367	1,201,990	709,064
Financing activities				
Receipts / (payments) relating to loans	732,952	1,104,831	439,916	-538,091
Interest and similar costs including hedge derivatives	-637,962	-540,095	-390,629	-361,482
Governmental grants received	2,587	169,304	-	-
Share capital increases by non-controlling interests	4,503	2,514	-	-
Receipts / (payments) relating to derivative financial instruments	-63,980	-42,670	-23,329	901
Dividends paid to equity holders of EDP	-616,581	-561,819	-616,581	-561,819
Dividends paid to non-controlling interests	-137,565	-87,274	-	-
Treasury stock sold / (purchased)	1,077	369	3,123	2,487
Purchase / (sale) of non-controlling interests without loss of control	356,343	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	141,111	228,359	-	-
Net cash from financing activities	-217,515	273,519	-587,500	-1,458,004
Changes in cash and cash equivalents	184,931	-729,704	518,909	-749,031
Effect of exchange rate fluctuations on cash held	-41,570	43,557	25	350
Cash and cash equivalents at the beginning of the year	1,588,163	2,274,310	142,675	891,356
Cash and cash equivalents at the end of the year (*)	1,731,524	1,588,163	661,609	142,675

(*) See details of "Cash and cash equivalents" in note 30 of the Financial Statements.

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010
Turnover	6	2,432,189	2,003,510
Cost of electricity	6	-1,817,445	-1,412,899
Changes in inventories and cost of raw materials and consumables used	6	-506,380	-430,640
		108,364	159,971
Other operating income / (expenses)			
Other operating income	8	13,013	12,408
Supplies and services	9	-176,852	-163,333
Personnel costs and employee benefits	10	-14,148	-14,022
Other operating expenses	11	-11,898	-12,834
		-189,885	-177,781
		-81,521	-17,810
Provisions	12	-9,516	-5,418
Depreciation, amortisation expense and impairment	13	-11,162	-12,054
		-102,199	-35,282
Gains / (losses) on the sale of financial assets	14	120,345	52,724
Financial income	15	1,472,994	1,628,636
Financial expenses	15	-878,942	-947,406
Profit before income tax		612,198	698,672
Income tax expense	16	173,606	26,464
Net profit for the year		785,804	725,136

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at 31 December 2011 and 2010

Thousands of Euros	2011	2010
Net profit for the year	785,804	725,136
Fair value reserve (cash flow hedge)	-20,852	-30,839
Tax effect from the fair value reserve (cash flow hedge)	5,507	7,548
Fair value reserve (available for sale investments)	-138,677	18,034
Tax effect from the fair value reserve (available for sale investments)	16,248	-3,120
Other comprehensive income for the year, net of income tax	-137,774	-8,377
Total comprehensive income for the year	648,030	716,759

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position as at 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010
Assets			
Property, plant and equipment	17	200,749	165,105
Intangible assets	18	16	24
Investments in subsidiaries	20	9,708,783	9,507,310
Investments in associates	21	-	-
Available for sale investments	22	42,544	257,072
Investment property		11,468	-
Deferred tax assets	23	18,344	-
Debtors and other assets from commercial activities	26	179	126
Other debtors and other assets	27	4,848,129	5,393,302
Total Non-Current Assets		14,830,212	15,322,939
Inventories	24	807	51,745
Trade receivables	25	149,073	46,357
Debtors and other assets from commercial activities	26	260,829	266,135
Other debtors and other assets	27	2,645,774	2,245,427
Tax receivable	28	162,377	92,330
Cash and cash equivalents	30	661,609	142,675
Total Current Assets		3,880,469	2,844,669
Total Assets		18,710,681	18,167,608
Equity			
Share capital	31	3,656,538	3,656,538
Treasury stock	32	-105,335	-109,636
Share premium	31	503,923	503,923
Reserves and retained earnings	33	1,895,855	1,926,188
Net profit for the year		785,804	725,136
Total Equity		6,736,785	6,702,149
Liabilities			
Financial debt	36	1,777,527	1,311,375
Provisions	38	72,172	21,867
Hydrological correction account	35	69,142	75,098
Deferred tax liabilities	23	-	67,926
Trade and other payables from commercial activities	40	3,410	3,797
Other liabilities and other payables	41	2,447,314	3,218,917
Total Non-Current Liabilities		4,369,565	4,698,980
Financial debt	36	5,700,385	5,779,736
Trade and other payables from commercial activities	40	508,693	431,151
Other liabilities and other payables	41	1,393,531	554,404
Tax payable	42	1,722	1,188
Total Current Liabilities		7,604,331	6,766,479
Total Liabilities		11,973,896	11,465,459
Total Equity and Liabilities		18,710,681	18,167,608

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 October to 31 December 2011 and 2010

Thousands of Euros	2011	2010
Turnover	697,706	601,048
Cost of electricity	-486,601	-404,972
Changes in inventories and cost of raw materials and consumables used	-175,189	-180,696
	35,916	15,380
Other operating income / (expenses)		
Other operating income	5,336	4,403
Supplies and services	-44,434	-43,155
Personnel costs and employee benefits	-3,368	-3,857
Other operating expenses	-881	-1,266
	-43,347	-43,875
	-7,431	-28,495
Provisions	-13,398	8,146
Depreciation, amortisation expense and impairment	-4,240	-5,050
	-25,069	-25,399
Gains / (losses) on the sale of financial assets	9,983	45,782
Financial income	426,607	594,803
Financial expenses	-259,270	-258,852
Profit before income tax	152,251	356,334
Income tax expense	26,025	18,617
Net profit for the period	178,276	374,951

LISBON, 8 MARCH 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these consolidated financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at 31 December 2011 and 2010

Thousands of 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 2009	**6,542,869**	**3,656,538**	**501,992**	**471,387**	**1,867,805**	**41,104**	**117,732**	**-113,689**
Comprehensive income:								
Net profit for the year	725,136	-	-	-	725,136	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,291	-	-	-	-	-23,291	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	14,914	-	-	-	-	-	14,914	-
Total comprehensive income for the year	716,759	-	-	-	725,136	-23,291	14,914	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	2,323
Tax reimbursement of Capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 31 December 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**
Comprehensive income:								
Net profit for the year	785,804	-	-	-	785,804	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-15,345	-	-	-	-	-15,345	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-122,429	-	-	-	-	-	-122,429	-
Total comprehensive income for the year	648,030	-	-	-	785,804	-15,345	-122,429	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	2,255
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**

The following notes form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

		PÁG.
1.	Economic activity of EDP Group	164
2.	Accounting policies	170
3.	Critical accounting estimates and judgements in preparing the financial statements	180
4.	Financial-risk management policies	182
5.	Consolidation perimeter	185
6.	Turnover	186
7.	Revenue from assets assigned to concessions	187
8.	Other operating income	188
9.	Supplies and services	189
10.	Personnel costs and employee benefits	189
11.	Other operating expenses	190
12.	Provisions	190
13.	Depreciation, amortisation expense and impairment	190
14.	Gains/ (losses) on the sale of financial assets	191
15.	Financial income and expenses	192
16.	Income tax	193
17.	Property, plant and equipment	195
18.	Intangible assets	197
19.	Goodwill	200
20.	Investments in subsidiaries (Company basis)	202
21.	Investments in associates	202
22.	Available for sale investments	203
23.	Deferred tax assets and liabilities	205
24.	Inventories	206
25.	Trade receivables	207
26.	Debtors and other assets from commercial activities	208
27.	Other debtors and other assets	210
28.	Tax receivable	210
29.	Financial assets at fair value through profit or loss	210
30.	Cash and cash equivalents	211
31.	Share capital and share premium	211
32.	Treasury stock	212
33.	Reserves and retained earnings	212
34.	Non-controlling interests	213
35.	Hydrological account	214
36.	Financial debt	214
37.	Employee benefits	217
38.	Provisions for liabilities and charges	225
39.	Institutional partnerships in USA wind farms	227
40.	Trade and other payables from commercial activities	227
41.	Other liabilities and other payables	228
42.	Tax payable	229
43.	Assets and liabilities classified as held for sale	229
44.	Derivative financial instruments	230
45.	Commitments	232
46.	Share based payments	233
47.	Related parties	234
48.	Fair value of financial assets and liabilities	237
49.	CO2 licenses	238
50.	Subsequent events	239
51.	Recent accounting standards and interpretations issued	240
52.	EDP Branch in Spain	243
53.	Environmental matters	244
54.	Segmental reporting	245
55.	Explanation added for translation	246
Annex I	Companies in the Consolidation perimeter	247
Annex II	EDP Group Activity by Business Segment	254

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. 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 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, energy services and property management.

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

Activity in the energy sector in Portugal

Electricity

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution and supply activities of electricity, and to the market organization, are established by the Decree-Law 29/2006 of 15 February. This DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 was updated by DL 104/2010 of 29 September and by DL 78/2011 of 20 July, which transposes the principals of the European Parliament and Council's Directive 2009/72/CE of 13 July which came to repeal the Directive 2003/54/CE.

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.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, in order to economic and finance balance in terms of efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

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

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

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

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

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

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição with the possibility of the agreement being revoked with at least 1 year's prior notice and the payment of an indemnity to the concessionaire. These concessions are in return for payment of a rent to the respective municipalities.

Supply

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

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE. The Decree-Law 104/2010 of 29 September, establishes the end of regulated tariffs for very high, high, medium and low-tension customers from 1 January 2011.

Under the terms of the Ministers Council Resolution 34/2011 of 1 August which sets out the timetable for the extinction of tariffs to customers, transitory rates to be approved by ERSE will be applied for the period not exceding three years only those customers who have not yet chosen a supplier.

Public Domain Assets

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

Gas

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, either in the regulated market (EDP Gás Serviço Universal) or the free market (EDP Gás.com and EDP Comercial). EDP Gás.com and EDP Comercial, with a trading license in the free market since 2008 and 2010, respectively , have operated in the market since the start of 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL S.A.

On 15 June 2011, the tariffs set by ERSE were published for the years 2011-2012. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

In Spain, Hidroeléctrica del Cantábrico (HC Energia) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, HC Energia 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) incorporatesinto 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 came 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, among others, the following basic principles:

Generation

Since 1 January 1998 electricity generation operates on 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 forward 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 electricity tariffs of from 1 October 2007, replaced the concept of "power availability" 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 remuneration 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 their generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, the Royal Decree Law 1221/2010 of 1 October was approved modifies the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective measure to promote the consumption of local coal. Additionally, from the endorsement of Royal Decree Law 14/2010 of 23 December, producers under the ordinary regime have the obligation to pay for the utilization of the transport and distribution networks.

Transportation

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

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

The Royal Decree 325/2008 of 29 February, establishes a new fee system applicable to electricity transportation facilities, that entered into service from 1 January 2009. Just as for distribution, this new model of compensation is based on investments realised.

The current text of Law 54/1997 also provides that the transmission activity will be performed by a single entity. 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 remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the distribution electricity activity and modifying the system of "Acometidas" (system that regulates the installation, that allows the connection of the distribution network with the point of delivery of energy to the client). The new remuneration system is based on investments and increased demand of each distributor. As such, 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 from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as network operators.

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges. These rates exclusive to Spain, are established by the Ministry of Industry, Tourism and Trade based on the costs of regulated activities, including fixed costs and diversification and security of supply costs.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the 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 Energia Último Recurso, S.A.U. is included.

Social Benefit

The Royal Decree 6/2009 of 30 April, created the Social Benefit for some consumers who benefit from the tariff of last resort (TUR) and that meet certain social characteristics of consumption and purchasing power given by the Ministry of Industry, Tourism and Trade. The benefit will cover the difference between the value of TUR and the benchmark value and will be financed by the production companies.

Gas

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

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market .

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

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

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

The system of provisioning and supplying 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 consumers who are covered by the regulation (from July 2009 defined as those consuming less than 50,000 kWh / year), and which will be implemented by the suppliers, who in accordance with Article 82 of Law 34/1998 have an obligation as suppliers of last resort. Naturgás Comercializadora Energía, S.A. is one of the trading companies designated by the Ministry.

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (HC Energia Comercializadora de Último Recurso currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff ("TUR") became the only tariff from 1 January 2010, denying to suppliers of last resort the application of discounts over customers with TUR.

Activity in the energy sector in Brazil

Electricity

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

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

The Brazilian electricity sector has undergone major structural and institutional changes in recent years, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

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 tha the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines. Public auctions began in late 2004.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5.163/04). Free consumers can return to the regulated system under certain conditions.

Generation

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

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

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

Transmission

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

Distribution

The public 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 same cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration basis in the assets used in the distribution energy service (BRR). The tariff also includes a part to cover the operating costs established from a standard company, the Reference Company (with costs that would be charged by an efficient operator and which acted in the concession region). The regulatory EBITDA has two parts, which (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC, ie by the rate of weighted average cost of capital of sector companies. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the reference Company is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes in portion A costs and in the correction of portion B costs, by the index of variation of IGPM, discounting productivity gains (factor X). The index adjustment is calculated to pass on the variations in costs not manageable in the Parcel A and the adjusted Parcel B. Periodically (on average every 4 years) there is a tariff revision, which results in a global review of costs, in the definition of a new BRR and a new Reference Company, which capture the productivity gains in the period between reviews. At the start of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market, selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are binded to these services and cannot be removed, sold, transferred or mortgaged 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 2011, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L), EDP Renewables North America (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and Brazil. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, Genesa (Spain), Agrupación Eólica (Spain and France), Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDP Renováveis Brasil. As at 31 December 2010, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

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

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

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

The Royal Decree 6/2009 of 7 May was approved and is aimed at eliminating the tariff deficit from 2013. Among other measures, it introduces a pre-allocation register for new renewable energy capacity for renewable-energy installations to obtain the entitlements set out in Royal Decree 661/2007.

In July 2010, the Ministry of Industry established an agrement with two major associations of renewable energy (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1614/2010 , of December 7, which defines (i) for the years 2011 and 2012 a redution of 35% in the income applicable to wind generation defined by Royal Decree 661/2007, (ii) an addition to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the income for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) setting a limit of 2,589 hours of operation for the installed capacity from which the wind farm is nor entitled to receive any income.

The Decree-Law 14/2010 of 23 December, establishes several measures to reduce the tariff deficit, including a production rate of 0,5€ /MWh applicable to producers under the ordinary and special regimes.

On 28 January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the remuneration for renewable energy capacity not included in the pre-assignation registry. Despite this regulation, the Government has emphasised its commitment towards achieving the 2020 Renewable Energy Target for Spain. Within EDPR's pipeline, wind farms already included in the registry will not be affected by this new regulation. Projects not included in the registry, and therefore, ruled by Royal-Decree-law 1/2012, do not have beforehand a defined incentive scheme.

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May, as amended by Decree-Law No. 168/99 dated 18 May, Decree-Law No. 312/2001 dated 10 December and Decree-Law No. 339-C/2001 dated 29 December. Also relevant is Decree-Law No. 33-A/2005, dated 16 February, which establishes the current values 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 related 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.

In 2012, following the measures set out in the international financial assistence plan to Portugal and of the Government Programme, which predict the analysis of the effectiveness of the financial support for cogeneration and renewable energy, Decree- Law 25/2012 of 6 February, suspended the allocation of power injection on the Public Service under the special regime, which applies to all applications whose network connection is not authorized or whose reception is not yet assigned and covers the production facilities under Decree-Law 312/2001 and 583/99, relating to indigenous renewable resources and cogeneratyion up to 10MVA.

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 of America. All project companies within the Group in the United States of America 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. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year extension of the ITC, which allow the companies to receive 30% of the cash invested in projects with beggining of construction until December 2011 as long as placed in service until December 2012.

As part of the American Recovery and Reinvestment Act of 2009, which was extended in December of 2010, the federal government also encourages 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.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company 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 2011 and 2010.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 8 March 2012. The financial statements are presented in thousands of 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 into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's 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 and company financial statements for the years ended 31 December 2011 and 2010 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2011.

The accounting policies used by the Group in preparing its accompanying consolidated financial statements as at 31 December 2011 are consistent with those used in preparing the annual consolidated financial statements as at 31 December 2010.

However, as described in note 51, the Group adopted in the preparation of consolidated financial statements as at 31 December 2011, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2011. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The adoption of these new standards and interpretations in 2011 did not have a significant impact on the Group's accounts.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 51.

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.

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, acquired ("Purchase Price Allocations") with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative 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).

In the 2011 annual accounts (with 2010 comparatives), in order to improve the presentation of assets and liabilities, the Group has further disclosed in the consolidated statement of financial position what are in fact the core business "Debtors and other assets" and "Trade payables and other liabilities".

In order to improve the presentation of Cash and cash equivalents, as at 31 December 2011 and 2010, the specific demand deposits in relation to institutional partnerships are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months, were re-classified in the caption of Cash and cash equivalents instead of being included in the caption of Other debtors and other assets - Current.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, there was a change in accounting policy on employee benefits - pensions.

Change in accounting policy

According to IAS 19, the costs of the year related to benefit plans may be booked in the income statement, as one of the following:

(i) Interest cost and expected return on plan assets presented in financial results and the current service cost in employee benefits costs; or
(ii) The total net cost presented in employee and benefits costs caption.

Since the IFRS adoption, EDP Group has consistently presented these costs in accordance with the second option, presenting the net effect of its defined benefits in the employee benefits costs caption.

However, during the third quarter of 2011, EDP Group decided to change the previously adopted accounting policy. Therefore, EDP Group began to present only the amount corresponding to the current service cost and the effect of early retirements in employee benefits costs and the interest cost and the return on plan assets fund in financial results.

As at 31 December 2011, the effect of this change results in an impact of 88 million of Euros in financial results against a decrease on employee benefits costs. As at 31 December 2010, EDP Group restated its employee benefits costs for comparative purposes, resulting in a decrease of approximately 85 millions of Euros against a negative increase of financial results in the same amount (see notes 10, 15 and 37).

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 attributable to the Group, through the investments in associates.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December 2009, when an interest in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the consideration paid, is accounted against reserves. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. 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.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction also affects the income statement. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the gain or loss resulting from the disposal.

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (Fair Value Option).

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

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, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged to the income statement as incurred, according to the accrual principle.

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 tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	25
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change occurs in the expected economic benefits flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes ocurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest 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 expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from clients, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

l) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and depreciated on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets attributed to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

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 determined by using the weighted average method.

CO2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses, are being presented in the statement of financial position net of impairment losses which are associated.

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

n) Employee benefits

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant retirement complementary benefits for 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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on 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.

As described in note 2 a), the Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

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, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal, Spain and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. 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, contractual or constructive obligation at the end of the assets' usefu life. Therefore, such provisions have been booked for 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 the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods 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 standards. 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 portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector 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 Turnover of Electricity and network accesses 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.

Decree-Law 87/2011 approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against "Debtors and other assets" and "Trade and other payables", in the same terms defined for the electric sector as mentioned above.

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 in the Bluenext market on the grant date, usually at the beginning of each year. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price on the date of attribution.

Amortisation of Deferred Income - Subsidies is made in the year in which 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 Bluenext 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.

aa) Group concession activities

The International Financial Reporting Commitee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impraticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

According to IFRIC 12, the infrastructure allocated to concessions are not recognised by the operator as a tangible fixed assets or as a financial lease, as the operator does not control the assets. The infrastructure are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructure within the concession and results in the recognition of a financial asset, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in the recognition of an intangible asset.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

Intangible assets within concessions are depreciated over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

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 its 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 these Consolidated Financial Statements.

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of 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 assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric and thermoelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the future maintenance plan. Based on this information, the remaining useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

Tariff adjustments

Tariff adjustments in Portugal represent the difference between costs and income of the National Electricity and Gas System, estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs to 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 and Gas 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 and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and part of deficit of 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009. In September 2011, the EDP Group sold unconditional tariff adjustment for the additional cost of cogeneration for the period 2009-2011.

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

Spanish Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies through a State guarantee; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 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 considers, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

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

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

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

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 could result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, the Tax Authorities are entitled to review the EDP, S.A. and its subsidiaries determination of its annual taxable earnings, for a period of four years for annual periods starting from 2010 and six years for previous annual periods in case of tax losses carried forward. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in 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, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgement from those referred to could lead to different financial results than 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, 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.

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.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Brazilian Reais (BRL) and Zloty (PLN). Currently, the exposure to EUR/USD and EUR/PLN exchange rate risk results essentially from investments of EDP Group in wind parks in the USA and Poland. These investments were financed with debt contracted in USD and PLN, which allows to mitigate the exchange rate risk related to the investments.

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 exchange rate and interest rate risk on the GBP, CHF 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.

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 2011 and 2010, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	Dec 2011			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	12,432	-15,195	-755	923
PLN	-	-	3,309	-4,044
	12,432	-15,195	2,554	-3,121

	Dec 2010			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	7,485	-9,148	-15,995	19,550
PLN	-	-	3,584	-4,381
	7,485	-9,148	-12,411	15,169

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.

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 17 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 50% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

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 2011 and 2010 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Dec 2011			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-66,160	66,160	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	47,501	-51,429
Trading derivatives (accounting perspective)	-7,884	4,658	-	-
	-93,126	89,900	47,501	-51,429

	Dec 2010			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-27,277	27,277	-	-
Unhedged debt	-64,241	64,241	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	36,981	-40,988
Trading derivatives (accounting perspective)	-25,659	28,386	-	-
	-117,177	119,904	36,981	-40,988

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 are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

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

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 36).

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal) and forwards to fix prices.

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

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

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

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

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

	P@R Distribution by risk factor	
Thousands of Euros	Dec 2011	Dec 2010
Risk factor:		
Negociation	2,000	1,000
Fuel	45,000	41,000
CO2	1,000	3,000
Electricity	19,000	36,000
Hydrological	19,000	20,000
Diversification effect	-66,000	-74,000
Total	20,000	27,000

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 2011 and 2010 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2011	Dec 2010
Credit risk rating (S&P):		
AAA to AA-	12.44%	18.06%
A+ to A-	81.15%	75.69%
BBB+ to BBB-	3.43%	0.90%
BB+ to B-	0.47%	1.11%
No rating assigned	2.51%	4.24%
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 2011 and 2010 is as follows:

	VaR	
Thousands of Euros	Dec 2011	Dec 2010
Exchange rate risk	677	461
Interest rate risk	3,747	3,638
Covariation	-604	-421
Total	3,820	3,678

5. CONSOLIDATION PERIMETER

During 2011, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A acquired 100% of the share capital of Home Energy II, S.A.;
- EDP Renewables Europe, S.L. acquired 49% of the share capital of SeaEnergy Renewables Inch Cape Limited, through its subsidiary EDPR UK Limited;
- Enagás - S.G.P.S., S.A. acquired 33.05% of the share capital of Setgás Comercialização, S.A.;
- EDP Renewables Europe, S.L. acquired 85% of the share capital of S.C. Ialomita Power, S.R.L.;
- Companhia Energética do Jari - Ceja (previous designated as Ipueiras Energia, S.A.) adquired 100% of the share capital of ECE Participações, S.A.

Companies sold and liquidated:

- EDP Renewables Europe, S.L. dissolved and liquidated Sodecoan, S.L., through its subsidiary Generaciones Especiales I, S.L;
- EDP Renewables Europe, S.L. sold 100% of Subgroup Veinco, through its subsidiary Generaciones Especiales I, S.L;
- EDP, S.A. liquidated EDP Investimentos, S.G.P.S., S.A. and its subsidiary EDP Gás III, S.G.P.S., S.A.;
- EDP Renewables Europe, S. L. liquidated Neomai Inversiones SICAV, S.A., through its subsidiary Agrupación Eólica, S.L.U.

Companies merged:

- Enernova, S.A. (Brazil) was merged into Companhia Energética do Jari - Ceja;
- CESA - Castelo Energética, S.A. was merged into Energest, S.A.;
- Naturgas Energía Distribución Cantabria, S.A. was merged into Naturgas Energía Distribución, S.A.U.
- HDC Explotacion Centrales, S.A.U. was merged into Hidrocantábrico Cogeneracion, S.L.;
- EDP Gás II S.G.P.S, S.A. was merged into EDP Gás - S.G.P.S., S.A. (former EDP Participações S.G.P.S., S.A.);
- Farma Wiatrowa Wyszogrod, SP. ZO.O. was merged into Masovia Wind Farm I, S.P. ZO.O.;
- The following companies were incorporated in Hidrocantábrico Distribucion Eléctrica, S.A.U.:
  - Fuerzas Eléctricas Valencianas, S.A.;
  - Instalaciones Electricas Rio Isabena, S.L.;
  - Solanar Distribución Eléctrica, S.L.
- HDC Explotacion Redes, S.A.U. was merged into Hidrocantábrico Servicios, S.A.;
- Infraestructuras Gasistas de Navarra, S.L. was merged into Naturgas Energía Transporte, S.A.U.

Companies incorporated:

- EDP Renováveis Cantábria, S.L.;
- Paulding Wind Farm IV L.L.C.*;
- Pestera Wind Farm, S.A.;
- Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.;
- Pecém Transportadora de Minérios, S.A..
- Villa Castelli Wind, S.R.L.;
- Pochidia Wind Farm, S.A.;
- Rush County Wind Farm, L.L.C.*;
- 2011 Vento X, L.L.C.;
- EDPR Wind Ventures X, L.L.C.
- Eastern Nebraska Wind Farm, L.L.C.*;
- Agência de Desenvolvimento Regional do Vale do Tua, S.A.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally incorporated without share capital and that as at 31 December 2011 do not have any assets, liabilities, or any operating activity.

Other changes:

- EDP Asia - Investimento e Consultoria, Lda. and EDP Internacional, S.A. acquired 40% of the share capital of EDP - Ásia Soluções Energéticas, Lda;
- EDPR UK Limited, subsidiary of EDP Renewables Europe, S.L., sold an interest of 8.36% of the Moray Offshore Renewables Limited share capital by 4,033 thousands of Euros. As a consequence, the shareholding in the subsidiaries MacColl Offshore Windfarm Limited, Stevenson Offshore Windfarm Limited and Telford Offshore Windfarm Limited have also been reduced by 8.36%;
- Sinae Inversiones Eólicas S.A., subsidiary of EDP Renewables Europe, S. L., sold an interest of 1.25% the Eólica Alfoz, S.L. share capital;
- Reduction of the interests in EDP Energias do Brasil, S.A., from 64.8% to 51.0%, following the sale of an interest of 13.8% by EDP, S.A.;
- Reduction of the interests in SGORME - SGO Rede Mobilidade Eléctrica, S.A. from 100% to 91% through dilution, following a share capital increase not fully subscribed by EDP Distribuição - Energia, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 46.5% to 61.5% in the share capital of Aplicaciones Industriales de Energias Limpias, S.L. through its subsidiary Santa Quitéria Energia, S.L.U. Resulting from this change, EDPR EU increasing its shareholding from 58.33% to 83.96% in Parque Eólico Santa Quitéria, S.L. share capital, a subsidiary of Aplicaciones Industriales de Energias Limpias, S.L. ;
- HC Energia increased its shareholding from 47.5% to 95% in the share capital of Infraestruturas Gasistas de Navarra, S.L. through its subsidiary Naturgas Energía Transporte, S.A.U., being subsequently merged as mentioned in "Companies merged";
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 9.98% of the share capital of Instalaciones Electricas Rio Isabena, S.L.;
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 10% of the share capital of Solanar Distribución Electrica, S.L.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of the companies Relax Wind Park II, SP. ZO.O and Relax Wind Park IV, SP. ZO.O, through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- A EDP Renewables Europe, S.L. increased its shareholding from 89.99% to 100% in the share capital of Eólica Sierra de Avila, S.L. through its subsidiary Sinae Inversiones Eólicas S.A.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2011 and 2010 are listed in Annex I.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Electricity and network accesses	13,241,733	12,536,606	1,923,688	1,664,390
Gas and network accesses	1,688,936	1,348,165	211,223	62,945
Advisory, management and IT services	7,955	8,262	133,387	121,782
Sales of CO_2 licenses	37,036	145,922	163,119	154,038
Other	145,191	131,787	772	355
	15,120,851	14,170,742	2,432,189	2,003,510

During 2011, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 610,757 thousands of Euros (income in 31 December 2010: 194,510 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 40), as described under accounting policies - note 2 x).

Additionally, the caption Electricity includes on a consolidated basis 237,032 thousands of Euros (31 December 2010: 312,899 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 2,661 thousands of Euros (91,622 thousands of Euros as at 31 December 2010) related to the initial CMEC for the period and 234,371 thousands of Euros (221,277 thousands of Euros as at 31 December 2010) resulting from the revisable mechanism, as established by the current legislation in Portugal.

The caption Advisory, management and IT services includes, on a company basis, 82,629 thousands of Euros (31 December 2010: 80,589 thousands of Euros) related with services charged to subsidiaries of EDP, S.A. for management and IT services. The amounts charged are in accordance with the contractual terms established on an arm's length basis.

The breakdown of Revenue by segment is presented in the segmental reporting (see note 54).

Cost of electricity and gas and **Changes in inventories and cost of raw materials and consumables used** are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cost of electricity	7,320,373	6,808,261	1,817,445	1,412,899
Cost of gas	1,328,068	945,270	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	418,130	252,223	-	-
Gas	491,413	586,698	342,756	274,779
Cost of consumables used	33,603	34,162	-	-
CO_2 licenses	5,680	98,152	163,623	155,859
Other	167,632	131,558	1	2
Own work capitalised	-80,523	-89,913	-	-
	1,035,935	1,012,880	506,380	430,640
	9,684,376	8,766,411	2,323,825	1,843,539

On a company basis, Cost of electricity includes costs of 991,867 thousands of Euros (31 December 2010: 730,536 thousands of 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. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group	
Thousands of Euros	Dec 2011	Dec 2010
Revenue from assets assigned to concessions	440,546	392,017
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-338,432	-291,894
Personnel costs capitalized (see note 10)	-88,192	-79,863
Capitalised interest expense from financial debt (see note 15)	-13,922	-20,260
	-440,546	-392,017
	-	-

The movements for the period from assets assigned to concessions are disclosed in note 18 - Intangible assets.

The Revenue from assets assigned to concessions by geographical market is analysed as follows:

	Dec 2011			Dec 2010		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	301,465	139,081	440,546	278,438	113,579	392,017
Expenditure with assets assigned to concessions	-301,465	-139,081	-440,546	-278,438	-113,579	-392,017
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Supplementary income	13,578	23,409	5,603	345
Gains on fixed assets	38,227	4,731	1,416	1,839
Reversal of adjustments	33,301	33,067	-	-
Customers contributions	53,609	25,982	-	-
Insurance premiums - Energia RE	15,474	10,692	-	-
Income arising from institutional partnerships - EDPR NA	111,610	107,005	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	10,334	25,776	-	-
EDPR Italia	51,695	-	-	-
Contract termination indemnity - EDPR NA	-	15,840	-	-
EDPR Poland PPA	-	15,000	-	-
Other operating income	86,514	59,387	5,994	10,224
	414,342	320,889	13,013	12,408

Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE"), as referred in note 43.

The caption Reversal of Adjustments includes 28,470 thousands of Euros (31 December 2010: 30,401 thousands of Euros) related to Doubtful debtors and 4,831 thousands o Euros (31 December 2010: 2,666 thousands of Euros) regarding Debtors and other assets (see note 25 and 26).

Customers contributions of 53,609 thousands of Euros includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 47,687 thousands of Euros (31 December 2010: 18,670 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII,VIII,IX and X projects, in wind farms in U.S.A.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 40). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2011, the amortisation for the period amounts to 10,334 thousands of Euros (31 December 2010: 25,776 thousands of Euros).

During 2010, the Group acquired 85% of EDP Renewables Itali, S.r.l. The EDPR Group granted the seller a put option over the remanaining 15% of the interest which, in line with the Group's accounting policy, has been treated as an advance purchase of non-controlling interests. The acquisition cost recognised in the annual accounts for 2011 included the balance settled in cash, consideration contigent on the successful implementation of projects underway, and an amount reflecting the fair value of the put option. The contigent consideration and the amount of the put option are both at fair value (see notes 19 and 41). In 2011, EDPR Italia increased its share capital and the minority shareholder, Energía in Natura,S.r.l., did not subscribe this increase. As a result, the percentage ownership on the non-controlling interests has fallen to 6.48% and as well the percentage to be adquired through that written put option. After this operation, the Group updated the estimate of the amount payable taking into account the reduced percentage of the anticipated acquisition of non-controlling interests, and considering the updated estimate of energy prices and the number of MW to be installed in the future. In light of the above, the EDPR Group has reduced the liability associated with the put option by 34,625 thousands of Euros and the contigent consideration by 17,070 thousands of Euros, and recognised a profit for the year of 51,695 thousands of Euros (see note 41).

In 2010, the caption Contract termination indemnity - EDPR NA totalling 15,840 thousands of Euros, relates to na indemnity received by the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) due to the early termination of a power purchase agreement held with a customer.

In 2010,the caption EDPR Poland PPA totalling 15,000 thousands of Euros corresponds to the operating income arising from the Purchase Price Allocation completed during 2010 for the operating assets and liabilities related with the acquisition of the subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO. Following the purchase price allocation a positive difference between the fair value of assets and liabilities acquired and the cost of acquiring these subsidiares was identified. In accordance with IFRS 3 and the Group's accounting policy, this difference was recognized as operating income for the year.

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Supplies and services:				
Water, electricity and fuel	14,659	13,700	1,148	972
Rents and leases	102,154	93,892	40,865	36,589
Communication	39,744	40,832	10,176	9,293
Insurance	42,505	41,191	658	640
Transportation, travelling and representation	27,115	28,150	1,681	2,177
Maintenance and repairs	326,897	289,048	15,871	16,058
Advertising	25,086	26,611	7,485	7,755
Specialised works:				
- Commercial activity	156,386	134,219	9,778	8,668
- IT services	44,935	45,096	17,123	16,775
- Legal and advisory fees	44,146	48,293	9,277	10,126
- Other services	46,452	43,490	12,784	12,209
Provided personnel	-	-	44,575	36,985
Other supplies and services	30,969	57,734	5,431	5,086
	901,048	862,256	176,852	163,333

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Personnel costs				
Board of Directors remuneration	15,945	14,514	5,080	5,173
Employee's remuneration	484,365	478,214	1,608	1,516
Social charges on remuneration	120,514	121,485	372	266
Performance, assiduity and seniority bonus	81,747	79,788	5,583	5,714
Other costs	38,183	29,999	1,275	1,128
Own work capitalised:				
- Assigned to concessions (see note 7)	-88,192	-79,863	-	-
- Other	-78,920	-68,729	-	-
	573,642	575,408	13,918	13,797
Employee benefits				
Pension plans costs	34,872	29,216	85	86
Medical plans costs and other benefits	7,458	5,361	135	135
Cost of rationalising human resources	15,797	33,164	-	-
Other	3,131	319	10	4
	61,258	68,060	230	225
	634,900	643,468	14,148	14,022

Pension plans costs include 16,858 thousands of Euros (31 December 2010: 13,495 thousands of Euros) related to defined benefit plans (see note 37) and 18,014 thousands of Euros (31 December 2010: 15,721 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 7,458 thousands of Euros (31 December 2010: 7,110 thousands of Euros net of the corresponding charge-off) related to the charge of the year. The costs of rationalising human resources results essentially from 56 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following the decommissioning process of the Carregado Generation Center and EDP Distribuição, S.A.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43,210 thousands of Euros (31 December 2010: 42,092 thousands of Euros) respectively, were reclassified from personnel costs and employee benefits to financial costs (see notes 15 and 37).

The breakdown by management positions and category of professional permanent staff as at 31 December 2011 and 2010 is as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Board members and senior officers	100	107	29	28
Senior management	587	484	-	-
High management	3,501	2,389	-	-
Middle and intermediate management	1,188	1,428	-	-
Highly-skilled and skilled workers	5,537	5,890	-	1
Semi-skilled workers	1,226	1,737	-	-
Others	80	61	-	-
	12,219	12,096	29	29

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Concession rents paid to local authorities and others	255,467	250,537	-	-
Direct taxes	18,757	16,647	347	240
Indirect taxes	104,968	62,800	461	812
Impairment losses on doubtful debts and others	55,895	85,890	24	25
Irrecoverable debts	15,602	14,747	-	-
Losses on fixed assets	41,995	14,724	391	69
Donations	19,975	20,918	7,780	8,127
Other operating costs	46,622	55,121	2,895	3,561
	559,281	521,384	11,898	12,834

The caption Concession rents paid to local authorities and others includes essentially the rents paid by EDP Distribuição to the local authorities under the terms of the distribution concession contracts in low tension electricity and rents paid to power plants.

The impairment losses on doubtful debts and others are analised in notes 25 and 26, respectively.

12. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Charge for the period	71,755	134,145	15,679	7,927
Write-back for the period	-71,063	-30,567	-6,163	-2,509
	692	103,578	9,516	5,418

In 2010, the net movement of provisions includes the charge for the year related to onerous contracts with clients (approximately 85,018 thousands of Euros) in Portugal and Spain.

13. DEPRECIATION,AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Property, plant and equipment:				
Buildings and other constructions	14,510	12,354	2,087	443
Plant and machinery:				
Hydroelectricity generation	119,983	118,592	8	8
Thermoelectric generation	283,340	274,325	-	-
Renewable generation	414,759	422,524	-	-
Electricity distribution	56,791	54,633	-	-
Gas distribution	52,146	54,160	-	-
Other plant and machinery	5,453	4,043	16	15
Office equipment and tools	55,219	64,557	6,830	9,405
Other	17,119	12,258	2,213	2,175
Impairment loss	5,058	-	-	-
	1,024,378	1,017,446	11,154	12,046
Intangible assets:				
Industrial property and other rights	3,406	5,788	8	8
Concession rights and impairment	86,451	92,062	-	-
Intangible assets related to concessions - IFRIC 12	367,436	353,706	-	-
	457,293	451,556	8	8
	1,481,671	1,469,002	11,162	12,054
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-29,654	-22,279	-	-
Impairment of Goodwill	35,489	-	-	-
	1,487,506	1,446,723	11,162	12,054

The partially-funded property, plant and equipment 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 from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

During the second quarter of 2011, EDP Group changed the useful life of wind farms, from 20 to 25 years, based on a technical study performed by an independent entity with prospective effect from 1 April of 2011 as described in the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

In 2011, the caption Impairment of goodwill includes essentially, an impairment loss of EDPR Italia Group of 34,737 thousands of Euros resulting from the assessment of the recoverability of these assets based on the update of the assumptions in the estimates of MW to install and future energy prices (see notes 8 and 19).

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

Gains / (losses) on the sale of financial assets for the **Group** are analysed as follows:

	Dec 2011		Dec 2010	
Thousands of Euros	Disposal %	Value	Disposal %	Value
Available for sale investments:				
Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A.	7.70%	9,983	-	-
Sociedad Eólica de Andalucía, S.A.	16.67%	9,405	-	-
Other	-	11	-	1,073
Investments in subsidiaries and associates:				
DECA II	-	-	21.00%	56,965
Oni SGPS, S.A.	-	-	-	6,942
Other	-	1,478	-	-4,159
		20,877		60,821

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

	Dec 2011		Dec 2010	
Thousands of Euros	Disposal %	Value	Disposal %	Value
Available for sale investments:				
Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A.	7.70%	9,983	-	-
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	13.80%	110,362	-	-
DECA II	-	-	21.00%	45,782
Oni SGPS, S.A.	-	-	-	6,942
		120,345		52,724

On 4 October 2011, the sale of the investment held by the Group in the share capital of Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A. was completed for 85,000 thousands of Euros, generating a capital gain of 9,983 thousands of Euros, net of transaction costs of 503 thousands of Euros.

In 2011, EDP Renováveis, S.A. closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucia, SA by 10,700 thousands of Euros, generating a capital gain on a consolidated basis of 9,405 thousands of Euros.

In July 2011, EDP closed the process of the secondary public distribution offer of EDP Energias do Brasil, S.A. ordinary shares of 21,911,460 shares corresponding to 13.8% o EDP Brasil's share capital. This sale in the amount of 810.7 million of Reais (corresponding to approximately 363 million of Euros, at a currency rate at liquidation date), generating a capital gain on a individual basis of 110,362 thousands of Euros.

During 2010, resulting from the settlement of a pending lawsuit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI S.G.P.S., S.A. was adjusted from 96,908 thousands of Euros initially established to 103,850 thousands of Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousands of Euros.

On 21 October 2010 EDP, S.A. signed a a sale and purchase agreement with Empresas Públicas de Medellín in order to sell its share of 21% of the voting rights of Distribuicion Eléctrica Centro Americana Dos (II), S.A. (DECA II), together with its other shareholders: Iberdrola and TECO by 91,180 thousands of Euros. Following this transaction, EDP, S.A. recognised a gain on the sale in the company and consolidated accounts of 45,782 thounsands of Euros and 56,965 thousands of Euros, respectively.

On 28 July 2010, Ente Vasco de la Energia and HC Energia signed an agreement for the partial exercise, 29.43%, of the put option held by Ente Vasco de la Energia over Naturgás share capital. Considering that the original put option was for 30.35% of Naturgás share capital, the EDP Group recognised in 2010 the remaining 0.92% as a sale of minority interests, generating a loss on a consolidated basis of 2,831 thousands of Euros.

15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Financial income				
Interest income from investments	88,417	57,804	361,045	291,268
Interest from derivative financial instruments	140,040	149,480	28,749	57,926
Derivative financial instruments	265,911	293,696	437,216	542,210
Other interest income	60,681	87,708	1,485	5,918
Income from equity investments	7,885	16,159	638,498	713,321
Foreign exchange gains	71,758	92,284	5,331	15,537
CMEC	81,272	83,729	-	-
Other financial income	102,884	39,883	670	2,456
	818,848	820,743	1,472,994	1,628,636
Financial expenses				
Interest expense from financial debt	776,628	687,156	320,179	312,849
Capitalised interest expense from financial debt:				
Assigned to concessions (see note 7)	-13,922	-20,260	-	-
Other	-126,721	-148,391	-	-
Interest from derivative financial instruments	113,255	93,220	33,171	24,729
Derivative financial instruments	250,182	338,849	377,320	401,870
Other interest expense	54,560	8,271	8,769	4,447
Impairment of financial investments:				
Available for sale financial assets	63,435	4,207	-	-
Subsidiaries	-	-	51,854	29,339
Foreign exchange losses	123,813	96,875	77,618	167,567
CMEC	17,974	20,274	-	-
Unwinding with discounted value liabilities	107,940	118,562	-	-
Unwinding with pensions liabilities	44,926	43,210	-	-
Unwinding with medical liabilities and other plans	43,161	42,092	-	-
Other financial expenses	79,004	106,947	10,031	6,605
	1,534,235	1,391,012	878,942	947,406
Financial income / (expenses)	-715,387	-570,269	594,052	681,230

The caption Other financial Income - CMEC totalling 81,272 thousands of Euros includes, 19,080 thousands of Euros related to interest of the initial CMEC (31 December 2010: 21,099 thousands of Euros) included in the annuity for 2011, 57,629 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC, and 4,563 thousands of Euros (31 December 2010: 3,347 thousands of Euros) relating to the financial component of the revisable mechanism of CMEC for 2011. Other financial expenses - CMEC, in the amount of 17,974 thousands of Euros (31 December 2010: 20,274 thousands of Euros), is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 40).

The caption Other financial income includes an amount of 21,578 thousands of Euros related with interest income of tariff adjustment (31 December 2011: 13,575 thousands o Euros) and tariff deficit in Portugal and 7,282 thousands of Euros (31 December 2010: 771 thousands of Euros) related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 4,009 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal (31 December 2010: 25,734 thousands of Euros).

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.

Impairment of available for sale financial assets, on a consolidated basis, in the amount of 63,435 thousands of Euros, refers essentially to the impairment related with the financials investments held in BCP and Rede Energia, in the amounts of 57,851 thousands of Euros (31 December 2010: 4,207 thousands of Euros) and 5,505 thousands of Euros, respectively, as a result of the decrease in the quoted price of these shares (see note 22).

Impairment of financial investments, on a company basis, in 2011 includes a impairment booked against financial expenses as a result of losses on the subsidiaries EDP Imobiliária e Participações, S.A. (50,784 thousands of Euros) and EDP Investimentos, S.A. (1,020 thousands of Euros). In 2010, this caption include a provision of the same nature on the subsidiaries EDP Imobiliária e Participações, S.A. and EDP Inovação, S.A. of 28,109 thousands of Euros and 1,230 thousands of Euros, respectively.

The Unwinding with discounted value liabilities refers essentially to, (i) the unwinding of the dismantling provision for wind farms of 2,995 thousands of Euros (31 December 2010: 2,872 thousands of Euros), (ii) the unwinding related to the put option of EDP Renewables Itália of 1,400 thousands of Euros (31 December 2010: 1,889 thousands of Euros), (iii) the implied financial return in institutional partnership in USA wind farms which amounted to 62,538 thousands of Euros (31 December 2010: 64,830 thousands of Euros), and (iv) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 10,628 thousands of Euros (31 December 2010: 11,551 thousands of Euros), 5,051 thousands of Euros (31 December 2010: 2,828 thousands of Euros) and 11,958 thousands of Euros (31 December 2010: 13,480 thousands of Euros), respectively.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43.161 thousands of Euros (31 December 2010: 42,092 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 37).

The Other financial expenses includes the amount of 22,503 thousands of Euros related with the financial component of the provision booked by Bandeirante related to a process from the customer White Martins, S.A. regarding the existence of possible reflex effects in the electric power tariffs resulting from "Plano Cruzado".

Income from equity investments is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Group companies	-	-	633,979	696,458
Associated companies				
DECA - Distribuición Elétrica Centroamericana, S.A.	-	-	-	9,322
Other companies				
Ampla Investimentos e Serviços, S.A.	1,656	4,039	1,656	4,039
Banco Comercial Português, S.A.	-	2,347	-	-
Tejo Energia, S.A.	2,222	5,556	-	-
REN - Rede Eléctrica Nacional, S.A.	2,465	3,121	2,465	3,121
Other	1,542	1,096	398	381
	7,885	16,159	638,498	713,321

16. 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 2005. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (4 years in Portugal since 2010, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, providing for the implementation of a set of measures on the Spanish regime on income taxation. From 1 January 2012 onwards, the tax losses carry forward period is extended from 15 to 18 years.

In 2010 and 2011, a decision from the Supreme Administrative Court issued decisions in relation to the municipal surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law. According to the referred decisions, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group, and not in accordance with the tax authorities interpretation.

In previous years as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT transaction systems used by the tax authorities, EDP paid in excess the referred municipal surcharge related to the RETGS of 31,6 million Euros. As a result, as of 31 December 2011, the municipal surcharge to be recovered regarding the years 2007 to 2010 totals to 31,6 million Euros, over which will accrue the amount of 11,5 million Euros in respect of the 2011 municipal surcharge. Taking into consideration the contingent nature of these receivables, none of them are recognised in the 2011 financial statements, except for the 2007 municipal surcharge of 10 million Euros, for which EDP received a formal favourable decision from the Administrative Court

In respect of the municipal surcharge paid in excess over the years 2007, 2008, 2009 and 2010, EDP has used all available legal means in order to recover such amounts. On 30 December 2001, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2007 municipal surcharge. Following to the referred decision, EDP recognised in income of 10 million Euros.

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Current tax	-187,484	-186,304	69,213	20,110
Deferred tax	-72,894	-240,928	104,393	6,354
	-260,378	-427,232	173,606	26,464

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2011, is analysed as follows:

Thousands of Euros	Dec 2011		
	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,592,357	421,975
Tax losses and tax credits	-6.9%	-413,072	-109,464
Dividends	-0.4%	-23,091	-6,119
Tax benefits	-3.9%	-232,026	-61,487
Non deductible provisions and amortisations for tax purposes	0.2%	14,023	3,716
Diferences between tax and accounting gains and losses	-1.4%	-84,472	-22,385
Fair value of financial instruments and financial investments	0.5%	31,883	8,449
Financial investments in associates and subsidiaries	-0.3%	-18,045	-4,782
Autonomous taxation	0.2%	14,868	3,940
Other adjustments, tax differencial and changes in estimates	1.7%	100,136	26,535
Effective tax rate and total income tax	16.2%	982,561	260,378

The Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 millions of Euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The Law 64-A/2011 of 30 December, (2012 State Budget Law), modified the above referred tax, where the State surcharge applies (i) at a rate of 3% over taxable income in the range of 1,5 to 10 million Euros, and (ii) at a rate of 5% over taxable income exceeding 10 million Euros. In accordance with n.º 4 of Article 116º of this Law, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 million Euros will be 31,5%.

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2010, is analysed as follows:

	Dec 2010		
Thousands of Euros	Rate	Tax basis	Tax
Nominal rate and income tax	26.5%	1,661,833	440,386
Tax losses and tax credits	-0.1%	-4,551	-1,206
Dividends	1.1%	71,449	18,934
Tax benefits	-0.9%	-58,049	-15,383
Non deductible provisions and amortisations for tax purposes	-1.3%	-79,064	-20,952
Fair value of financial instruments and financial investments	0.1%	8,849	2,345
Financial investments in associates and subsidiaries	-0.4%	-26,528	-7,030
Autonomous taxation	0.0%	1,034	274
Change in tax rate	-0.9%	-56,683	-15,021
State surcharge	1.4%	84,509	22,395
Other adjustments and changes in estimates	0.2%	9,396	2,490
Effective tax rate and total income tax	25.7%	1,612,195	427,232

The reconciliation between the nominal and the effective income tax rate for the **Company** at 2011, is analysed as follows:

	Dec 2011		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	612,198	162,232
Non deductible provisions and amortisations for tax purposes	1.2%	28,642	7,590
Tax losses and tax credits	-16.8%	-387,592	-102,712
Dividends	-29.4%	-678,049	-179,683
Difference between tax and accounting gains/losses	-14.0%	-323,004	-85,596
Autonomous taxation and tax benefits	0.2%	4,215	1,117
Efect of tax rates in foreign jurisdictions	3.6%	84,109	22,289
Other adjustments and changes in estimates	0.2%	4,366	1,157
Effective tax rate and total income tax	-28.4%	-655,115	-173,606

During 2011, as a result of tax legislation changes in Spain and of corporate restructures of EDP's Spanish fiscal group of subsidiaries, EDP re-estimated the future recovery of tax losses and credits brought forward which led to the recognition of deferred tax assets in the amount of 70 million Euros.

The caption Difference between tax and accounting gains/losses mainly reflects the tax impact of the conclusion of the secondary public distribution offer for the distribution of EDP - Energias do Brasil, S.A.'s ordinary shares.

The reconciliation between the nominal and the effective income tax rate for the **Company** at 2010, is analysed as follows:

	Dec 2010		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	698,672	185,148
Non deductible provisions and amortisations for tax purposes	1.1%	27,883	7,389
Tax losses and tax credits	-5.2%	-136,883	-36,274
Difference between tax and accounting gains/losses	-0.9%	-23,758	-6,296
Dividends	-25.2%	-662,830	-175,650
Autonomous taxation and tax benefits	0.0%	-1,045	-277
Change in tax rate	0.6%	14,777	3,916
State surcharge	0.2%	6,192	1,641
Other adjustments and changes in estimates	-0.9%	-22,872	-6,061
Effective tax rate and total income tax	-3.8%	-99,864	-26,464

The effective tax rate for the EDP Group and EDP, SA is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Profit before tax	1,592,357	1,661,833	612,198	698,672
Income tax	-260,378	-427,232	173,606	26,464
Effective tax rate	16.4%	25.7%	-28.4%	-3.8%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cost:				
Land and natural resources	176,310	163,184	75,026	46,498
Buildings and other constructions	551,944	502,184	95,906	24,569
Plant and machinery:				
Hydroelectric generation	8,036,060	7,805,470	254	254
Thermoelectric generation	7,752,912	7,571,906	-	-
Renewable generation	10,899,201	9,531,048	-	-
Electricity distribution	1,990,302	1,985,616	-	-
Gas distribution	1,100,039	1,268,116	-	-
Other plant and machinery	114,955	39,065	165	148
Office equipment and tools	644,771	610,443	90,203	103,915
Other	130,755	195,221	19,120	18,363
Assets under construction	2,731,386	3,210,711	12,432	82,951
	34,128,635	32,882,964	293,106	276,698
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,019,320	-1,017,446	-11,154	-12,046
Accumulated depreciation in previous years	-12,390,019	-11,535,836	-81,203	-99,547
Impairment for the year	-5,058	-	-	-
Impairment losses in previous years	-5,925	-6,099	-	-
	-13,420,322	-12,559,381	-92,357	-111,593
Carrying amount	20,708,313	20,323,583	200,749	165,105

The movements in **Property, plant and equipment, for the Group,** for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	163,184	3,554	-289	15,174	-6,163	850	176,310
Buildings and other constructions	502,184	2,358	-6,594	74,048	-28,594	8,542	551,944
Plant and machinery	28,201,221	126,687	-37,508	1,562,398	-550	41,221	29,893,469
Office equipment and tools	610,443	9,236	-50,214	72,847	-486	2,945	644,771
Other	195,221	9,541	-22,973	12,390	-934	-62,490	130,755
Assets under construction	3,210,711	1,584,224	-43,755	-1,979,054	-56,689	15,949	2,731,386
	32,882,964	1,735,600	-161,333	-242,197	-93,416	7,017	34,128,635

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Exchange Differences	Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	14,510	-5,376	-	-5,474	7,389	155,315
Plant and machinery	11,818,193	937,509	-16,181	-84,211	7,018	37,030	12,699,358
Office equipment and tools	470,517	55,219	-50,198	-55	-1,176	1,880	476,187
Other	126,405	17,140	-7,695	-	-858	-45,530	89,462
	12,559,381	1,024,378	-79,450	-84,266	-490	769	13,420,322

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2011. Additionally, the EDP Brasil subgroup carried out investments related with the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 242,197 thousands of Euros of cost of acquisition and 84,266 thousands of Euros of accumulated depreciation, related to the regulated gas transmission activity in Spain, which were classified as non-current assets held for sale (see note 43).

Transfers from assets under construction into operation in 2011, refer mainly to wind farms of EDP Renováveis that became operational and hydroelectric plants of Bemposta II and Picote II.

Perimeter Variations / Regularisations includes the effect of the acquisition of Home Energy II S.A. and ECE Participações, and the effect of the sale of Subgroup Veinco, transactions made by EDP Group during 2011.

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL), Polish Zloty (PLN) and the appreciation of the American Dollar (USD) against the Euro in 2011.

The movements in **Property, plant and equipment, for the Group,** for the year ended 31 December 2010 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	149,633	5,564	-194	-306	8,852	-365	163,184
Buildings and other constructions	473,599	2,994	-6,794	-3,742	41,719	-5,592	502,184
Plant and machinery	25,396,468	21,041	-93,135	2,273,969	493,388	109,490	28,201,221
Office equipment and tools	600,790	16,223	-27,436	17,850	3,393	-377	610,443
Other	203,487	15,949	-11,133	11,623	2,921	-27,626	195,221
Assets under construction	3,278,539	2,331,788	-2,564	-2,453,161	81,555	-25,446	3,210,711
	30,102,516	2,393,559	-141,256	-153,767	631,828	50,084	32,882,964

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	12,354	-4,094	-4,211	7,477	-2,964	144,266
Plant and machinery	10,962,464	928,277	-62,307	-93,146	48,576	34,329	11,818,193
Office equipment and tools	441,004	64,557	-5,547	-27,299	2,871	-5,069	470,517
Other	128,538	12,258	-12,461	-16,028	2,439	11,659	126,405
	11,667,710	1,017,446	-84,409	-140,684	61,363	37,955	12,559,381

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2010. Additionally, the EDP Brasil subgroup carried out investments related to the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 61,184 thousand Euros of cost of acquisition and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 43). Additionally, this caption includes the effect of the changes in the application of IFRIC 12 in Brazil. These changes follow the clarifications provided by the Agência Nacional de Energia Eléctrica (ANEEL) regarding the criteria to determine assets allocated to concessions.

Transfers from assets under construction into operation in 2010, refer mainly to wind farms of EDP Renováveis that became operational.

Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group in 2010, namely EDP Renewables Italia,.and Repano Wind, and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, which has been consolidated under the full consolidation method, following the acquisition of an additional 12% interest.

The movement in Exchange differences in the period results mainly from the appreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the year ended 31 December 2010.

As at 31 December 2011, Property, plant and equipment financed through lease contracts for the Group, amounts to 14,249 thousands of Euros (13,303 thousands of Euros at 31 December 2010), with accumulated depreciation of 5,754 thousands of Euros (4,186 thousands of Euros at 31 December 2010) and, the respective future lease payments amount to 7,882 thousands of Euros (7,572 thousands of Euros at 31 December 2010). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2011			Dec 2010		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,211	214	3,425	2,857	146	3,003
Between one and five years	3,882	177	4,059	3,859	147	4,006
More than five years	389	9	398	548	15	563
	7,482	400	7,882	7,264	308	7,572

During 2011, the costs incurred with these assets amounted to 690 thousands of Euros (31 December 2010: 562 thousands of Euros) and are booked in the income statement under Maintenance and repairs.

The movements in **Property, plant and equipment, for the Company,** for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	46,498	13,525	-19	15 022	-	75,026
Buildings and other constructions	24,569	2	-5,062	68,148	8,249	95,906
Plant and machinery	402	17	-	-	-	419
Office equipment and tools	103,915	4,124	-32,886	15,050	-	90,203
Other	18,363	922	-722	537	20	19,120
Assets under construction	82,951	28,238	-	-98,757	-	12,432
	276,698	46,828	-38,689	-	8,269	293,106

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	2,087	-4,477	-	7,469	22,473
Plant and machinery	145	24	-	-	-	169
Office equipment and tools	82,088	6,830	-32,886	-	-	56,032
Other	11,966	2,213	-498	-	2	13,683
	111,593	11,154	-37,861	-	7,471	92,357

Transfers of Assets under construction to Buildings and other constructions relating essentially to the new building of EDP Group in Porto, which opened in 13 April 2011.

The movements in **Property, plant and equipment, for the Company,** for the year ended 31 December 2010 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	391	-1,887	-	813	24,569
Plant and machinery	402	-	-	-	-	402
Office equipment and tools	98,114	6,476	-	164	-839	103,915
Other	18,034	754	-491	66	-	18,363
Assets under construction	36,056	47,125	-	-230	-	82,951
	224,360	54,746	-2,382	-	-26	276,698

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	443	-	-1,597	813	17,394
Plant and machinery	122	23	-	-	-	145
Office equipment and tools	72,757	9,405	-	-	-74	82,088
Other	10,184	2,175	-	-393	-	11,966
	100,798	12,046	-	-1,990	739	111,593

As at 31 December 2011 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,555 thousands of Euros (3,393 thousands of Euros at 31 December 2010), with accumulated depreciation of 1,587 thousands of Euros (1,318 thousands of Euros at 31 December 2010) and the respective future lease payments amount to 1,733 thousands of Euros (1,644 thousands of Euros at 31 December 2010). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2011			Dec 2010		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	783	48	831	717	28	745
Between one and five years	753	39	792	816	25	841
More than five years	107	3	110	56	2	58
	1,643	90	1,733	1,589	55	1,644

During 2011, the costs incurred related to these assets amount to 169 thousands of Euros (155 thousands of Euros at 31 December 2010) and are booked under Maintenance and repairs in the income statement.

18. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cost:				
Industrial property, other rights and other intangibles	97,157	93,411	100	100
Concession rights	15,463,265	15,032,831	-	-
CO2 licenses	359,058	212,230	-	-
Intangible assets in progress	563,295	597,396	-	-
	16,482,775	15,935,868	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-453,887	-445,768	-	-
Amortisation of industrial property and other intangibles during the period	-3,406	-5,788	-8	-8
Accumulated amortisation in previous years	-9,225,004	-8,870,173	-76	-68
	-9,682,297	-9,321,729	-84	-76
Carrying amount	6,800,478	6,614,139	16	24

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048, as well as the concession of the public hydric domain for hydroelectric generation.

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

The movements in **Intangible assets** during the year ended 31 December 2011, **for the Group** , are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Industrial property, other rights and other intangibles	93,411	2,391	-22	594	27	756	97,157
Concession rights:							
Distribution and generation Brazil	1,254,421	251,138	-	-	-56,997	-	1,448,562
Gas Portugal	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrógão	470,228	54,266	-556	-	-	-2,528	521,410
Extension of Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	377,951	-231,123	-	-	-	359,058
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	20,044	-27,104	343,722	-215,012	63,461	12,493,994
Intangible assets in progress	257,298	420,502	-623	-476,845	-8,572	-	191,760
Other intangible assets in progress	340,098	23,416	-388	-594	-630	9,633	371,535
	15,935,868	1,149,708	-259,816	-133,123	-281,184	71,322	16,482,775

Thousands of Euros	Balance at 1 January	Charge for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses:							
Industrial property and other rights	25,629	3,406	-25	-	42	-8	29,044
Concession rights	597,280	86,451	-	-	-8,720	-	675,011
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	367,436	-13,440	-	-138,035	63,461	8,978,242
	9,321,729	457,293	-13,465	-	-146,713	63,453	9,682,297

The caption "Transfers" of intangible assets assigned to concessions in the amount of 133,123 thousands of Euros relates to the transfer to Debtors and other assets from commercial activities of the amount of the increase of financial assets related with IFRIC 12.

In the caption "Concession rigths - distribution and generation Brazil", the amount of 251,138 thousands of Euros in "Acquisitions / Increases" related to the concession rigths acquired in the operation of acquisition of Hidroeléctrica de Santo Antônio do Jari.

"Acquisitions / Increases" of CO2 Licences as at 31 December 2011 includes 214,782 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 163,169 thousands of Euros of licences purchased at market. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros (31 December 2010: 247,399 thousands of Euros) and 50,906 thousands of Euros sold in the market.

In the caption "Use rights Alqueva/Pedrógão", the acquisitions of 54,266 thousands of Euros relates to the power enhancement performed during 2011. The "Perimeter variations/Regularisations" of 2,528 thousands of Euros result from: (i) a decrease of 4,618 thousands of Euros regarding with the fact that the power enhancements predicted contractually in Pedrógão have not been performed, wich implies a revision of concession rent; and (ii) an increase of 2,090 thousands of Euros related to the update of the discount rate used in the calculation of the use right to 6.533%.

The movements in **Intangible assets** during the year ended 31 December 2010, **for the Group** , are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Industrial property, other rights and other intangibles	212,112	3,235	-448	-135,925	11,841	2,596	93,411
Concession rights:							
Distribution and generation Brazil	1,190,694	-	-	-	63,727	-	1,254,421
Gas Portugal	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrógão	411,437	43,924	-	-	-	14,867	470,228
Extension of Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	218,001	-293,760	-	-	-	212,230
Assigned to concessions (IFRIC 12):							
Intangible assets	11,525,486	62,296	-31,348	470,825	281,624	-	12,308,883
Intangible assets in progress	254,238	329,721	-121	-337,842	11,302	-	257,298
Other Intangible assets in progress	312,671	33,940	-4,010	-2,289	233	-447	340,098
	15,193,926	691,117	-329,687	-5,231	368,727	17,016	15,935,868

Thousands of Euros	Balance at 1 January	Charge for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,729	5,788	-73,692	-305	5,680	-571	25,629
Concession rights	496,217	92,062	-	-	9,001	-	597,280
Intangible assets assigned to concessions (IFRIC 12)	8,118,931	353,706	127,869	-14,812	113,126	-	8,698,820
	8,703,877	451,556	54,177	-15,117	127,807	-571	9,321,729

Transfers includes 97,814 thousand Euros that correspond to the movement of the financial asset related with IFRIC 12 and also the impact of the change in IFRIC 12 application in Brazil, which originated a transfer from tangible assets to this caption of 92,583 thousand Euros.

Acquisitions of CO2 Licenses as at 31 December 2010 includes 209,978 thousand Euros of CO2 licenses granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licenses is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousand Euros and 46,361 thousand Euros sold in the market.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,924 thousand Euros relate to the power enhancement performed during the year. The movement in Perimeter variations/Regularisations of 14,867 thousand Euros relates to the update of the discount rate used in the calculation of the use rights to 6.66%.

The movements in **Intangible assets** during 2011, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

Thousands of Euros	Balance at 1 January	Charge for the year	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated amortisation:						
Industrial property and other rights	76	8	-	-	-	84
	76	8	-	-	-	84

The movements in **Intangible assets** during 2010, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

Thousands of Euros	Balance at 1 January	Charge for the year	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated amortisation:						
Industrial property and other rights	67	8	-	-	1	76
	67	8	-	-	1	76

19. 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:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
HC Energia Group	1,916,548	1,908,476
EDP Renováveis Group	1,311,133	1,343,294
EDP Brasil Group	57,427	58,991
Other	42,149	38,418
	3,327,257	3,349,179

The movements in **Goodwill** during 2011, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,908,476	8,072	-	-	-	-	1,916,548
EDP Renováveis Group	1,343,294	-	-12,846	-35,489	16,174	-	1,311,133
EDP Brasil Group	58,991	-	-	-	-1,564	-	57,427
Other	38,418	3,731	-	-	-	-	42,149
	3,349,179	11,803	-12,846	-35,489	14,610	-	3,327,257

The movements in **Goodwill** during 2010, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,725,524	201,799	-18,847	-	-	-	1,908,476
EDP Renováveis Group	1,318,968	58,234	-72,170	-	38,262	-	1,343,294
EDP Brasil Group	56,762	-	-	-	2,229	-	58,991
Other	35,312	3,130	-24	-	-	-	38,418
	3,136,566	263,163	-91,041	-	40,491	-	3,349,179

HC Energia Group

During 2010, the Naturgas goodwill increased 201,799 thousands of Euros as a result of the revaluation of the liability related with the acquisition by Ente Vasco de la Energia (see note 41) of 29.43% of Naturgas Energia share capital.

During 2010, the goodwill from Hidrocantabrico Group decreased by 16,663 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 December 2011 and 2010, is analysed as follows:

Thousands of Euros	EDP Renováveis Group	
	Dec 2011	Dec 2010
Goodwill in EDPR Europe Group	697,691	748,680
Goodwill in EDPR North America Group	611,882	592,915
Goodwill in EDPR BR Group	1,560	1,699
	1,311,133	1,343,294

The decrease in EDPR Europe goodwill in the amount of 12,846 thousands of Euros, results from the redefinition of the final price of the liability related with the put option of Caja Madrid over the non-controlling interest held by this entity over Genesa in the amount of 3,363 thousands of Euros (see note 41) and the sale of Subgrupo Veinco by 9,483 thousands of Euros. On the other hand in 2011, the impairment in EDPR Italia Group goodwill, relates essentially with an update of the assumptions in the estimatives of MW to install and future energy prices of 34,737 thousands of Euros (see notes 8 and 13).

The variation of EDPR North America goodwill is related to exchange differences.

During 2010, the increase in EDP Renováveis Group includes the amount of 57,781 thousands of thousands of Euros s from the acquisition of the EDPR Italia. During 2011 the decrease in EDP Renováveis Group subgroup is related with the revaluation of the put option of Caja Madrid over Genesa amounting to 68,968 thousands of Euros.

Goodwill impairment test analysis — EDP Group

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

The recoverable amount testing is performed for each cash flow generating unit, identified in each country where EDP Group develops its activities/operations, namely:

- HC Energia (including Naturgás) - Generation, Distribution & supply of electricity and Distribution & supply of gas;
- EDP Renováveis Europe — Wind generation;
- EDP Renováveis North America and Brazil - Wind generation;
- EDP Brasil - Generation, Distribution, and supply.

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.

Goodwill impairment test analysis — HC Energia Group (including Naturgás)

The discount rates used by the Group in the impairment test analysis range between 6.3% and 7.2% (2010: between 5.6% and 6.4% respectively).

In the generation business, the cash-flow projections correspond to the remaining useful lives of the power plants. In the electricity and gas distribution business, the cash-flows are projected in a four year period, where in the 5th year a perpetuity is used with a 1% growth rate.

The main assumptions on which impairment tests are based are as follows:

- Energy produced by the power plants: the best estimates were prepared taking into consideration future market demand and total installed capacity;

- Prices of electricity, gas and coal: future price curves based on external recognised data bases were prepared with internal knowledge developed historically and considering regulation in force. Contracted prices for future purchases were also used as applicable in each case;

- Operating costs: Operating costs were projected consistent with the company's experience and internal models;

- In the regulated business, namely in the distribution of electricity and gas, the contracted or officially approved remuneration was used, applying the regulated mechanisms for the annual remuneration updates.

The Group has performed a series of sensitivity analyses of the results of impairment tests to changes in some of the key variables, such as (i) uncontracted generation margins and (ii) Discount rate. This sensitivity analysis of considering (i) a 5% decrease in estimated generation margins, or (ii) a +50bps increase on the discount rate did not result in any impairment indicators.

Goodwill impairment test analysis — EDP Renováveis

The future cash flows projection period used is the remaining useful life of the assets which is consistent with the estimated useful life of our wind farms and with the current depreciation method. This is also supported by the long-term off-take contracts in place and possibility of utilizing estimated price curves

The main assumptions on which impairment tests are based are as follows:

- Power produced: net capacity factors used for each CGU utilize wind studies carried out, taking into consideration (i) the installed capacity and the long-term forecasts of wind output and (ii) the regulatory mechanisms that allow for production whenever weather conditions permit;

- Electricity remuneration: approved or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output a pre-determined during their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data sources;

- New capacity: tests were based on the best information available on the wind farms due to come operational in coming years and considered the contracted and expected prices to buy turbines from various suppliers, adjusted by the probability the projects planned are to be successfully completed and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections;

- Operating costs: established contracts for land leases and maintenance agreements were used; other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: it is used as a percentage of the initial investment in each CGU, considering inflation;

- Discount rate: the discount rates used reflects the Group's best estimate of the risks specific to each CGU and range as follows:

	2011	2010
EDPR EU	6.1% - 8.6%	5.3% - 7.7%
EDPR NA and EDPR BR	5.0% - 8.3%	6.1% - 9.1%

The Group has performed a series of sensitivity analyses of the results of impairment tests to changes in some of the key variables, such as (i) Net Capacity Factor, (ii) Electricity remuneration, (iii) Capital expenditure in new windfarms, and (iv) Discount rate.

This sensitivity analysis does not lead into any imparity on EDPR EU nor EDPR NA and EDPR BR, apart from Italy where an increased in the discount rate of +25bp's and +50bp's would result in the recognition of an impairment loss between 4.6M€ and 9.0M€, respectively.

On 28th of January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the premium remuneration for renewable energy capacity not included in the pre-assignation registry. Despite this regulation, the Government has emphasized its commitment towards achieving the 2020 Renewable Energy Target for Spain. Within EDPR's pipeline, wind farms already included in the registry will not be affected by this new regulation. EDPR planned and valued its pipeline using conservative criteria not considering the existence of a new regulatory scheme. Therefore, there is no economic impact either on the value of EDPR´s pipeline nor on the overall company.

A sensitivity analysis considering one-year delay in the construction of wind farms affected by this new regulation does not result in relevant impairment losses in the assets value.

Goodwill impairment test analysis — EDP Brasil

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets / power purchase agreements. The period of considered cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rate used of 8.3% in 2011 (9.1% in 2010), reflects the Group's best estimate regarding the specific risks related to each CGU.

The terminal value of the distribution business corresponds to the present value of the assets and the end of the concession period (Remuneratory Asset Base). In the generation / supply business, the terminal value corresponds to the present value of the assets net of amortisation at the end of the concession period.

This sensitivity analysis of considering +50bps on the discount rate does not result in any impairment indicators for "goodwill".

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Dec 2011	Dec 2010
Acquisition cost	10,863,358	10,813,169
Effect of equity method (transition to IFRS)	-1,020,632	-1,165,796
Equity investments in subsidiaries	9,842,726	9,647,373
Impairment losses on equity investments in subsidiaries	-133,943	-140,063
	9,708,783	9,507,310

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

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2011	Dec 2010
Thousands of Euros	Net amount	Net amount
Investments in subsidiaries:		
EDP Comercial, S.A.	188,463	188,463
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Energias do Brasil, S.A.	193,909	432,238
EDP Gás, SGPS, S.A.	47,796	47,796
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Investimentos, S.G.P.S., S.A.	-	46,592
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Servicios Financieros España, S.A.	481,695	-
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
Other	33,034	28,335
	9,708,783	9,507,310

The variation in the caption Investments in subsidiaries in company basis (201,473 thousands of Euros) results, essentially, from the acquisition of EDP Servicios Financieros España, S.A. (481,695 thousands of Euros), the liquidation of EDP Investimentos, S.G.P.S., S.A. (46,592 thousands of Euros) and the sale of 13.8% of the share capital of EDP Energias do Brasil, S.A.

On 13 July 2011, EDP closed the process of the secondary public distribution offer of EDP Energias do Brasil, S.A. ordinary shares of 21,911,460 shares corresponding to 13.8% of EDP Energias do Brasil share capital in the amounth of 238,329 thousands of Euros (acquisition cost net of the effect of equity method on the transition date to IFRS).

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Associated companies:				
Investments in associates	160,443	147,008	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	160,306	146,871	-	-

As at 31 December 2011, for the Group, Investments in associates include goodwill of 44,311 thousands of Euros (31 December 2010: 33,454 thousands of Euros).

Investments in associates, **for the Group**, are analysed as follows:

Thousands of Euros	Group			
	Dec 2011		Dec 2010	
	Cost	Impairment	Cost	Impairment
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	67,923	-	64,294	-
D. E. de Canárias, S.A.	12,372	-	11,566	-
ENEOP - Eólicas de Portugal, S.A.	10,696	-	12,869	-
SeaEnergy Renewables Inch Cape Limited	14,889	-	-	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	29,894	-	26,789	-
Other	24,669	-137	31,490	-137
	160,443	-137	147,008	-137

In 2011, EDPR UK acquired 49% of Seaenergy Renewables Inch Cape Limited share capital, and booked this investment by the equity method. The implicit goodwill is 14,707 thousands of Euros.

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

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Balance as at 1 January	147,008	175,409
Acquisitions / Perimeter entries	14,516	3,904
Disposals	-1,756	-33,229
Share of profit of associates	19,477	23,470
Dividends received	-13,281	-20,074
Exchange differences	3,859	6,523
Changes in the consolidation method	-4,790	-8,995
Transfers / Regularisations	-4,590	-
Balance as at 31 December	160,443	147,008

Investments in associates, **for the Company**, are analysed as follows:

Thousands of Euros	Company			
	Dec 2011		Dec 2010	
	Cost	Impairment	Cost	Impairment
Associated companies				
Other	137	-137	137	-137
	137	-137	137	-137

During 2011, there were no movements in the impairment of Investments in associates.

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Ampla Energia e Serviços, S.A.	-	181,221	-	181,221
Ampla Investimentos e Serviços, S.A.	-	23,191	-	23,191
Banco Comercial Português, S.A.	19,665	72,901	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	39,361	48,220	39,361	48,220
Rede Energia, S.A.	10,931	18,398	-	-
Tejo Energia, S.A.	29,507	25,253	-	-
Other	71,849	74,781	3,183	4,440
	171,313	443,965	42,544	257,072

The financial investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., which at 31 December 2010 amounted to 181,221 thousands of Euros and 23,191 thousands of Euros, respectively, were sold during 2011 and resulted in a capital gain of 9,983 thousands of Euros (see note 14).

The decrease of the investment held in Banco Comercial Português, S.A. in the amount of 53,236 thousands of Euros, results of acquisitions and disposals of shares ocurred during the period with a net amount of 4,615 thousands of Euros and an impairment loss recognized in the income statement in the amount of 57,851 thousands of Euros (see note 15).

During 2011, EDP Brasil exercised its call option of 6,602,113 preferred shares of Rede Energia, S.A. through a swap transaction which held in Denerge - Desenvolvimento Energético, S.A., according to the terms defined following the swap of shares held in 2008 with the Rede Group. As at 31 December 2011, as a result, an impairment loss of 5,505 thousands of Euros resulting from the decrease in the value of the investment was booked in the income statements (see note 15).

During 2011, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., decreased by 8,859 thousands of Euros and the decrease was booked against fair value reserves (see note 33).

As at 31 December 2011, the financial investment held in Tejo Energia, S.A., increased by 4,254 thousands of Euros and the increase was booked against fair value reserves (see note 33).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in a amount of 37,388 thousands of Euros, resulting from its reinsurance activity.

In 2011, the movements in **Available for sale investments** are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Ampla Energia e Serviços, S.A.	181,221	-	-68,939	-	-112,282	-	-
Ampla Investimentos e Serviços, S.A.	23,191	-	-5,575	-	-17,616	-	-
Banco Comercial Português, S.A.	72,901	5,726	-1,111	-57,851	-	-	19,665
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	48,220	-	-	-	-8,859	-	39,361
Rede Energia, S.A.	18,398	-	-	-5,505	-461	-1,501	10,931
Tejo Energia, S.A.	25,253	-	-	-	4,254	-	29,507
Other	74,781	9,952	-12,319	-79	-4,553	4,067	71,849
	443,965	15,678	-87,944	-63,435	-139,517	2,566	171,313

In 2010, the movements in **Available for sale investments** are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Ampla Energia e Serviços, S.A.	163,644	-	-	-	17,577	-	181,221
Ampla Investimentos e Serviços, S.A.	15,038	-	-	-	8,153	-	23,191
Banco Comercial Português, S.A.	104,118	1,026	-	-4,207	-28,036	-	72,901
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	55,883	-	-	-	-7,663	-	48,220
Rede Energia, S.A.	15,563	-	-	-	478	2,357	18,398
Tejo Energia, S.A.	25,636	-	-	-	-383	-	25,253
Other	63,235	38,464	-32,083	-	510	4,655	74,781
	443,117	39,490	-32,083	-4,207	-9,364	7,012	443,965

Available for sale investments are booked at fair value being the changes from the date of acquisition net of impairment losses recorded against fair value reserves (see note 33). The fair value reserves attributable to the Group as at 31 December 2011 and 2010 are analysed as follows:

Thousands of Euros	Dec 2011	Dec 2010
Ampla Energia e Serviços, S.A.	-	112,282
Ampla Investimentos e Serviços, S.A.	-	17,616
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	13,541	22,400
Tejo Energia, S.A.	23,152	18,898
Other	6,319	11,333
	43,012	182,529

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Europe and others				
Tax losses and tax credits	153,868	27,423	-	-
Provisions	488,623	511,822	31,081	-
Financial instruments	54,326	55,267	44,436	55,368
Tangible and intangible fixed assets	225,938	259,979	95,903	36,516
Reinvested gains	-	-	8,040	8,258
Financial and available for sale investments	76,915	35,312	78,437	86,555
Tariff adjustments and tariff deficit	24,000	65,081	218,450	113,038
Reversal of regulatory assets and liabilities	-	10,540	-	-
Allocation of fair value to assets and liabilities	11,878	11,878	642,893	643,300
Accounting revaluations	10,872	2,146	123,485	135,649
Deferred income relating to CMEC	-	-	215,324	245,274
Other temporary differences	14,596	5,796	37,333	32,148
Assets/liabilities compensation of deferred taxes	-816,936	-743,039	-816,936	-743,039
	244,080	242,205	678,446	613,067
Brazil				
Tax losses and tax credits	75,260	69,123	-	-
Provisions	98,913	87,778	-	-
Financial instruments	58,480	95,308	38,856	10,306
Tangible and intangible fixed assets	4,223	3,242	-	146
Allocation of fair value to assets liabilities acquired	664	10,152	158,781	114,715
Accounting revaluations	29,772	7,524	39,988	94,747
Other temporary differences	22	-	20,103	12,225
	267,334	273,127	257,728	232,139
United States of America				
Tax losses and tax credits	520,423	329,722	-	-
Financial instruments	5,806	6,670	-	-
Property, plant and equipment	-	-	221,980	232,414
Allocation of fair value to assets liabilities acquired	-	-	66,902	50,943
Gains from institutional partnerships in USA wind farms	-	-	271,959	76,201
Other temporary differences	16,784	12,300	-	-
Assets/liabilities compensation of deferred taxes	-543,013	-348,692	-543,013	-348,692
	-	-	17,828	10,866
	511,414	515,332	954,002	856,072

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:

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Tax credits	72,626	-	-	-
Provisions	20,756	9,042	-	-
Financial instruments	22,949	28,442	27,552	31,218
Financial and available for sale investments	1,075	1,608	67,623	78,364
Accounting revaluations	10,350	10,691	13,021	13,132
Other temporary differences	3,039	5,005	4,255	-
	130,795	54,788	112,451	122,714

The deferred tax movement, for the Group and for the Company, in 2011 and 2010 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at 1 January	-340,740	-110,561	-67,926	-80,489
Charges to the profit and loss account	-72,894	-240,928	104,392	6,354
Charges against reserves	50,365	37,433	19,102	6,210
Exchange differences and other variations	-79,319	-26,684	-37,224	-1
Balance at 31 December	-442,588	-340,740	18,344	-67,926

On an individual basis, the caption other temporary differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

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 fair value allocation of assets, liabilities and contingent liabilities on the acquisition of the company ECE Holdings, SA (Santo Antônio do Jari Hydroelectric), occurred in 2011, determined the allocation of 82,227 thousands of Euros in deferred tax liabilities, as at 31 December 2011. This amount is presented under exchange differences and other variations.

Taxes recorded against reserves are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Current tax				
Changes in fair value of derivative financial instruments	2,653	-1,782	2,653	-1,782
Gains/losses on the sale of treasury stock	-	-64	-	-64
	2,653	-1,846	2,653	-1,846
Deferred tax				
Financial instruments and fair value	24,989	10,419	2,854	9,330
Actuarial gains and losses	9,141	27,238	-	-
Changes in fair value of financial assets held for sale	16,235	-224	16,248	-3,120
	50,365	37,433	19,102	6,210
	53,018	35,587	21,755	4,364

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

	Group	
	Dec 2011	Dec 2010
Expiry date:		
2011	-	344
2012	617	540
2013	736	1,659
2014	5,233	9,232
2015	20,503	28,971
2016	20,902	2,842
2017 a 2030	1,881,062	1,335,771
Without expiry date	267,667	155,987
Without expiry date but limited to 30% of taxable income of each year	753,659	584,539
	2,950,379	2,119,885

24. INVENTORIES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Merchandise	90,673	49,836	-	-
Advances on account of purchases	8,748	4,849	-	-
Finished, intermediate products and sub-products	39,494	41,306	-	-
Raw and subsidiary materials and consumables	124,311	134,318	-	-
Nuclear fuel	15,140	14,090	-	-
Other consumables				
CO_2 licenses	807	51,745	807	51,745
Other	66,887	60,834	-	-
	346,060	356,978	807	51,745

CO_2 licenses correspond to the amount of trading licenses held for sale, valued at market price against the profit and loss, as described in accounting policy 2 y).

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group Dec 2011	Group Dec 2010	Company Dec 2011	Company Dec 2010
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	796,933	790,442	149,073	46,357
Spain	676,314	727,241	-	-
Brazil	374,868	354,640	-	-
U.S.A.	31,660	27,945	-	-
Other	33,312	20,073	-	-
Public Sector:				
Portugal	58,861	53,815	-	-
Brazil	30,178	32,479	-	-
Spain	41,545	63,041	-	-
	2,043,671	2,069,676	149,073	46,357
Doubtful debts	267 172	276,312	9,960	9,960
Impairment losses	- 267 172	-276,312	-9,960	-9,960
	2,043,671	2,069,676	149,073	46,357
Trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	19,577	32,553	-	-
Public Sector:				
Portugal	132,258	137,437	-	-
Brazil	30,948	8,831	-	-
	182,783	178,821	-	-
Impairment losses	-74,173	-61,379	-	-
	108,610	117,442	-	-
	2,152,281	2,187,118	149,073	46,357

The movement in **impairment losses** , in 2011, for the **Group** is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals :							
Portugal	130,033	-	33,080	-13,508	-16,102	15	133,518
Brazil	72,184	-6,162	10,494	-5,506	-	1,512	72,522
Spain	46,021	-	7,692	-2,170	-82	-1,755	49,706
Public sector :							
Portugal	86,220	-	-	-5,436	-	-	80,784
Brazil	468	-31	199	-408	-	-	228
Spain	2,765	-	3,270	-1,442	-	-6	4,587
	337,691	-6,193	54,735	-28,470	-16,184	-234	341,345

The movement in **Impairment losses** , in 2010, for the **Group** is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals :							
Portugal	127,514	-	47,800	-24,384	-20,897	-	130,033
Brazil	52,939	7,605	10,337	-218	-	1,521	72,184
Spain	24,651	-	22,343	-220	-	-753	46,021
Other	6	-	-	-6	-	-	-
Public sector :							
Portugal	90,068	-	1,261	-5,109	-	-	86,220
Brazil	609	70	253	-464	-	-	468
Spain	1,658	-	1,616	-	-	-509	2,765
	297,445	7,675	83,610	-30,401	-20,897	259	337,691

The movement in **Impairment losses** , in 2011, for the **Company** is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Balance at 31 December
Corporate sector and individuals	9,960	-	-	-	9,960
	9,960	-	-	-	9,960

The movement in **Impairment losses** , in 2010, for the **Company** is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Charge-off	Balance at 31 December
Corporate sector and individuals	9,941	19	-	-	9,960
	9,941	19	-	-	9,960

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debtors and other assets from commercial assets - Current:				
Amounts receivable from the Telecommunications business	-	55,640	-	-
Amounts receivable from Spanish tariff expenses	553,268	814,086	-	-
Amounts receivable from Portuguese tariff adjustments - Electricity- Portugal	374,859	394,057	-	-
Receivables relating to other goods and services	98,871	122,951	61,458	45,019
Amounts receivable relating to CMEC	122,080	365,070	-	-
Accrued income relating to energy sales and purchase activity in the market	117,227	156,584	165,968	193,930
Sundry debtors and other operations	245,189	211,541	34,341	28,100
	1,511,494	2,119,929	261,767	267,049
Impairment losses on debtors - Current	-15,878	-74,912	-938	-914
	1,495,616	2,045,017	260,829	266,135
Debtors and other assets - Non-Current:				
Amounts receivable from Portuguese tariff adjustments - Electricity - Portugal	424,787	29,726	-	-
Amounts receivable relating to CMEC	1,012,330	892,628	-	-
Amounts receivable from concessions - IFRIC 12	581,012	468,071	-	-
Sundry debtors and other operations	93,140	50,632	179	126
	2,111,269	1,441,057	179	126
Impairment losses on debtors - Non current	-2,876	-2,858	-	-
	2,108,393	1,438,199	179	126
	3,604,009	3,483,216	261,008	266,261

The amounts receivable from the Telecommunications business, included in 2010, an amount booked in ONI Multimédia, S.A. related with the sale of ONI Way to Vodafone. This sale was made for a deferred price of the shares to be received by ONI Multimedia if Vodafone used tax benefits until 2010. As there was no deduction of tax losses carried by Vodafone, the Group eliminated this amount receivable against the impairment booked.

The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2011, according to the applicable legal framework (see note 3). During 2011, the Spanish Electricity Deficit Amortisation Fund (FADE), launched five bond issuances explicity guaranteed by the Kingdom of Spain which allowed Hidrocantabrico to receive approximately 504,127 thousands of Euros related with tariff adjustments from previous years (nominal value).

The amounts receivable relating to CMEC totalize 1,134,410 thousands of Euros, which include 1,012,330 thousands of Euros as medium and long term debt and 122,080 thousands of Euros as short term debt. The amount receivable relating to the initial CMEC includes 714,412 thousands of Euros as medium and long term debt and 29,687 thousands of Euros as short term debt, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2011. The remaining 297,918 thousands of Euros in the medium and long term and 92,393 thousands of Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2010 and 2011.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 581,012 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa)). The variation in the period, includes the effect of the depreciation of Real against Euro in the amount of 16,066 thousands of Euros and disposals in the amount of 4,116 thousands of Euros, as well as transfers from intangible assets assigned to concessions in the amount of 133,123 thousands of Euros (see note 18).

The caption Sundry debtors and other operations - Non current includes the amount of 22,112 thousands of Euros related to Brasil tax receivable.

The movement for the period in Amounts receivable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2010	559,724	76,127
Receipts through the electric energy tariff	-571,337	-
Tariff adjustment of 2009	20,147	-
Tariff adjustment for the period	295,821	29,726
Interest expense	13,575	-
Transfer from Non-Current to Current	76,127	-76,127
Balance as at 31 December 2010	394,057	29,726
Receipts through the electric energy tariff	-406,135	-
Tariff adjustment of 2010	188,032	131,858
Tariff adjustment for the period	226,421	396,471
Transfer to tariff adjustment payable	2,515	-
Interest expense	14,194	7,384
Securitisation adjustment of cogeneration	-73,951	-110,926
Transfer from Non-Current to Current	29,726	-29,726
Balance as at 31 December 2011	374,859	424,787

On 21 September 2011, EDP - Serviço Universal, S.A. by sold without recourse of the rights to receive the full amount of the adjustments to the electricity tariffs related to the over cost of cogeneration produced from renewable sources between 2009 and 2011. The transaction totaled 180,524 thousands of Euros and generated a financial loss of 4,603 thousands of Euros, including transaction costs.

The movements in **Impairment losses on debtors - Current** in 2011, for the **Group**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Charge off	Perimeter Variations / Regularisations	Exchange differences	Balance at 31 December
Other debtors	74,912	1,160	-4,831	-55,778	545	-130	15,878
	74,912	1,160	-4,831	-55,778	545	-130	15,878

The movements in **Impairment losses on debtors - Current** in 2010, for the **Group**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Exchange differences	Balance at 31 December
Other debtors	74,191	2,280	-2,666	1,099	8	74,912
	74,191	2,280	-2,666	1,099	8	74,912

The movements in **Impairment losses on debtors - Current** in 2011, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	914	24	-	-	-	938
	914	24	-	-	-	938

The movements in **Impairment losses on debtors - Current** in 2010, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	908	6	-	-	-	914
	908	6	-	-	-	914

The movements in **Impairment losses on debtors - Non current** in 2011, for the **Group**, are as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	2,858	-	18	-	2,876
	2,858	-	18	-	2,876

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2010, for the **Group**, are as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	2,839	-	19	-	2,858
	2,839	-	19	-	2,858

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debtors and other assets from commercial assets - Current:				
Loans to subsidiaries	-	-	1,802,680	1,442,620
Dividends	-	-	152,358	368,859
Loans to related parties	122,903	150,936	20,235	19,074
Receivables from the State and concessors	30,565	14,652	-	-
Amounts with RTP - broadcasting charge	8,372	23,170	-	-
Derivative financial instruments	216,817	195,865	246,766	164,419
Subsidiary Companies	-	-	421,855	249,154
Tied deposits (EDPR NA)	8,181	3,182	-	-
Sundry debtors and other operations	118,856	126,804	1,880	1,301
	505,694	514,609	2,645,774	2,245,427
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	4,765,436	5,231,320
Loans to related parties	133,180	19,315	90	6,106
Guarantees and linked deposits	142,722	158,408	3,419	4,419
Derivative financial instruments	104,697	27,188	79,184	151,457
Sundry debtors and other operations	34,374	53,607	-	-
	414,973	258,518	4,848,129	5,393,302
	920,667	773 127	7,493,903	7 638 729

The Derivative financial instruments portfolio current and non current, with an amount of 216,817 thousands of Euros and 104,697 thousands of Euros respectively, correspond to the fair value of trading and hedge portfolios as at 31 December 2011 (see note 44).

28. TAX RECEIVABLE

Tax receivable is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
State and other public entities:				
Income tax	271,353	253,331	77,246	34,854
Value added tax (VAT)	307,087	280,816	81,876	54,221
Turnover tax (Brazil)	30,598	70,609	-	-
Other taxes	35,781	35,729	3,255	3,255
	644,819	640,485	162,377	92,330

The caption Other taxes includes the amount of 27,700 thousands of Euros (31 December 2010: 21,947 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Fixed income securities:				
Listed funds	-	35,335	-	-
Bonds and other listed fixed income securities	1	1	-	-
	1	35,336	-	-
Variable income securities:				
Listed funds	211	409	-	-
	211	409	-	-
	212	35,745	-	-

The variation in this caption is related with the sale of Neomai Inversiones SICAV, S.A. listed funds as a result of the sale of this company during 2011 (see note 5).

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cash:				
Cash in hand	40	72	-	-
Bank deposits:				
Current deposits	475,206	413,831	170,629	28,475
Term deposits	1,219,813	1,038,821	490,980	114,200
Specific demand deposits in relation to institutional partnerships	24,636	76,939	-	-
Other deposits	5,152	19,682	-	-
	1,724,807	1,549,273	661,609	142,675
Other short term investments:				
Banks - Euros	6,677	5,893	-	-
Banks - Other currencies	-	32,925	-	-
	6,677	38,818	-	-
Cash and cash equivalents	1,731,524	1,588,163	661,609	142,675

The caption Other short term investments includes very short term investments promptly convertible into cash.

On 31 December 2011, as referred in the note 2 a), EDP Group change the presentation of Specific demand deposits of institutional partnerships in USA. The Group considers this presentation more accurate and give more relevant information of Cash and cash equivalents to the readers. The caption Specific demand deposits of institutional partnerships corresponding to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 39). Prior to 2011, amounts included in Specific demand deposits were previously included as a component of restricted cash in Other debtors and other assets - Current - Tied deposits (see note 27). In 2011, EDP Group reclassified this amount since it is expected to be used in the next twelve months. In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2010 comparative figures to conform to this change in presentation. The Group reclassified 24,636 thousands of Euros and 76,939 thousands of Euros as at 31 December 2011 and 2010, respectively, from Other debtors and other assets - Current - Tied deposits to Cash and cash equivalents.

31. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling 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. On 23 December 2011, within the context of the implementation of EDP's octave reprivatisation phase the Portuguese State anounced the intention to sell 21.35% of the EDP, S.A. share capital to China Three Gorges, Co. This transaction is pending of the regulatory authorities approval whereby on 31 December 2011, the Portuguese State holds directly and indirectly approximately 25.73% 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:

Thousands of Euros	Group and Company	
	Share capital	Share premium
Balance as at 31 December 2010	3,656,538	503,923
Movements during the year	-	-
Balance as at 31 December 2011	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Net profit attributable to the equity holders of EDP (in Euros)	1,124,662,975	1,078,924,845	785,804,149	725,135,695
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,124,662,975	1,078,924,845		
Weighted average number of ordinary shares outstanding	3,624,423,735	3,622,918,528	3,625,936,735	3,624,431,528
Weighted average number of diluted ordinary shares outstanding	3,625,029,212	3,623,608,780	3,626,542,212	3,625,121,780
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.31	0.30		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.31	0.30		
Basic earnings per share from continuing operations (in Euros)	0.31	0.30		
Diluted earnings per share from continuing operations (in Euros)	0.31	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 2011	Dec 2010	Dec 2011	Dec 2010
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,113, 980	-33,619, 187	-30,600, 980	-32,106, 187
Average number of shares during the period	3,624,423,735	3,622,918,528	3,625,936,735	3,624,431,528
Effect of stock options	605,477	690,252	605,477	690,252
Diluted average number of shares during the period	3,625,029,212	3,623,608,780	3,626,542,212	3,625,121,780

32. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Book value of EDP, S.A. treasury stock (thousands of Euros)	111,430	115,731	105,335	109,636
Number of shares	32,359,146	33,324,941	30,846,146	31,811,941
Market value per share (in Euros)	2.391	2.491	2.391	2.491
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	77,371	83,012	73,753	79,244

Operations performed from 1 January 2011 to 31 December 2011:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,485,301	-
Purchase price average (in Euros)	2.428	-
Purchase total value (thousands of Euros)	6,034	-
Volume sold (number of shares)	-3,451,096	-
Selling price average (in Euros)	2.672	-
Sold total value (thousands of Euros)	9,222	-
Final position (number of shares)	30,846,146	1,513,000
Highest market price (in Euros)	2.910	-
Lowest market price (in Euros)	2.023	-
Average market price (in Euros)	2.526	-

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.

33. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Legal reserve	539,145	502,888	539,145	502,888
Fair value reserve (cash flow hedge)	-40,625	45,180	4,870	25,722
Tax effect of fair value reserve (cash flow hedge)	13,537	-10,069	-2,402	-7,909
Fair value reserve (available for sale investments)	43,012	182,529	9,166	147,843
Tax effect of fair value reserve (available for sale investments)	-1,652	-17,845	1,051	-15,197
Exchange differences arising on consolidation	121,469	312,823	-	-
Treasury stock reserve (EDP, S.A.)	105,335	109,636	105,335	109,636
Other reserves and retained earnings	2,155,619	1,605,761	1,238,690	1,163,205
	2,935,840	2,730,903	1,895,855	1,926,188

Legal reserve
In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)
This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available-for-sale investments)
This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the year are as follows:

Thousands of Euros	Group	
	Increases	Decreases
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	28,899	-41,397
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 30 December 2010	495,872	-313,343
Changes in fair value	7,660	-190,098
Transfer of impairment to profit or loss	-	60,664
Transfer to the income statement relating to assets sold	-17,743	-
Balance as at 31 December 2011	485,789	-442,777

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Increases	Decreases
Ampla Energia e Serviços, S.A.	-	-105,721
Ampla Investimentos e Serviços, S.A.	-	-13,691
Banco Comercial Português, S.A.	-	-57,851
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-8,859
Tejo Energia, S.A.	4,254	-
Other	3,406	-3,976
	7,660	-190,098

Exchange differences on consolidation

Exchange differences 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 2011		Exchange rates at Dec 2010	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.294	1.392	1.336	1.326
Brazilian Real	BRL	2.416	2.327	2.218	2.331
Macao Pataca	MOP	10.353	10.985	10.697	10.611
Zloty	PLN	4.458	4.121	3.975	3.995
Lei	RON	4.323	4.239	4.262	4.212
Pound Sterling	GBP	0.835	0.868	0.861	0.858

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the booking amount of treasury stock held.

Dividends

On 14 April 2011, the Shareholders General Meeting of EDP, S.A. approved the dividend distribution to shareholders which ocurred on 13 May 2011 of the net profit of 2010 in the amount of 621,611 thousands of Euros, corresponding to a dividend of 0.17 Euros per share (including the treasury stock dividend amounting to 5,030 thousands of Euros).

34. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Non-controlling interests in income statement	207,316	155,676
Non-controlling interests in reserves	3,069,929	2,774,725
	3,277,245	2,930,401

Non-controlling interests, by company, are made up as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
EDP Renováveis Group	1,319,812	1,306,194
Energias do Brasil Group	1,844,400	1,570,666
Other	113,033	53,541
	3,277,245	2,930,401

During 2011, EDP Group generated profits of 207,316 thousands of Euros attributable to non-controlling interests (31 December 2010: 155,676 thousands of Euros).

The movement booked in non-controlling interests of Brasil Group includes 160,877 thousands of Euros of profits attributable to non-controlling interests, 126,597 thousands of Euros from the negative exchange differences and a decrease of 117,857 thousands of Euros related to dividends paid. In July 2011, the secondary public distribution offer of 21,911,460 shares of EDP - Energias do Brasil, S.A. was concluded, and, as a result, the Group recognised minority interests of 375,676 thousands of Euros. Additionally, during 2011, the effect of changes in actuarial losses net of taxes has originated a decrease in the non-controlling interests of 14,705 thousands of Euros.

35. HYDROLOGICAL ACCOUNT

The movements in the **Hydrological account** are analysed as follows:

	Group and Company	
Thousands of Euros	Dec 2011	Dec 2010
Balance at the beginning of the year	75,098	112,631
Amounts received / (paid) during the year	-8,036	-41,272
Financial charges	2,080	3,739
Balance at the end of the year	69,142	75,098

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.

In 2004, Decree-law 240/2004 was issued which establishes that, in respect to the free electricity market, the government must publish specific regulations applicable to the hydrological correction account. Based on these regulations and due to the government announcement mentioned above, the EDP Group's Executive Board of Directors expects with a high probability that the recorded liability, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP — Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements. At extinction date, and for purpose of extinction movement, until 31 December 2016, the government will incorporate a team/workforce composed by representatives of ERSE, of National Electricity Distribution Network (RND), of National Electricity High Tension Transport (RNT) and National Conseil of Consumption, to determine such final movements.

36. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	45,161	27,284	45,161	27,284
EDP Finance B.V.	358,445	150,000	-	-
EDP Brasil Group	147,014	145,789	-	-
HC Energia Group	907	907	-	-
EDP Renováveis Group	126,041	197,893	-	-
EDP Generation - Portugal	12,745	11,699	-	-
Portgás	33,803	12,820	-	-
	724,116	546,392	45,161	27,284
Non-convertible bond loans:				
EDP, S.A.	-	747,352	-	747,352
EDP Finance B.V.	1,621,314	499,697	-	-
EDP Brasil Group	34,175	92,304	-	-
	1,655,489	1,339,353	-	747,352
Commercial paper:				
EDP, S.A.	311,400	766,900	5,641,400	4,963,900
HC Energia Group	498	70,104	-	-
	311,898	837,004	5,641,400	4,963,900
Other loans:				
Investco preference shares	1,058	-	-	-
EDP Brasil Group	9,176	7,705	-	-
EDP Renováveis Group	3,111	4,569	-	-
EDP Generation - Portugal	1,231	1,228		-
	14,576	13,502	-	-
Accrued interest	292,619	265,079	13,824	38,079
Other liabilities:				
Fair value of the issued debt hedged risk		3,121	-	3,121
	2,998,698	3,004,451	5,700,385	5,779,736

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,137,824	870,993	1,137,824	870,993
EDP Finance B.V.	3,972,309	3,590,027	-	-
EDP Brasil Group	794,732	847,051	-	-
HC Energia Group	3,126	4,014	-	-
EDP Renováveis Group	680,350	499,639	-	-
EDP Generation - Portugal	159,738	171,436	-	-
Portgás	43,278	55,142	-	-
	6,791,357	6,038,302	1,137,824	870,993
Non-convertible bond loans:				
EDP, S.A.	630,782	428,838	630,782	428,838
EDP Finance B.V.	7,831,887	8,080,229	-	-
EDP Brasil Group	353,924	288,587	-	-
	8,816,593	8,797,654	630,782	428,838
Other loans:				
Investco preference shares	19,719	22,651	-	-
EDP Brasil Group	46,313	47,886	-	-
EDP Renováveis Group	24,284	26,755	-	-
EDP Generation - Portugal	4,022	5,116	-	-
	94,338	102,408	-	-
	15,702,288	14,938,364	1,768,606	1,299,831
Accrued interest	11,802	-	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	72,321	-51,169	8,921	11,544
	15,786,411	14,887,195	1,777,527	1,311,375
	18,785,109	17,891,646	7,477,912	7,091,111

EDP Group, at EDP, S.A. level, has short-term credit facilities of 205,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 190,410 thousands of Euros have a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being fully available as at 31 December 2011. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,600,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 December 2011 is totally drawn down.

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 2011 and 2010 these loans amounted to 888,947 thousands of Euros and 862,625 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding** , as at 31 December 2011, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
					650,000	650,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	772,857	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	772,857	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	99,800	-
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	772,857	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	77,286	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Aug/11	Variable Rate (iv)	n.a.	Aug/12	350,000	-
					9,557,239	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110,5% do CDI	n.a.	Oct/13	124,177	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	161,431	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	103,481	-
					389,089	-
					10,596,328	650,000

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan has associated interest rate swaps.
(iv) These issues correspond to private placements.

Debt and borrowings by maturity, are analysed as follows:

Thousands of Euros	Group Dec 2011	Group Dec 2010	Company Dec 2011	Company Dec 2010
Bank loans and overdrafts:				
Up to 1 year	740,584	562,399	48,146	28,853
From 1 to 5 years	5,422,511	4,644,826	625,655	170,592
More than 5 years	1,380,647	1,393,476	512,169	700,401
	7,543,742	6,600,701	1,185,970	899,846
Bond loans:				
Up to 1 year	1,924,756	1,590,549	4,065	786,380
From 1 to 5 years	5,753,834	4,232,741	339,703	140,382
More than 5 years	3,135,080	4,513,744	300,000	300,000
	10,813,670	10,337,034	643,768	1,226,762
Commercial paper:				
Up to 1 year	318,672	837,607	5,648,174	4,964,503
Other loans:				
Up to 1 year	14,686	13,896	-	-
From 1 to 5 years	61,859	50,866	-	-
More than 5 years	32,480	51,542	-	-
	109,025	116,304	-	-
	18,785,109	17,891,646	7,477,912	7,091,111

The fair value of EDP Group's debt is analysed as follows:

Thousands of Euros	Dec 2011		Dec 2010	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	2,998,698	2,650,355	3,004,451	2,764,591
Debt and borrowings - Non current	15,786,411	13,939,717	14,887,195	14,634,186
	18,785,109	16,590,072	17,891,646	17,398,777

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements in IAS 39, are stated at fair value. However, the remaining financial liabilities are booked at amortised cost.

As at 31 December 2011, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Debt and borrowings - Non current	-	2 728 345	3 260 393	2 398 809	2 850 657	4 548 207	15,786,411
Debt and borrowings - Current	2,998,698	-	-	-	-	-	2,998,698
	2,998,698	2,728,345	3,260,393	2,398,809	2,850,657	4,548,207	18,785,109

Future payments of capital in debt and interests and guarantees are detailed in note 45.

Future debt and borrowings payments and interest by type of loan and currency are analysed as follows:

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Bank loans:							
Euro	526,191	2,248,228	426,620	545,037	510,532	917,009	5,173,617
Brazilian Real	115,483	78,161	78,755	85,013	30,590	337,038	725,040
US Dollar	-	-	1,159,286	-	-	-	1,159,286
Others	98,910	79,745	76,384	73,393	30,767	126,600	485,799
	740,584	2,406,134	1,741,045	703,443	571,889	1,380,647	7,543,742
Bond loans:							
Euro	1,104,912	150,000	1,399,567	1,542,276	2,230,784	1,508,548	7,936,087
Brazilian Real	46,987	158,668	99,070	64,572	31,611	-	400,908
US Dollar	772,857	-	-	77,286	-	1,626,532	2,476,675
	1,924,756	308,668	1,498,637	1,684,134	2,262,395	3,135,080	10,813,670
Commercial paper:							
Euro	318,672	-	-	-	-	-	318,672
	318,672	-	-	-	-	-	318,672
Other loans:							
Euro	3,400	2,994	10,694	2,994	9,234	-	29,316
Brazilian Real	8,557	7,726	7,092	6,559	5,460	31,780	67,174
US Dollar	1,050	1,144	1,246	-	-	-	3,440
Others	1,679	1,679	1,679	1,679	1,679	700	9,095
	14,686	13,543	20,711	11,232	16,373	32,480	109,025
	2,998,698	2,728,345	3,260,393	2,398,809	2,850,657	4,548,207	18,785,109

37. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Provisions for social liabilities and benefits	1,003,943	1,104,406	-	-
Provisions for medical liabilities and other benefits	819,215	800,473	-	-
	1,823,158	1,904,879	-	-

Provisions for social liabilities and benefits as at 31 December 2011 include 994,661 thousands of Euros relating to retirement pension defined benefit plans (31 December 2010: 1,093,075 thousands of Euros) and 9,282 thousands of Euros (31 December 2010: 11,331 thousands of 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 :

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	1,104,406	1,109,347	-	-
Charge for the year	61,784	56,705	-	-
Pre-retirements (curtailments)	15,183	31,248	-	-
Actuarial (gains)/losses	-21,562	88,582	-	-
Charge-off	-155,592	-186,690	-	-
Transfers, reclassifications and exchange differences	-276	5,214	-	-
Balance at the end of the year	1,003,943	1,104,406	-	-

Pre-retirements (curtailments) are related with costs of rationalising human resources and result from 56 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following of the Carregado Generation Center decommissioning process and of EDP Distribuição.

The movement in **Provisions for Medical liabilities and other benefits** is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	800,473	770,357	-	-
Charge for the year	50,619	49,201	-	-
Pre-retirements (curtailments)	614	1,916	-	-
Benefits Reduction	1,308	-4,805		
Actuarial (gains)/losses	9,757	19,333	-	-
Charge-off	-41,710	-42,851	-	-
Transfers, reclassifications and exchange differences	-1,846	7,322	-	-
Balance at the end of the year	819,215	800,473	-	-

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 thousands of 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 recognised in 2011 gains of 11,805 thousands of Euros and in 2010 losses of of 107,915 thousands of Euros.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere with 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). The responsibilities for early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, until 31 May 2011. From this date, the plans management became the responsability of EnerPrev, a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB 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 DB 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 2011 and 2010 the number of participants covered by the pension plans was as follows:

	Portugal 2011	Spain 2011	Brazil 2011	Portugal 2010	Spain 2010	Brazil 2010
Number of participants:						
Retirees and pensioners	18,010	1,564	1,669	18,205	1,644	1,507
Active workers	6,168	1,348	1,690	6,384	1,294	1,975
	24,178	2,912	3,359	24,589	2,938	3,482

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2011				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.00%	not applicable	11.10%	11.10%	11.10%
Discount rate	5.00%	3.40%	10.25%	10.25%	10.25%
Salary increase rate	3.50%	2,75% (IPC + 0,5%) in all years	7.59%	7.59%	7.59%
Pension increase rate	2.50%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	2012 - 0% // After 2012 - 1,9%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- 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

	Dec 2010				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.60%	not applicable	11.63%	11.63%	11.63%
Discount rate	5.00%	3.40%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	2,75% (CPI + 0,5%); In 2011 - 3% (CPI + 0,75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age >60 -- TV88/90 // Age<=60 years -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2011.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2011 and 2010 is analysed as follows:

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529
Fair value of plan assets at the end of the year	-941,238	-	-311,384	-1,252,622
Asset ceiling	-	-	40,754	40,754
Provision at the end of the year	863,587	90,599	40,475	994,661

	Dec 2010			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207
Fair value of plan assets at the end of the year	-1,013,829	-	-277,036	-1,290,865
Asset ceiling	-	-	43,733	43,733
Provision at the end of the year	947,589	92,936	52,550	1,093,075

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:

Thousands of Euros	2011	2010	2009	2008	2007
Provision for Pension Plans					
Liability at the end of the year	2,206,529	2,340,207	2,302,307	2,192,985	2,217,351
Fair value of plan assets at the end of the year	-1,252,622	-1,290,865	-1,233,762	-1,146,273	-1,389,997
Asset ceiling	40,754	43,733	27,436	20,841	-
Provision at the end of the year	994,661	1,093,075	1,095,981	1,067,553	827,354

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:

Thousands of Euros	2011	2010	2009	2008	2007
Experience adjustments for the Plan liabilities	-53,764	11,939	-9,112	-33,781	7,315
Experience adjustments for the Plan assets	-70,732	-33,724	13,676	-136,929	-12,027

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:

Thousands of Euros	2011	2010	2009	2008	2007
Experience adjustments for the Plan liabilities	-12,478	-3,238	2,701	4,693	4,907
Experience adjustments for the Plan assets	35,706	4,244	5,160	-18,938	16,401

The past service liability of the pension plans for the Group, as at 31 December 2011 and 2010 is as follows:

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,961,418	92,936	285,853	2,340,207
Current service cost	13,781	3,480	-403	16,858
Interest cost	93,240	3,339	28,581	125,160
Benefits paid	-192,580	-10,239	-16,273	-219,092
Curtailments / settlements	15,183	-	-	15,183
Actuarial losses and gains	-86,217	-2,719	37,817	-51,119
Currency fluctuation	-	-	-25,321	-25,321
Other	-	3,802	851	4,653
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529

	Dec 2010			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,984,765	91,679	225,863	2,302,307
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Benefits paid	-189,374	-10,689	-15,562	-215,625
Curtailments / settlements	31,248	-	-	31,248
Actuarial losses and gains	23,178	6,582	17,254	47,014
Currency fluctuation	-	-	31,370	31,370
Other	-	24	975	999
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207

The components of consolidated net cost of the pensions plans recognised in the year were as follows:

	Dec 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	13,781	3,480	-403	16,858
Curtailments / settlements	15,183	-	-	15,183
Operational component (see note 10)	28,964	3,480	-403	32,041
Interest cost	93,240	3,339	28,581	125,160
Expected return on plan assets	-55,201	-	-25,033	-80,234
Financial component (see note 15)	38,039	3,339	3,548	44,926
Net cost for the year	67,003	6,819	3,145	76,967

Thousands of Euros	Dec 2010			
	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	13,357	710	-572	13,495
Curtailments / settlements	31,248	-	-	31,248
Operational component (see note 10)	44,605	710	-572	44,743
Interest cost	98,244	4,630	26,525	129,399
Expected return on plan assets	-59,053	-	-27,136	-86,189
Financial component (see note 15)	39,191	4,630	-611	43,210
Net cost for the year	83,796	5,340	-1,183	87,953

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

Thousands of Euros	Dec 2011			
	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	1,013,829	-	277,036	1,290,865
Group contribution	-	-	7,522	7,522
Plan participants contributions	-	-	836	836
Benefits paid	-57,060	-	-16,010	-73,070
Actual return on plan assets	55,201	-	25,033	80,234
Actuarial gains/(losses)	-70,732	-	41,809	-28,923
Currency fluctuation	-	-	-24,919	-24,919
Other varitions	-	-	77	77
Assets value at the end of the year	941,238	-	311,384	1,252,622

The actuarial gains/losses in Brazil include the amount of 632 thousands of Euros (1,470 thousands of BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2010: 11,881 thousands of Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 40,754 thousands of Euros, converted at closing rate of BRL (98,457 thousands of BRL). As at 31 December 2010 the value of the asset ceiling was 43,733 thousands of Euros.

Thousands of Euros	Dec 2010			
	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	1,011,986	-	221,776	1,233,762
Group contribution	31,043	-	7,888	38,931
Plan participants contributions	-	-	948	948
Benefits paid	-54,529	-	-15,372	-69,901
Actual return on plan assets	59,053	-	27,136	86,189
Actuarial gains/(losses)	-33,724	-	4,037	-29,687
Currency fluctuation	-	-	30,623	30,623
Assets value at the end of the year	1,013,829	-	277,036	1,290,865

As at 31 December 2011 and 2010, the assets of the pension fund in Portugal are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	10,466	524,803	194,954	159,777	51,238	941,238
31 December 2010	19,256	548,353	233,230	165,430	47,560	1,013,829

%	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	1.11%	55.76%	20.71%	16.98%	5.44%	100.00%
31 December 2010	1.90%	54.09%	23.00%	16.32%	4.69%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousands of Euros at 31 December 2011 (124,722 thousands of Euros at 31 December 2010). Bonds include 4,916 thousands of Euros (4,046 thousands of Euros as at 31 December 2010) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

Thousands of Euros	2011	2010
Shares:		
EDP Renováveis	5,849	4,554
EDP S.A.	27	-
	5,876	4,554

Pension fund assets in Brazil as at 31 December 2011 and 2010 are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	-	272,074	31,949	1,281	6,080	311,384
31 December 2010	-	226,577	42,779	1,255	6,425	277,036

	Fund assets by nature					
%	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	-	87.38%	10.26%	0.41%	1.95%	100.00%
31 December 2010	-	81.79%	15.44%	0.45%	2.32%	100.00%

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at the date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods the benefits are expected to be paid.

The expected return rate of assets for 2012 and subsequent years, in accordance with expectations in January 2012, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2011		Expected return rate for 2012 and subsequent years	
Portugal	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	55.80%	4.10%	55.40%	2.90%
Shares	20.70%	8.00%	23.60%	6.80%
Hedge Funds	3.10%	5.70%	3.10%	3.90%
Property	17.00%	6.40%	16.00%	4.50%
Other	3.40%	8.30%	1.90%	6.50%
Total	100.00%	5.60%	100.00%	5.00%

The real return rate of assets in 2011 was negative in 1.39% (2010: positive in 2.55%).

	2011		Expected return rate for 2012 and subsequent years	
Brazil	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	82.40%	10.84%	82.40%	10.22%
Shares	14.40%	16.31%	14.40%	16.27%
Property	0.60%	10.77%	0.60%	10.01%
Other	2.60%	10.77%	2.60%	10.77%
Total	100.00%	11.63%	100.00%	11.10%

As at 31 December 2011 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

	Expected future benefits to be paid		
Portugal	Pensions	Medical plans and other benefits	Total
2012	188,432	36,651	225,083
2013	181,590	37,390	218,980
2014	175,031	38,160	213,191
2015	165,601	39,264	204,865
2016	156,996	40,256	197,252
2017	150,515	41,686	192,201
2018	141,718	42,890	184,608
2019	136,068	44,157	180,225
2020	129,399	45,473	174,872
2021	120,101	46,855	166,956

In 2011, no contributions to the pension funds were made (31 December 2010: 31,043 thousands of Euros and were fully paid in cash).

In 2011, the pensions paid by the funds in Portugal totalled 57,060 thousands of Euros (31 December 2010: 54,529 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2012	11,429
2013	12,257
2014	12,488
2015	7,238
2016	5,598
2017	4,925
2018	4,206
2019	3,489
2020	2,774
2021	2,061

In 2011, the pensions paid by the Funds in Spain totalled 10,239 thousands of Euros (10,689 thousands of Euros in December 2010).

The amount of 90,599 thousands of Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 42,057 thousands of Euros (31 December 2010: 40,478 thousands of Euros) relating to provisions for revision of the collective labour agreement. The provision includes 48,542 thousands of Euros (31 December 2010: 52,434 thousands of Euros) related to responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2012	15,543	4,407	421	20,371
2013	16,773	4,857	259	21,889
2014	18,108	5,321	160	23,589
2015	19,491	5,824	224	25,539
2016	20,877	6,352	305	27,534
2017	22,921	6,850	150	29,921
2018	24,671	7,444	272	32,387
2019	26,263	8,058	166	34,487
2020	27,913	8,677	141	36,731
2021	29,745	9,425	91	39,261

The contributions made to the Pension funds in 2011 amounted to 7,522 thousands of Euros (31 December 2010: 7,888 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2011 totalled 16,010 thousands of Euros (31 December 2010: 15,372 thousands of Euros).

II. Defined contribution pension plan

Subsidiaries of EDP Group from Spain, Brazil and Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa, Energest and Investco 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:

	Dec 2011		Dec 2010	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Assumptions				
Discount rate	5.00%	10.25%	5.00%	10.75%
Annual increase rate of medical service costs	4.00%	11% (b)	4.00%	9,5% (b)
Estimated administrative expenses per beneficiary per year (Euros)	200€ / year	not applicable	175	not applicable
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational	Age >60 -- TV88/90 // Age<=60 years - - TV99/01	RP-2000 Generational
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) 11% in the first year, decreasing to 6% in 11 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2011 and 2010 is as follows:

	Dec 2011		Dec 2010	
	Portugal	Brazil	Portugal	Brazil
Number of participants				
Retirees and pensioners	18,010	1,980	18,205	1,918
Current employees	6,168	1,205	6,384	1,068
	24,178	3,185	24,589	2,986

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

Thousands of Euros	2011	2010	2009	2008	2007
Provision for medical care					
Liability at the end of the year	819,215	800,473	770,357	750,982	779,784
Provision at the end of the year	819,215	800,473	770,357	750,982	779,784

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Portugal Medical Care Plans are analysed as follows:

Thousands of Euros	2011	2010	2009	2008	2007
Experience adjustments for the Medical Plan liabilities	35,051	15,249	57,164	-4,160	-69,385
	35,051	15,249	57,164	-4,160	-69,385

The experience adjustments (effects of the differences between the previous actuarial assumptions and what really occurred) for the Brazil Medical Care Plans is analysed as follows:

Thousands of Euros	2011	2010	2009	2008	2007
Experience adjustments for the Medical Plan liabilities	-2,469	-7,931	-9,771	2,717	1,542
	-2,469	-7,931	-9,771	2,717	1,542

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2011			Dec 2010		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the year	758,314	42,159	800,473	741,722	28,635	770,357
Current service cost	6,860	598	7,458	6,965	145	7,110
Current interest cost	37,442	5,719	43,161	37,629	4,463	42,092
Benefits reduction	-	1,308	1,308	-	-4,805	-4,805
Benefits paid	-36,903	-4,807	-41,710	-37,885	-4,966	-42,851
Curtailments / settlements	852	-238	614	1,916	-	1,916
Actuarial gains and losses	-28,172	37,929	9,757	4,911	14,422	19,333
Currency fluctuation	-	-4,956	-4,956	-	4,265	4,265
Other and "mútua"	3,110	-	3,110	3,056	-	3,056
Liability at end of the year	741,503	77,712	819,215	758,314	42,159	800,473
Provision at end of the year	741,503	77,712	819,215	758,314	42,159	800,473

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the consolidated net cost of this medical and other benefits plans recognised during the year are as follows:

	Dec 2011			Dec 2010		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the year						
Current service cost	6,860	598	7,458	6,965	145	7,110
Curtailment	852	-238	614	1,916	-	1,916
Operational component (see note 10)	7,712	360	8,072	8,881	145	9,026
Interest cost	37,442	5,719	43,161	37,629	4,463	42,092
Financial component (see note 15)	37,442	5,719	43,161	37,629	4,463	42,092
Net cost for the year	45,154	6,079	51,233	46,510	4,608	51,118

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

		Sensitivity assumption - medical care inflation	
Thousands of Euros	Central Assumptions	+1%	-1%
Liabilities at the end of the year	741,503	795,075	697,362
2011 cost for the year	43,066	46,642	40,170

Medical Care Plan and Other Benefits in Brazil includes liabilities of 85,707 thousand Euros relating to medical care, whose sensitivity analysis is as follows:

Thousands of Euros	Central Assumptions	Sensitivity assumption - medical care inflation	
		+1%	-1%
Liabilities at the end of the year	87,365	98,822	77,789
2011 cost for the year	9,704	10,507	9,038

In 31 December 2011, following the change in accounting policy described in note 2 a), with the purpose of aligning the accounting policies and practices of the EDP Group regarding the utilities sector of electricity and gas in Europe, the Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amount of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43,161 thousands of Euros (31 December 2010: 42,092 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 15).

38. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	87,143	92,406	-	-
Provision for customer guarantees under current operations	37,867	108,480	-	-
Provision for other liabilities and charges	290,139	230,308	72,172	21,867
	415,149	431,194	72,172	21,867

The changes in the **Provisions for legal and labour matters and other contingencies** are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	92,406	94,520	-	-
Charge for the year	33,779	19,423	-	-
Reversals	-13,559	-16,676	-	-
Charge-off for the year	-56,972	-10,005	-	-
Other and exchange differences	31,489	5,144	-	-
Balance at the end of the year	87,143	92,406	-	-

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, have booked provisions of an amount sufficient to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies of 87,143 thousands of Euros, includes provisions for litigation in progress and other labour contingencies of 79,529 thousands of Euros (31 December 2010: 76,392 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 19,498 thousands of Euros (31 December 2010: 18,207 thousands of 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 2,852 thousands of 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 counterclaim request of approximately 11,200 thousands of Euros.

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2004 to 2008, in a total amount of 10,170 thousands of Euros;

iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused;

v) The provisions for legal litigations includes in 30 June 2011 the amount of 32,071 thousands of Euros booked by Bandeirante related with a process from the customer White Martins, S.A. related with the existence of any reflex effects in the electric power tariffs charged by the subsidiary Bandeirante during the period in force of Portarias 38/1986 and 45/1986 of the extinguished Departamento Nacional de Águas e Energia Eléctrica (DNAEE) ("Plano do Cruzado"), meanwhile the customer White Martins proceeded with the withdrawal of the legal deposit in the amount of 27,349 thousands of Euros. During the third quarter the provision above mencioned was partly charge-off. In 31 December 2011, the value of provision to cover this contingency amounted to 4,722 thousands of Euros.

The movement in **Provision for customer guarantees under current operations** is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	108,480	28,561	-	-
Charge for the year	6,165	85,698	-	-
Reversals	-23,614	-680	-	-
Charge-off for the year	-38,804	-14,366	-	-
Other and exchange differences	-14,360	9,267	-	-
Balance at the end of the year	37,867	108,480	-	-

Provisions for customer guarantees under current operations of 37,867 thousands of Euros (31 December 2010: 108,480 thousands of Euros) includes essentially provisions for commercial losses.

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	230,308	221,302	21,867	18,637
Changes in the consolidation perimeter	-	723	-	-
Charge for the year	31,811	29,024	56,463	7,927
Reversals	-33,890	-13,211	-6,163	-2,509
Charge-off for the year	-14,519	-7,218	-	-1,425
Other and exchange differences	76,429	-312	5	-763
Balance at the end of the year	290,139	230,308	72,172	21,867

As at 31 December 2011, Provision for other liabilities and charges on a consolidated basis of 290,139 thousands of Euros (December 2010: 230,308 thousands of Euros) includes the following situations:

i) The Group holds a provision of 22,877 thousands of 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 57,694 thousands of Euros (31 December 2010: 53,156 thousands of Euros) to cover the costs of returning the sites to their original state, from which 34,523 thousands of Euros referring to the wind farms of the EDPR NA Group, 22,275 thousands of Euros to the wind farms of the EDPR EU Group and 896 thousands of Euros to the wind farms of the EDPR Brazil 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 decontaminating land where electric power plants are located. As at 31 December 2011, the provision which amounts to 43,215 thousands of Euros (31 December 2010: 11,392 thousands of Euros) and 15,608 thousands of Euros (31 December 2010: 7,386 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the 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 2011, "Provision for other liabilities and charges" on a company basis, of 72,172 thousands of Euros Euros (31 December 2010: 21,867 thousans of Euros), includes 40,784 thousands of Euros related to a provision to cover for the negative equity of subsidiary companies, booked during the year against financial costs - Impairment for financial investments (see note 15).

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of an administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 September of 2011, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a second lawsuit with the client White Martins, S.A. in the amount of 25,650 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit in the courts as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints.

ii) Escelsa is involved in litigation, related with the increase of the electricity tariffs, authorized by DNAEE Amninistratives Orders n. 38 and 45 of 27 February and 4 March of 1986.

iii) Investco is involved in a legal actions of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir.

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 S.G.P.S., related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2011, the amount of this tax contingency totals 212 millions of 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 in force at present date (actual article 81).

Consequently, EDP Group is currently using 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, being at this moment in the final phase. On the last 11 January 2012, EDP Group was notified by the portuguese tax authorities of the final decision regarding this litigation, and therefore decided to present an administrative appeal.

39. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
	Dec 2011	Dec 2010
Deferred income related to benefits provided	773,252	635,271
Liabilities arising from institutional partnerships in USA wind farms	1,023,557	1,008,777
	1,796,809	1,644,048

EDPR NA books the receipts of institutional investors associated with wind projects as non-current liabilities under "Liabilities arising from institutional partnerships in US wind farms". This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

40. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Trade and other payables from commercial activities - Current:				
Suppliers	1,110,659	1,182,508	250,114	119,507
Accrued costs related with supplies	371,858	338,633	180,632	199,835
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	788,496	858,306	5,342	2,414
Holiday pay, bonus and other charges with employees	154,622	129,825	14,861	8,533
CO_2 emission licenses	185,154	170,919	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	67,473	173,831	-	-
Amounts payable for tariff adjustments - Spain	39,624	55,009	-	-
Other creditors and sundry operations	578,794	580,263	57,744	100,862
	3,296,680	3,489,294	508,693	431,151
Trade and other payables from commercial activities - Non-Current				
Government grants for investment in fixed assets	541,850	563,477	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	12,376	61,557	-	-
Energy sales contracts - EDPR NA	61,664	71,991	-	-
Deferred income - CMEC	377,508	377,508	-	-
Amounts payable for concessions	247,933	265,341	-	-
Other creditors and sundry operations	48,105	76,173	3,410	3,797
	1,289,436	1,416,047	3,410	3,797
	4,586,116	4,905,341	512,103	434,948

The caption CO_2 emission licenses includes 108,426 thousands of Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 76,728 thousands of Euros related to the HC Energia Group in Spain, regarding the CO2 consumptions made during the year.

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2010: 14,317 thousands of Euros).

Deferred income - CMEC non current includes 377,508 thousands of Euros (31 December 2010: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2011 and including financial expenses (31 December 2011: 17,974 thousands of Euros) (see note 15).

Government grants for investment in fixed assets non-current corresponds to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts under Other operational income (see note 8).

Amounts payable for concessions refers to the amounts payable non-current related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 152,259 thousands of Euros as at 31 December 2011 (31 December 2010: 168,049 thousands of 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 95,674 thousands of Euros as at 31 December 2011 (31 December 2010: 97,292 thousands of Euros).

Amounts payable for tariff adjustments - Portugal current and non-current of 67,473 thousands of Euros and 12,376 thousands of Euros, respectively (31 December 2010: 173,831 thousands of Euros in current and 61,557 thousands of Euros in non current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal.

The movement for the period in Amounts payable for tariff adjustments - Electricity - Portugal (Current and Non-Current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2010	1,056,236	88,479
Payment through the electricity tariff	-1,080,476	-
Tariff adjustment of 2009	14,378	-
Tariff adjustment of the period	69,480	61,557
Interest expense	25,734	-
Transfer from Non-Current to Current	88,479	-88,479
Balance as at 31 December 2010	173 831	61,557
Payment through the electricity tariff	-175,952	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the period	-	12,135
Interest expense	3,768	241
Transfer of tariff adjustment to receive	2,515	-
Transfer from Non-Current to Current	63,311	-63,311
Balance as at 31 December 2011	67,473	12,376

41. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Other liabilities and other payables - Current:				
Payables - related companies	128,587	90,258	-	-
Derivative financial instruments	111,857	27,310	75,745	87,216
Creditors - Group companies	-	-	1,288,583	467,188
Put options over non-controlling interest liabilities	-	234,754	-	-
Amounts payable for the acquisition of companies	215,524	210,852	-	-
Other creditors and sundry operations	79,109	120,364	29,203	-
	535,077	683,538	1,393,531	554,404
Other liabilities and other payables - Non-Current				
Payables to associates	94,259	144,554	-	-
Put options over non-controlling interest liabilities	89,651	123,492	-	-
Derivative financial instruments	95,719	169,383	-	-
Payables - Group companies	-	-	2,436,252	3,207,855
Amounts payable for the acquisition and Success fees	48,675	287,480	-	-
Other creditors and sundry operations	32,797	34,813	11,062	11,062
	361,101	759,722	2,447,314	3,218,917
	896,178	1,443,260	3,840,845	3,773,321

The caption Creditors - Group companies - Current on a Company basis includes 885,752 thousands of Euros (31 December 2010: 99,506 thousands of Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 198,714 thousands of Euros, 19,920 thousands of Euros and 145,187 thousands of Euros, relating to debt financing obtained from EDP Renováveis, EDP Renewables Europe e Naturgás Energia Grupo, S.A., respectively (see note 47).

The caption Payables - Group companies non current on a company basis, of 2,436,252 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

As at 31 December 2010 the liabilities arising from written Put options over non-controlling interests - Current includes the liability for the put option contracted with Caja Madrid for a 20% interest in the Genesa Group in the amount of 234,754 thousands of Euros equivalent to 20% of Genesa's equity value. During the first semester of 2011 EDP Group paid this liability, considering the exercise of the put option by Caja Madrid. According to the terms of Genesa's share purchase agreement, 50% of any capital gains arising from the sale of the shareholding acquired, following the exercise of the option, within 24 months, must be shared in 50% with Caja Madrid.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 December 2011 the captions amounts payable for the acquisition includes the amounts of 214,767 thousands of Euros (31 December 2010: 210,852 thousands of Euros in current and 210,859 thousands of Euros in non-current).

In the caption Put options over non-controlling interests liabilities non-current at 31 December 2011 the Group books the put options related to interests held by non-controlling interest. This caption include the reduction of the estimated payable amount for the exercise of the put option contracted in 2010 with Energia in Natura for a interest in the EDPR Italia group in the amount of 34,625 thousands of Euros (see note 8) and the increase of 1,923 thousands of Euros regarding with the put option of Cajastur to EDP od 3.13 % of HC Energia share capital.

Amounts payable for the acquisition and Success fees refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás. The decrease on this caption results from of the contigent price reduction associated with the exercise of the put option of Energia in Natura to EDP in the amount of 17,070 thousands of Euros (the operation is analised in note 8).

42. TAX PAYABLE

Tax payable is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
State and other public entities:				
Income tax	167,316	149,183	1,158	-
Withholding tax	65,999	59,045	213	234
Social Security contributions	11,473	10,183	33	19
Value added tax (VAT)	97,835	62,531	307	935
Turnover tax (Brazil)	59,596	78,846	-	-
Social tax (Brazil)	36,952	49,309	-	-
Other taxes	107,635	143,259	11	-
	546,806	552,356	1,722	1,188

As at 31 December 2011, Other taxes include foreign taxes regarding HC Energia Group of 53,539 thousands of Euros, Naturgas Group of 34,656 thousands of Euros (31 December 2010: HC Energia Group 51,196 thousands of Euros and Naturgás Group of 35,140 thousands of Euros) and Energias do Brazil Group of 13,437 thousands of Euros (31 December 2010: 51,364 thousands of Euros).

43. 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:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Assets classified as held for sale				
Electricity transport equipment - Hidrocantábrico	-	30,952	-	-
Assets of the business of gas transmission - Naturgas	201,924	-	-	-
	201,924	30,952	-	-
Liabilities classified as held for sale				
Liabilities of the business of gas transmission - Naturgas	-21,329	-	-	-
	-21,329	-	-	-
	180,595	30,952	-	-

During 2011 and following the approval by the Comission Nacional de la Competencia, EDP Group concluded the sale of the electricity lines and substations belonging to Hidrocantábrico to Red Eléctrica de España ("REE"), recognising a gain of 27 millions of Euros (see note 8).

As a result of negociations in progress related with the sale of gas transmission network of Naturgás Energia, assets and liabilities associated with this negociation were reclassified to assets and liabilities held for sale. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets, as it is expected that the fair value less sell costs is higher than the book value of assets and liabilities, in accordance with IFRS 5. The Assets of the business of gas transmission relate mostly to tangible fixed assets in operation and in progress in the amount of 157,931 thousands of Euros (see note 17).

44. 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 2011 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	7,807	-	-	77,008	-	77,008
	7,807	-	-	77,008	-	77,008
Fair value hedge						
Interest rate swaps	54,302	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	95,205	-52,177	-	177,911	730,314	908,225
	149,507	-52,177		1,177,911	730,314	1,908,225
Cash flow hedge						
Commodities swaps	50,289	-28,901	1,000,785	2,885	-	1,003,670
Interest rate swaps	82	-71,615	52,816	279,481	488,350	820,647
Foreign exchange forwards	11,265	-28,652	559,667	-	-	559,667
OMIP futures	539	-1,239	16,352	-	-	16,352
	62,175	-130,407	1,629,620	282,366	488,350	2,400,336
Trading						
Commodities swaps	23,398	-334	2,874,382	551	-	2,874,933
Interest rate swaps	48,177	-10,145	-	500,000	600,000	1,100,000
Cross-currency interest rate swaps	15,970	-1,131	1,901		99,800	101,701
Currency forwards	3,965	-2,160	96,377	92,785	-	189,162
Commodities forwards	10,515	-10,369	258,681	-	-	258,681
Options purchased and sold	-	-853	-	-	-	-
	102,025	-24,992	3,231,341	593,336	699,800	4,524,477
	321,514	-207,576	4,860,961	2,130,621	1,918,464	8,910,046

In 2010 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	-	-1,074	-	59,627	-	59,627
	-	-1,074	-	59,627	-	59,627
Fair value hedge						
Interest rate swaps	86,470	-	750,000	1,250,000	-	2,000,000
Cross-currency interest rate swaps	-	-64,492	-	-	730,313	730,313
	86,470	-64,492	750,000	1,250,000	730,313	2,730,313
Cash flow hedge						
Commodities swaps	48,337	-7,750	690,479	57,968	-	748,447
Interest rate swaps	328	-26,962	106,102	169,197	288,748	564,047
Foreign exchange forwards	2,143	-36,203	476,597	253,468	-	730,065
	50,808	-70,915	1,273,178	480,633	288,748	2,042,559
Trading						
Commodities swaps	30,431	-4,789	2,261,956	269	-	2,262,225
Interest rate swaps	28,188	-28,411	489,976	-	845,683	1,335,659
Cross-currency interest rate swaps	13,299	-5,335	-	23,450	92,039	115,489
Currency forwards	3,580	-10,787	228,834	48,100	-	276,934
Commodities forwards	9,847	-10,367	735,631	-	-	735,631
OMIP futures	430	-523	77,852	-	-	77,852
	85,775	-60,212	3,794,249	71,819	937,722	4,803,790
	223,053	-196,693	5,817,427	1,862,079	1,956,783	9,636,289

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and Other liabilities and other payables (see note 41), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use generally discounted cash flow techniques accepted and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Thousands of Euros			2011		2010	
			Changes in fair value		Changes in fair value	
Type of hedge	Hedging instrument	Hedged risk	Instrument	Risk	Instrument	Risk
Fair value	Interest rate swap	Interest rate	10,234	-10,234	-17,553	17,553
Fair value	Cross-currency interest rate swaps	Exchange and interest rate	103,147	-103,147	49,210	-49,210
Cash flow hedge	Interest rate swap	Interest rate	-44,899	-	-3,009	-
Cash flow hedge	Currency forwards	Exchange rate	16,673	-	-12,629	-
Cash flow hedge	OMIP futures	Commodity prices	-700	-	-	-
Cash flow hedge	Commodities swaps	Commodity prices	-19,199	-	-44,209	-
			65,256	-113,381	-28,190	-31,657

The changes in the fair value reserve related to cash flow hedges in 2011 and 2010 were as follows:

	Group	
Thousands of Euros	Dec 2011	Dec 2010
Balance at the beginning of the year	45,180	80,444
Fair value changes	-18,966	15,170
Transfers to results from hedging of financial liabilities and commodity prices	-69,383	-50,434
Effect of sales without a loss of control of EDP Brasil	2,544	-
Balance at the end of the year	-40,625	45,180

The gains and losses on the financial instruments portfolio booked in the income statement in 2011 and 2010 are as follows:

	Group		Company	
Thousands of Euros	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Derivatives held for trading	8,667	-44,787	-4,118	-2,487
Fair value hedges				
Derivatives	113,381	31,657	-7,407	-28,596
Hedged liabilities	-113,381	-31,657	7,407	28,596
Cash flow hedges				
Transfer to results from hedging of financial liabilities	7,459	-410	-	-
Transfer to results from hedging of commodity prices	61,924	50,844	28,234	27,094
Ineffectiveness	-397	44	-397	44
	77,653	5,691	23,719	24,651

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2011 are as follows:

			Group	
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,574,715	EUR	[5,01% - 0,88%]	[5,5% - 0,88%]
Interest rate swaps	253,896	USD	[5,82% - 5,79%]	4.31%
Interest rate swaps	92,036	PLN	5.41%	4.90%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[5,54% - 3,26%]	[8,63% - 6,63%]
CIRS (currency interest rate swaps)	1,902	USD / BRL	[12,98% - 11,42%]	4.96%
CIRS (currency interest rate swaps)	99,800	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR / PLN	[4,13% - 4,01%]	1.39%
CIRS (currency interest rate swaps)	177,911	EUR / CHF	[4,2% - 4,18%]	3.51%
Exchange rate contracts				
Currency forwards	253,896	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2010 were as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,054,878	EUR	[5.01% - 0.49%]	[5.88% - 0.49%]
Interest rate swaps	735,658	USD	[5.82% - 2.09%]	0.46%
Interest rate swaps	109,170	PLN	5.41%	1.00%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.88% - 2.53%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	6,069	USD / BRL	[12.66% - 11.14%]	4.68%
CIRS (currency interest rate swaps)	92,039	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR/PLN	[2.96% - 2.86%]	1.01%
Exchange rate contracts				
Currency forwards	244,724	BRL / USD		

45. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2011 and 2010 , are analysed as follows:

Thousands of Euros

	Group		Company	
Type	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Guarantees of a financial nature				
EDP, S.A.	268,890	381,332	268,890	381,332
HC Energia Group	33,083	36,271	-	-
EDP Brasil Group	8,653	13,244	-	-
EDP Renováveis Group	5,656	24,999	-	-
Other (Portugal)	3,711	3,711	-	-
	319,993	459,557	268,890	381,332
Guarantees of an operating nature				
EDP, S.A.	770,668	911,218	770,668	911,218
HC Energia Group	357,709	348,543	-	-
EDP Brasil Group	123,507	120,663	-	-
EDP Renováveis Group	2,434,720	1,893,862	-	-
Other (Portugal)	10,094	32,280	-	-
	3,696,698	3,306,566	770,668	911,218
Total	4,016,691	3,766,123	1,039,558	1,292,550
Real guarantees	13,338	13,335	-	-

The financial guarantees contracted include, at 31 December 2011 and 31 December 2010, 231,525 thousands of Euros and 358,631 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 211,788 thousands of Euros at 31 December 2011 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 82,199 thousands of 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 2011 and 31 December 2010, 470,161 thousands of Euros and 553,274 thousands of 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 2011 and 31 December 2010 these loans amounted to 888,947 thousands of Euros and 862,625 thousands of 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 statement of financial position) 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 2011 and 2010, by maturity, as follows:

	Dec 2011				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest)	22,275,659	3,478,927	7,230,868	6,106,545	5,459,319
Finance lease commitments	7,882	3,425	4,059	398	-
Operating lease commitments	1,002,777	71,529	101,127	73,131	756,990
Purchase obligations	32,376,753	5,152,650	8,005,283	5,214,648	14,004,172
Other long term commitments	2,419,855	265,182	523,169	485,601	1,145,903
	58,082,926	8,971,713	15,864,506	11,880,323	21,366,384

Thousands of Euros	Dec 2010 Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	71,793,576	9,514,638	15,957,600	12,852,301	33,469,037

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Europe, United States of America and Brazil.

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period.

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 statement of financial position (note 37).

As at 31 December 2011, 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;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDP Renewables Europe,S.L., a call option over Copcisa for 49% of Corbera and Vilalba share capital;

- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 6.48% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:

- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renewables Italy are able to build, develop and operate 350 MW in Italy.

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the begining of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.L., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

46. 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 the acreation of value added.

EDP Group has the following three stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expire eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.

The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22

Information regarding stock options as at 31 December 2011, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
605,477	2.22	1.94	605,477	426,772

During the year ending 31 December 2011 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the year ended at 31 December 2011, EDP Group granted treasury stocks to employees (736,881 shares) totalling 2,046 thousands of Euros.

47. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2011 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	932,150,782	25.49%	19.81%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Caixa Geral de Depósitos Group	8,752,109	0.24%	0.19%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	176,322,036	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,995,561	3.36%	3.36%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	119,018,155	3.25%	3.25%
Banco Espírito Santo Group	80,110,820	2.19%	2.19%
Qatar Holding LLC	73,800,000	2.02%	2.02%
EDP Group (Treasury stock)	32,359,146	0.88%	-
Remaining shareholders	1,449,189,002	39.66%	-
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held by company officers in 2011 and 2010 are as follows:

	2011 Nr. of shares	2010 Nr. of shares
General and Supervisory Board		
António de Almeida	100	-
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,845	**57,745**
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	31,000
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	100,000	62,497
Nuno Maria Pestana de Almeida Alves	100,000	80,000
	290,116	**222,613**

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2011 was as follows:

Thousands of Euros	EBD	GSC
President	1,044	522
Members	5,052	836
	6,096	**1,358**

The remuneration of the members of the Executive Board of Directors includes a variable component of 1,683 thousands of Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

During 2011 the costs incured with the fees of the Statutory Auditor was 180,000 thousands of Euros.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries, which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

Balances and transactions with subsidiaries and associates

As at 31 December 2011, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	7,796	255,000	12,691	275,487
EDP Comercial	48,371	40,000	96,364	184,735
EDP Distribuição	170,354	2,028,125	52,562	2,251,041
EDP Finance BV	-	116,561	349	116,910
EDP Gás -SGPS	25,541	107,400	3,561	136,502
EDP Gestão da Produção	1,327	3,825,275	256,409	4,083,011
EDP Imobiliária e Participações	-	177,700	775	178,475
EDP Renováveis	-	-	237,918	237,918
Hidroeléctrica del Cantábrico	1,494	87,173	47,083	135,750
Other	26,112	45,502	111,908	183,522
	280,995	6,682,736	819,620	7,783,351

As at 31 December 2010, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Comercial	32,156	54,551	35,957	122,664
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Renováveis	-	-	161,909	161,909
Hidroeléctrica del Cantábrico	1,841	131,313	7,371	140,525
Other	6,119	50,311	74,091	130,521
	325,149	6,242,157	1,394,625	7,961,931

As at 31 December 2011, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,288,505	34,686	3,323,191
EDP Gestão da Produção	-	-	255,870	255,870
EDP Renováveis	-	198,714	9,872	208,586
EDP Serviço Universal	-	-	115,617	115,617
Naturgás	-	145,187	-	145,187
Other	7,819	23,755	143,943	175,517
	7,819	3,656,161	559,988	4,223,968

As at 31 December 2010, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás III SGPS	62,488	-	277	62,765
EDP Gestão da Produção	-	-	168,342	168,342
EDP Renováveis Europe	-	55,398	-	55,398
EDP Renováveis	-	170,387	-	170,387
EDP Serviço Universal	-	-	230,712	230,712
Naturgás	-	84,492	-	84,492
Other	59,753	6	127,449	187,208
	122,241	3,585,252	571,238	4,278,731

Expenses related to intra-Group transactions as at 31 December 2011, **at Company level** , eliminated on consolidation are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-176,885	-4,730	-181,615
EDP Gestão da Produção	-677	-	-1,179,509	-1,180,186
EDP Renováveis	-	-935	-27,098	-28,033
Hidroeléctrica del Cantábrico	-	-	-95,991	-95,991
Hidroeléctrica do Guadiana	-	-	-38,083	-38,083
Other	-536	-3,457	-116,809	-120,802
	-1,213	-181,277	-1,462,220	-1,644,710

Expenses related to intra-Group transactions as at 31 December 2010, **at Company level** , eliminated on consolidation are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-183,957	-12,066	-196,023
EDP Gestão da Produção	-43	-	-902,490	-902,533
Hidroeléctrica del Cantábrico	-	-	-62,375	-62,375
Other	-360	-992	-136,266	-137,618
	-403	-184,949	-1,113,197	-1,298,549

Income related to intra-Group transactions as at 31 December 2011, **at Company level** , eliminated on consolidation are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	494	1,923	479,303	481,720
EDP Distribuição	13,010	70,172	35,996	119,178
EDP Gás.Com	-	-	217,524	217,524
EDP Gestão da Produção	757	214,147	104,928	319,832
EDP Renováveis	-	588	73,950	74,538
Hidroeléctrica del Cantábrico	-	-	117,792	117,792
Other	991	23,263	106,416	130,670
	15,252	310,093	1,135,909	1,461,254

Income related to intra-Group transactions as at 31 December 2010, **at Company level** , eliminated on consolidation are as follows:

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	677	1,410	390,304	392,391
EDP Distribuição	7,245	39,861	37,810	84,916
EDP Gás.Com	-	-	63,070	63,070
EDP Gestão da Produção	2,007	206,868	44,975	253,850
EDP Renováveis	-	-	155,083	155,083
Other	645	20,804	160,232	181,681
	10,574	268,943	851,474	1,130,991

Assets and Liabilities with related companies at 31 December 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Assets	Liabilities	Net Value
Associates	236,714	3,834	232,880
Jointly controlled entities	25,212	12,249	12,963
	261,926	16,083	245,843

Assets and Liabilities with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Assets	Liabilities	Net Value
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	175,490	16,422	159,068

Transactions with related companies at 31 December 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	6,475	7,263	-3,087	-75
Jointly controlled entities	64,199	6,229	-24,009	-459
	70,674	13,492	-27,096	-534

Transactions with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	9,502	3,334	-887	-9
Jointly controlled entities	53,821	5,432	-23,638	-7,835
	63,323	8,766	-24,525	-7,844

48. 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 2011 and 2010, 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 2011			31 December 2010		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.36%	0.58%	10.41%	1.01%	0.30%	10.90%
6 months	1.62%	0.81%	10.15%	1.23%	0.46%	11.61%
1 year	1.95%	1.13%	10.04%	1.51%	0.78%	12.04%
2 years	1.31%	0.73%	10.48%	1.56%	0.79%	12.27%
3 years	1.36%	0.82%	10.75%	1.89%	1.26%	12.15%
4 years	1.54%	1.01%	10.92%	2.20%	1.74%	12.04%
5 years	1.72%	1.23%	10.98%	2.49%	2.17%	11.95%
6 years	1.91%	1.45%	11.05%	2.74%	2.53%	11.89%
7 years	2.07%	1.64%	11.05%	2.93%	2.83%	11.85%
8 years	2.19%	1.80%	11.07%	3.09%	3.06%	11.87%
9 years	2.29%	1.93%	11.17%	3.21%	3.25%	11.88%
10 years	2.38%	2.03%	11.22%	3.32%	3.41%	11.90%

Fair value of assets and liabilities as at 31 December 2011 and 2010 is analysed as follows:

	Group Dec 2011			Group Dec 2010		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	171,313	171,313	-	443,965	443,965	-
Trade receivables	2,152,281	2,152,281	-	2,187,118	2,187,118	-
Debtors and other assets from commercial activities	3,604,009	3,604,009	-	3,483,216	3,483,216	-
Other Debtores and other assets	599,153	599,153	-	550,074	550,074	-
Derivative financial instruments	321,514	321,514	-	223,053	223,053	-
Financial assets at fair value through profit or loss	212	212	-	35,745	35,745	-
Cash and cash equivalents (assets)	1,731,524	1,731,524	-	1,588,163	1,588,163	-
	8,580,006	8,580,006	-	8,511,334	8,511,334	-
Financial liabilities						
Loans	18,785,109	16,590,072	-2,195,037	17,891,646	17,398,777	-492,869
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	1,899,155	1,899,155	-	2,040,814	2,040,814	-
Institutional Partnerships in USA Wind Farms	1,796,809	1,796,809	-	1,644,048	1,644,048	-
Trade and other payables from commercial activities	2,686,961	2,686,961	-	2,864,527	2,864,527	-
Other liabilities and other payables	688,602	688,602	-	1,246,567	1,246,567	-
Derivative financial instruments	207,576	207,576	-	196,693	196,693	-
	26,064,212	23,869,175	-2,195,037	25,884,295	25,391,426	-492,869

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	31 December 2011			31 December 2010		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	69,957	37,388	63,968	302,342	49,725	91,898
Derivative financial instruments	-	321,514	-	-	223,053	-
Financial assets at fair value through profit or loss	212	-	-	35,745	-	-
	70,169	358,902	63,968	338,087	272,778	91,898
Financial liabilities						
Derivative financial instruments	-	207,576	-	-	196,693	-
	-	207,576	-	-	196,693	-

As at 31 December 2011 and 2010, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2011	Dec 2010
Balance at beginning of year	91,898	71,902
Change in fair value reserve	-17,934	7,964
Acquisitions	2,952	-
Disposals	-16,894	-
Impairment	-121	-
Transfers and other changes	4,067	12,032
Balance at year end	63,968	91,898

49. CO_2 LICENSES

The movements in the portfolio of CO_2 licenses are analysed as follows:

	Group	
CO_2 (Ton)	Dec 2011	Dec 2010
CO_2 licenses as at 1 January	240,239	415,685
Licenses granted free of charge	17,970,369	15,877,527
Licenses purchased	11,638,492	6,740,686
Licenses transferred (from own consumption to trading)	-3,087,262	-8,094,155
	26,761,838	14,939,743
Licenses to be returned (consumed)	16,862,610	14,699,504
Excess/(Lack) of licenses	9,899,228	240,239

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 18 and 24).

The movements in the portfolio of CO_2 licenses held for trading and classified as inventories are analysed as follows:

CO_2 (Ton)	Group	
	Dec 2011	Dec 2010
CO_2 licenses held for trading on 1 January	3,931,328	954,739
Licenses acquired in the market	7,129,846	6,280,700
Emission licenses transferred to the trading portfolio	3,087,262	8,094,155
Licenses sold	-14,031,516	-11,398,266
CO_2 licenses held for trading on 31 December	116,920	3,931,328
CO_2 Licenses for trading (in thousand Euros)	807	51,745

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 24), in accordance with Accounting policy - note 2 l).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

50. SUBSEQUENT EVENTS

Imputation to China Three Gorges

On 30 December 2011, China Three Gorges Corporation ("CTG") notified EDP that it has entered into a Strategic Direct Sale Agreement with Parpública - Participações Públicas (SGPS), S.A. for the acquisition of 780,633,782 ordinary shares of EDP , which correspond to 21.35% od EDP's share capital and 21.35% of the respective voting rights. The imputation of a qualifying holding results from the signature of said agreement within the context of the implementation of EDP's 8º reprivatization phase.

The referred acquisition of shares is subject to the prior satisfaction of conditions, namely the obtaining of approvals from relevant regulatory authorities from certain jurisdictions.

Although the acquisiton of the above mentioned stake has not been concluded, Portuguese Law deems relevant, for certain prurposes, the attribuition of voting rights, as a result of the execution of a purchase agreement over listed companies' shares. Accordingly, as of the date hereof and until completion of the acquisition process, the attribution of voting rights inherent to the 780,633,782 shares, does not involve the actual exercise of those rights nor the ownership of any stake in the share capital of EDP by CTG.

Standard & Poor's downgrades EDP to "BB+" with negative outlook

On 1 February 2011, Standard & Poor's Ratings Services ("S&P") downgraded the long-term and short-term corporate credit ratings on EDP - Energias de Portugal S.A. ("EDP") and EDP Finance B.V from "BBB" to "BB+" with a negative outlook.

This downgrade follows S&P's downgrade of the Republic of Portugal to "BB" with negative outlook.

Moody's Downgrades EDP to "Ba1" with negative outlook

Moody's Investors Service ("Moody's") downgraded EDP- Energias de Portugal SA ("EDP"), its finance subsidiary EDP Finance BV ("EDP Finance") and its spanish subsidiary, Hidroelectrica del Cabtabrico ("HC Energia") to "Ba1" from "Baa3". Concurrently, Moody's downgraded the short term ratings of EDP, EDP Finace and HC Energia to "Not-prime" from "Prime-3". The assigned outlook on all affected ratings is negative.

This downgrade follows Moodys's downgrade of the Republic of Portugal to "Ba3" with negative outlook.

EDP's General Shareholders Meeting

In the General Shareholders Meetings held on 20 February 2012, the shareholders have approved the following resolutions:

1. Amendment of EDP' By-Laws, in order not to be regarded as a legal person that is a competitor of EDP or the existenmce of other relations with na entity being competitor of EDP, the shareholder that individually holds at least 20% of the share capital of EDP, and that, directlypor through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior gfavorable opinion of the General and Supervisory Board.

2. Amendment of the EDP'By-Laws to reflect the increase of the limit for the cast votes fron the current 20% to 25% of the share capital.

3. Election of the members of EDP's General and Supervisory Board for the three year period 2012-2014.

4. Election of the menbers of EDP's Executove Board of Directos for the three year period 2012-2014.

51. 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 24 (Revised) - Related Party Disclosures

The International Accounting Standards Board (IASB) issued in November 2009, the IAS 24 (Revised) - Related Party Disclosures, with effective date of mandatory application on 1 January 2011, being allowed its early adoption.

This revised version simplifies the disclosure requirements for government related parties and clarifies the definition of a related party. Therefore, this standard establishes that the companies disclose in its financial statements the information regarding the transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The principal changes are the following:

- partial exemption of the requirements on the paragraph 18 for transactions with government related entities ;
- simplification of "Related Party" definition.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

The International Accounting Standards Board (IASB), issued in November 2009, amendments to IFRIC 14 — Prepayments of a Minimum Funding Requirement, with effective date of mandatory application on 1 January 2011, being early adoption allowed. These ammendments were adopted by European Union in July 2010.

The amendment to IFRIC 14, is it self an interpretation of IAS 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

No significant impact in the Group resulted from the adoption of this interpretation.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

No significant impact in the Group resulted from the adoption of this interpretation.

Annual Improvement Project

In May 2010, 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 3 - Business Combinations, effective from 1 January 2011. This changes clarifies that: (i) contigent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied this standard should not be adjusted; (ii) if a business combination agreement provides for an adjustment to the cost of the combination contigent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition data if the adjustment is probable and can be measured reliably; and (iii) a business combination agreement may allow for adjustments to the cost of the combination that are contigent on one or more future events.

  No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2011. This amendment simplifies the quantitave disclosures, since that is no longer necessary: (i) disclose the carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated , and (ii) describe the collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of fair value related to financial assets renegotiated.

  No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 1 - Presentation of Financial Assets, effective from 1 January 2011. The amendment establishes that the statement of changes in equity for each component of equity, a reconciliation between the carrying at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss; (ii) other comprehensive income; and (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

  No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 34 - Interim Financial Reporting, effective from 1 January 2011. The amendment clarifies and emphasis the information that must be disclosed at the interim financial reporting.

  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

IFRS 1 (Amendment) - First-Time Adoption of International Financial Reporting Standards

The International Accounting Standards Board (IASB), issued in December 2010, amendments to IFRS 1 — First-Time Adoption of International Financial Reporting standards, with effective date of mandatory application of 1 July 2011, being early adoption allowed. These amendments have not been adopted by the European Union.

The amendment to IFRS 1 , introduces a specific exemption for the first adoption of IFRS for entities operating in economies previously classified as hyper-inflationary, so that when the date of transition is after or is the date on which the functional currency stablises, the entity can choose to measure on the transition date, all assets and liabilities held at the time, at fair value.

No significant impact is expected in the Group from the adoption of this change.

IFRS 7 (Amendment) - Financial Instruments: Disclosures - Offsseting Financial Assets

The International Accounting Standards Board (IASB), issued in December 2011, amendments to IFRS 7 — Financial Instruments: Disclosures, with effective date of mandatory application of 1 January 2013, being early adoption allowed.

With this change, the disclosures of financial instruments include information that will evaluate the effect or potential effect of the compensation arrangements, including the countervailing recognised as assets and financial liabilities in the statement of financial position.

The adoption of this amendement will only have impact on the financial statement disclosures.

IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, amendments to IFRS 7 — Financial Instruments: Disclosures, with effective date of mandatory application of 1 July 2011, being early adoption allowed.

The amendment to IFRS 7, clarifies the disclosures required to all financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction ocucurred.

An entity transfers all or part of a financial asset, if, and only if, it either:

- transfers the contractual rights to receive the cash flows of that financial asset ; or
- retains the contractual rights to receivethe cash flow of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

The entity shall disclose at each reporting date for each class of tranferred financial assets that are not derecognised in their entirety: (i) the nature of transferred assets; (ii) the nature of the risks and rewards between the transferred assets and associated liabilities.

For transferred financial assets that are derecognised in their entirety the disclosures includes: (i) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets , and the line items in which the carrying amount of those assets and liabilities are recognised; (ii) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets; (iii) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined; and (iv) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets or other amounts payable to the transference in respect of the transferred assets.

In addition, an entity shall disclose for each type of continuing involvement:

- the gain or loss recognised at the date of transfer of the assets;
- income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets;
- if the total amount of proceeds from transfer activity in a reporting period is not evenly distributed throughout the reporting period;
- when the greatest transfer activity took place within that reporting period;
- the amount recognised from transfer activity in that part of the reporting period; and
- the total amount of proceeds from transfer activity in that part of the reporting period.

An entity shall provide this informaton for each period for which a statement of comprehensive income is presented.

The adoption of this amendement will only have impact on the financial statement disclosures.

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 2015, being allowed its early adoption. This standard, changed in October 2010, 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.

- there is no exemption that allows unquoted equity investments and related derivatives to measure at cost. However, guidance is provided on the limited circumstances in which the cost of such an instrument may be an appropriate approximation of fair value;

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact of adopting this standard.

IFRS 10 - Consolidated Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 10 - Consolidated Financial Statements, 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 introduces a new approach in determining which investments should be consolidated, replacing IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation SPE. This standard establishes a single model to be applied in assessing the existence of control over subsidiaries, where an investor has control over a subsidiary when it is exposed, or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns because of the power over it. Additionally, the concept of "de facto control" was introduced.

The Group is evaluating the impact of adopting this standard.

IFRS 11 - Joint Arrangements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 11 - Joint Arrangements, 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 superseded IAS 31 - Interests in Joint Ventures and introduces several changes for accounting jointly controlled investments, the main aspect is the elimination of the option to consolidate joint ventures by the proportional method, being the equity method mandatory.

The structure of a joint agreement ceases to be the main factor in determining the accounting model to adopt. The classification of a joint agreement requires the identification and evaluation of the structure, legal form of the contractual agreement and other facts and circumstances.

The Group is evaluating the impact of adopting this standard.

IFRS 12 - Disclosure of Interests in Other Entities

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 10 - Consolidated financial statements, 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.

The information disclosed has to help users of the financial statements evaluate the nature and risks associated with its interests in other entities and the effects of those interests on the financial statements. The main issues considered are as follows:

- for the interests in subsidiaries, should be disclosed: (i) the composition of the group;(ii) non-controlling interests; (iii) significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiares; (iv) the nature of, and changes in, the risks associated with interests in consolidated structured entities; and (v) changes in its ownership interest that did or did not result in a loss of control during the reporting period.

- for the interests in joint arrangements and associates, it should be disclosed: (i) the nature, extent and financial effects of its interests in joint arrangements and associates, including information about contractual relationships with other parties; and (ii) the nature of, and the changes in, the associated risks with its interests in joint ventures and associates.

- for the interests in unconsolidated structured entities, should be disclose: (i) the nature and the extent of its interests in unconsolidated structured entities; and (ii) the evaluation of the nature and changes in the risks associated with the interests in unconsolidated structured entities.

The Group is evaluating the impact of adopting this standard.

IFRS 13 - Fair Value Measurement

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 13 - Fair Value 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 presents a revised concept of fair value and determines new disclosures requirements. The main aspects considered are as follows: (i) principles of fair value, (ii) appropriate valuations techniques and fair value hierarchy and (iii) additional disclosure requirements.

No significant impact in the Group is expected from the adoption of this standard.

IAS 1 (Amended) - Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued in June 2011, IAS 1 - Presentation of Financial Statements: Presentation of items of other comprehensive income, with effective date of mandatory application for periods beginning on or after 1 July 2012, being allowed its early adoption. These amendments have not yet been adopted by the European Union.

The principal changes are the following:

- the amendments retain the option to present profit or loss and other comprehensive income ineither a single continuos statement or in two separate but consecutive statements;
- items of other comprehensive are required to be grouped into those that will and will not subsequently be reclassified to profit or loss; and
- tax on items of other comprehensive income is required to be alocated on the same basis.

The Group is evaluating the impact from the adoption of this change.

IAS 19 (Amended) - Employee Benefits

The International Accounting Standards Board (IASB) issued in June 2011, IAS 19 (Amended) - Employee Benefits, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. These amendments have not yet been adopted by the European Union.

The amendments to IAS 19, make important improvements by:

- eliminating an option to defer the recognition of gains and losses, know as the "corridor method", improving comparability and faithfulnesss of presentation;
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; and
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

No significant impact in the Group is expected from the adoption of this change.

IAS 27 (Amended) - Separate Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

The amendment to IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 - Consolidated Financial Statements, addresses the principle of control and requirments relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the standard's amended title, Separate financial statements.

No significant impact in the Group is expected from the adoption of this change.

IAS 28 (Amended) - Investments in Associates and Joint Ventures

The International Accounting Standards Board (IASB) issued in May 2011, IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

This amendment to IAS 28 (2003) describes the accounting treatment to be adopted by the investor in associates and joint ventures, defining the accounting requirements for applying the equity method for both associates and joint ventures.

No significant impact in the Group is expected from the adoption of this change.

IAS 32 (Amended) - Financial Instruments: Presentation

The International Accounting Standards Board (IASB) issued in December 2011, IAS 32 (Amended) - Financial Statements: Presentation, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption. These amendments have not yet been adopted by the European Union.

This amendment clarifies the required conditions to be met in order to present the net position of the financial assets and liabilities in the financial position of an entity, as follows: (i) the entity currently has a legally enforceable right to set off the recognized amounts, and (ii) the entity has the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

No significant impact in the Group is expected from the adoption of this change.

52. EDP BRANCH IN SPAIN

The aim of "EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España" is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and a Coordination Committee.

The Executive Committee of EDP is composed of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" 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 statement of financial position of the Branch as at 31 December 2011 and 2010 is analysed as follows:

	EDP Branch	
Thousands of Euros	Dec 2011	Dec 2010
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	481,695	-
Other	60	60
Deferred tax assets	70,114	-
Other debtors and others assets	79,794	144,566
Total Non-Current Assets	5,553,350	5,066,313
Trade receivables	13,573	15,253
Debtors and other assets	387,595	343,553
Tax receivable	37,306	20,211
Cash and cash equivalents	11,649	15,661
Total Current Assets	450,123	394,678
Total Assets	6,003,473	5,460,991
Equity	2,269,465	1,797,905
Financial debt	2,436,252	3,207,855
Deferred tax liabilities	4,255	-
Total Non-Current Liabilities	2,440,507	3,207,855
Financial debt	-	33
Trade and other payables	1,293,150	454,192
Tax payable	351	1,006
Total Current Liabilities	1,293,501	455,231
Total Liabilities	3,734,008	3,663,086
Total Equity and Liabilities	6,003,473	5,460,991

53. 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 2011 and 2010 are analysed as follows:

	Group	
Thousands of Euros	Dec 2011	Dec 2010
Air and climate protection	19,301	47,108
Biodiversity and landscape protection	15,078	16,831
Waste management	680	2,250
Research and development in the environmental area	37	508
Soil, subterranean and surface water protection	1,940	866
Residual water management	382	349
Noise and radiation reduction	93	107
Other environmental management and protection activities	10,675	6,923
	48,186	74,942

Investments recognised in Air and climate protection as Property, plant and equipment in 2011 include costs incurred by EDP Produção of 18,674 thousands of Euros. The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2011, have a net book value of 274 millions of Euros.

During the year, the Group recognised expenses that are analysed as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Air and climate protection	3,200	8,624
Soil, subterranean and surface water protection	5,823	2,992
Waste management	2,966	2,433
Biodiversity and landscape protection	949	352
Residual water management	5,235	2,957
Research and development in the environmental area	3,079	1,487
Noise and radiation reduction	94	138
Other environmental management and protection activities	7,791	4,452
Other expenses	99	99
	29,236	23,534

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 43,215 thousands of Euros and 15,608 thousands of Euros as at 31 December 2011, for 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 2011, the provisions amount to 57,694 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 22,877 thousands of Euros (see note 38).

During the year 2011, EDP Group incurred in fines and other penalties for breaching environmental regulations of 4 thousands of Euros.

Environmental income recognised in 2011 relates to the sale of environmental subproducts of 4,742 thousands of Euros, the sale of environmental waste of 2,186 thousands of Euros and public environmental protection incentives of 2,084 thousands of Euros.

54. 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 (see Annex II):

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP 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.
- Electrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Grupo 4, S.A.
- Patrimonial de La Ribera del Ebro, S.L.

The **Iberian Distribution** segment corresponds to the activities of electricity distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotacion Redes
- Hidrocantábrico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the iberian distribution activity. This segment includes, namely, the following companies:

- EDP Comercial - Comercialização de Energia, S.A.
- Hidrocantábrico Energia, S.A.U.
- EDP Soluções Comerciais, S.A.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDP Renewables Europe and EDPR NA subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP 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, S.G.P.S.
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Naturgás Energia Transporte, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Grupo, S.A.

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position 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.

55. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2011 are as follows:

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Portugal										
Group Parent Company and Related Activities:										
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000	EUR	289,855	275,615	14,240	25,018	12,747	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435	EUR	3,004	2,965	39	211	-252	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000	EUR	17,724	13,086	4,638	44,741	1,533	100.00%	100.00%
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715	EUR	15,422,026	8,417,438	7,004,588	3,912,666	790,939	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000	EUR	160,223	203,328	-43,106	5,431	-50,976	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000	EUR	19,781	17,684	2,097	6,226	-125	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006	EUR	264,086	136,749	127,337	38,663	32,918	100.00%	-
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000	EUR	246,939	113,450	133,490	31,330	16,836	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000	EUR	70,828	59,011	11,818	59,631	3,375	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000	EUR	6,225	4,540	1,685	3	-275	100.00%	-
EDP Internacional S.A.	Lisbon	50,000	EUR	25,177	20,883	4,294	19,270	3,215	100.00%	100.00%
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000	EUR	13,287	9,067	4,221	10,894	-209	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000	EUR	23,959	18,248	5,711	34,476	1,565	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000	EUR	261	196	65	372	4	100.00%	-
Electricity - Portugal:										
Electricity Generation:										
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505	EUR	7,810,735	5,607,704	2,203,030	1,815,843	379,890	100.00%	100.00%
Energin, S.A.	Lisbon	50,000	EUR	29,334	28,568	765	43,186	511	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000	EUR	40,026	41,255	-1,228	24,847	-1,564	51.00%	-
Greenvouga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A.	Oliveira de Frades	1,000,000	EUR	60,097	42,310	17,787	334	-40	100.00%	-
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000	EUR	519,538	487,795	31,744	67,265	11,526	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000	EUR	5,065	4,142	922	7,998	-318	100.00%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100	EUR	145,565	147,392	-1,827	23,579	5,864	100.00%	-
Soporgen, S.A.	Lisbon	50,000	EUR	32,168	22,246	9,922	55,094	3,339	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000	EUR	2,959	2,295	663	3,951	-438	100.00%	-
Renewable Energies:										
EDP Renováveis Portugal, S.A.	Oporto	7,500,000	EUR	820,154	726,724	93,430	139,654	36,405	77.53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50,000	EUR	11,414	8,395	3,019	3,057	1,240	46.52%	-
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	50,000	EUR	27,960	21,431	6,530	4,623	1,435	38.84%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000	EUR	16,235	13,045	3,190	2,350	632	38.84%	-
Malhadizes, S.A	Oporto	50,000	EUR	22,640	22,094	546	4,832	396	77.53%	-
Electricity Distribution:										
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000	EUR	4,776,190	4,166,894	609,296	3,912,183	221,902	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000	EUR	1,262	1,291	-29	-	-64	100.00%	-
Electricity Supply:										
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695	EUR	242,205	258,651	-16,446	911,230	-31,564	100.00%	100.00%
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Massama	50,000	EUR	19,549	25,788	-6,239	8,480	-6,343	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000	EUR	2,809	1,991	818	5,660	357	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000	EUR	1,971,565	1,931,685	39,880	3,828,063	5,975	100.00%	-
Home Energy II, S.A.	Oliveira de Frades	50,000	EUR	2,391	3,075	-685	4,723	-2,111	100.00%	-
Gas Supply and Distribution:										
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000	EUR	118,614	110,313	8,302	523,309	12,847	100.00%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998	EUR	8,276	4,321	3,956	3,919	831	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996	EUR	37,152	25,506	11,646	92,644	6,026	71.97%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400	EUR	14,920	14,086	834	392	87	60.00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150	EUR	395,621	284,791	110,830	110,942	24,245	71.97%	-
Related Activities:										
EDP Soluções Comerciais, S.A.	Lisbon	50,000	EUR	118,409	108,006	10,403	168,413	7,834	100.00%	100.00%
Other Activities:										
EDP - Projectos S.G.P.S., S.A.	Lisbon	50,000	EUR	313	1,410	-1,098	-	-571	100.00%	100.00%
FCTE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000	EUR	4	516	-512	-	-3	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000	EUR	1,738	64,650	-62,912	114	-115	100.00%	-
OPTEP S.G.P.S., S.A.	Lisbon	5,500,000	EUR	23,991	1,223	22,768	1,332	1,221	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000	EUR	313	282	30	2	-320	91.00%	-
Spain										
Parent Company and Related Activities:										
EDP Renováveis, S.A.	Oviedo	4,361,540,810	EUR	8,544,080	3,384,545	5,159,535	406,674	59,018	77.53%	62.02%
EDP Renewables Europe, S.L.	Oviedo	30,000,000	EUR	4,792,671	4,669,431	123,240	227,516	-30,623	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790	EUR	4,991,814	2,853,627	2,138,186	2,100,372	99,988	100.00%	96.60%
Electricity - Spain:										
Electricity Generation:										
Cepraster, AIE	Oviedo	360,607	EUR	419	11	408	1	-3	44.01%	-
Cogeración Bergara, A.I.E.	Bergara	450,000	EUR	1,293	421	872	2,047	125	50.00%	-
Cogeración Montjuic, S.L.U.	Bilbao	1,250,000	EUR	3,393	746	2,647	81	38	100.00%	-
Cogeración Serantes, S.L.U.	Bilbao	2,750,000	EUR	11,544	6,477	5,067	573	373	70.00%	-
Electrica de la Ribera del Ebro, S.A.	Castejón	5,000,000	EUR	656,602	644,265	12,336	144,685	-18,554	100.00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2,139,603	EUR	3,601	5,514	-1,913	6,355	422	90.00%	-
Central Termica Ciclo Combinado Grupo, S.L.	Oviedo	2,117,000	EUR	183,902	230,005	-46,103	97,416	-19,201	75.00%	-
HC Soluciones Comerciales, S.A.	Oviedo	60,300	EUR	30,108	22,576	7,532	51,126	7,441	100.00%	-
Hidrocantábrico Servicios, S.A.	Oviedo	60,150	EUR	1,884	1,474	410	6,571	279	100.00%	-
Millenium Energy, S.L.	Bilbao	2,830,247	EUR	621,196	643,594	-22,398	4,559	-23,377	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Castejón	150,000,000	EUR	696,199	15,425	680,774	36,405	23,912	100.00%	-
Rasacal Cogeneración, S.A.	Madrid	60,200	EUR	7	423	-416	-	-	46.52%	-
Ciclo Combinado Soto 5, S.L.	Oviedo	21,000,000	EUR	319,189	15,534	303,655	6,913	-12,134	100.00%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030	EUR	9,922	9,610	312	4,496	12	50.10%	-
Renewable Energies:										
Acampo Arias,S.L.	Zaragoza	3,314,300	EUR	24,354	21,380	2,974	3,173	255	76.12%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350	EUR	1,309	113	1,196	701	-21	37.75%	-
Agrupación Eólica, S.L.U.	Zaragoza	649,836	EUR	55,262	14,757	40,505	8,743	5,877	77.53%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288	EUR	1,387	1	1,386	663	661	47.68%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Spain									
Electricity - Spain:									
Renewable Energies:									
Parque Eólico Plana de Artajona, S.L.U.	Zaragoza	12,024 EUR	67	59	8	-	-1	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,493	265	1,228	591	211	58.79%	-
Cia. Eléctrica de Energías Renovables Alternativas, S.A.U.	Zaragoza	69,116 EUR	75	20	55	-	-	77.53%	-
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza	86,480 EUR	86	1	84	-	-	77.53%	-
Hidrocantábrico Cogeneracion, S.L.	Oviedo	5,829,200 EUR	63,364	52,348	11,015	34,099	2,341	100.00%	-
Parc Eòlic de Coll de Moro, S.L.	Barcelona	3,005 EUR	52,714	52,706	8	2,417	-	46.52%	-
Parc Eòlic de Coll de la Garganta, S.L.	Barcelona	1,693,010 EUR	47,824	46,835	989	2,866	-704	77.53%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200 EUR	80,696	79,759	937	10,952	863	77.53%	-
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190 EUR	19,369	14,142	5,227	4,370	1,324	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369 EUR	11,206	6,711	4,495	3,298	1,256	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600 EUR	47,695	25,364	22,331	1,988	565	46.52%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	9,223	1,278	7,945	3,187	495	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	85,554	67,752	17,801	16,709	4,609	77.53%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200 EUR	13,127	2,639	10,488	3,819	645	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	68,097	49,655	18,442	16,801	5,919	77.53%	-
Desarrollos Eólicos Promocion, S.A.	Seville	8,061,000 EUR	93,056	59,660	33,397	24,043	23,723	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950 EUR	33,982	21,600	12,382	8,305	2,973	73.72%	-
Desarrollos Eolicos, S.A.	Seville	1,056,225 EUR	26,874	10,522	16,352	7,980	-621	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650 EUR	14,582	3,744	10,838	6,156	2,642	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	275	215	60	26	-	39.54%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	50,523	47,632	2,892	10,390	2,888	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	31,281	30,105	1,176	5,656	995	77.53%	-
EDP Renováveis Cantábria, S.L.	Madrid	300,000 EUR	1,657	1,372	285	14	-15	77.53%	-
Eólica Alfoz, S.L.	Madrid	8,480,000 EUR	161,923	152,157	9,766	24,112	2,471	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	26,377	16,867	9,510	6,501	2,094	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994 EUR	96,556	69,416	27,140	21,128	5,514	58.15%	-
Eneroliva, S.A.	Seville	75,120 EUR	209	141	68	-	-	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	4,610,000 EUR	43,556	42,112	1,443	3,694	-1,522	77.53%	-
Hidroeléctrica Fuentermosa, S.L.	Oviedo	77,036 EUR	330	51	280	106	18	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	10,000 EUR	368	361	7	4	-3	77.53%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000 EUR	35,617	33,929	1,687	5,493	292	46.52%	-
Generaciones Especiales I, S.L.	Madrid	28,562,170 EUR	682,966	394,412	288,554	109,806	90,664	77.53%	-
Ceasa Promociones Eólicas, S.L.U.	Zaragoza	1,205,029 EUR	42,525	35,451	7,075	47,499	1,192	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000 EUR	201,066	188,786	12,279	32,248	4,868	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	469	574	-105	71	-19	58.15%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	29,057	26,537	2,520	4,694	426	77.53%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970 EUR	147,673	127,741	19,932	16,974	-2,106	46.20%	-
Industrias Medioambientales Rio Carrión, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Eólica La Janda, S.L.	Madrid	2,050,000 EUR	164,765	157,789	6,976	25,980	2,378	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000 EUR	36,127	33,625	2,503	6,203	1,181	77.53%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	26,657	21,657	5,000	6,171	1,906	77.53%	-
Energia Eólica La Manchuela, S.L.U.	Madrid	1,141,900 EUR	21,401	18,067	3,334	4,125	1,032	77.53%	-
Parc Eolic Molinars, S.L.	Girona	3,006 EUR	233	230	3	-	-	41.87%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300 EUR	489	251	238	186	53	62.02%	-
Parque Eólico Montes de Castejón, S.L.	Zaragoza	12,024 EUR	49	40	9	-	-	77.53%	-
Muxia I e II	La Coruna	23,480,000 EUR	23,465	70	23,395	856	-82	77.53%	-
Naturneo Energía, S.L.	Bilbao	3,020 EUR	3	2	1	-	-1	86.44%	-
NEO Energia Aragon, S.L.	Madrid	10,000 EUR	10	2	8	-	-	77.53%	-
NEO Catalunya, S.L.	Barcelona	10,000 EUR	76,098	77,658	-1,560	2,034	-254	77.53%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	25,996	11,134	14,862	7,133	2,720	65.09%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	46,195	37,019	9,176	8,911	2,356	77.53%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	52,445	24,384	28,061	11,332	2,283	77.53%	-
Parque Eólico la Satonera, S.L.	Zaragoza	2,000,000 EUR	18,728	13,137	5,591	5,059	1,834	50.27%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,444,956 EUR	36,008	19,267	16,741	11,626	4,030	47.29%	-
Santa Quiteria Energia, S.L.U.	Zaragoza	3,043 EUR	8,260	7,491	769	395	299	77.53%	-
Eólica de Radona, S.L.	Madrid	6,888,000 EUR	61,221	56,976	4,246	6,121	-1,424	77.53%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	33,281	31,005	2,276	6,466	1,326	69.78%	-
Hidroeléctrica del Rumblar, S.L.	Madrid	276,460 EUR	967	907	60	14	-185	62.02%	-
Eólica Sierra de Avila, S.L.	Madrid	4,627,466 EUR	119,635	118,375	1,261	9,550	-1,711	77.53%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	62,626	53,493	9,133	11,159	2,080	65.82%	-
Sinae Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	146,176	118,775	27,401	18,501	13,721	77.53%	-
Sotromal, S.A.	Soria	112,880 EUR	30	206	-176	-	-	69.78%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	3,005 EUR	88,268	88,931	-663	7,505	-671	46.52%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	55	40	16	-	-	62.02%	-
Bon Vent de Corbera, S.L.	Barcelona	3,330,000 EUR	76,963	76,731	232	8,865	-478	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90,000 EUR	77,169	75,911	1,257	5,737	1,202	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	73,850	71,315	2,534	9,394	-122	77.53%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	3,006 EUR	45,341	44,318	1,023	5,648	338	46.52%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	1,283,010 EUR	34,649	34,310	339	3,193	-410	77.53%	-
Electricity Distribution:									
Electra de Llobregat Energía, S.L.	Barcelona	150,000 EUR	5,256	7,203	-1,948	199	-267	75.00%	-
Iberenergia, S.A.	Oviedo	60,200 EUR	61	8	53	-	-	100.00%	100.00%
Gas Supply and Distribution:									
Naturgas Energia Distribución Murcia, S.A.	Murcia	61,414,185 EUR	147,455	93,568	53,888	19,735	2,284	94.98%	-
EDP Servicios Financieros España, S.A.	Oviedo	5,078,029 EUR	741,170	235,670	505,500	37,244	18,889	100.00%	100.00%
Naturgas Energia Transporte, S.A.U.	Bilbao	12,880,200 EUR	171,445	103,325	68,120	29,081	10,617	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400 EUR	1,025,663	60,536	965,127	434,670	34,325	100.00%	-
HC Naturgas Ultimo Recurso, S.A.	Oviedo	750,000 EUR	21,564	20,430	1,135	37,476	111	97.50%	-
HC Naturgas Servicios Energeticos S.L.	Oviedo	60,000 EUR	1,959	2,108	-149	1,388	-199	97.50%	-
Naturgas Energia Servicios, S.A.	Bilbao	60,200 EUR	16,511	15,184	1,327	27,768	1,255	95.00%	-
Naturgas Energia Grupo, S.A.	Bilbao	316,516,400 EUR	1,592,451	509,917	1,082,534	303,985	18,276	95.00%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,770,963	285,888	1,485,075	234,959	104,395	95.00%	-
Naturgas Energia Comercializadora, S.A.	Bilbao	8,255,306 EUR	476,759	476,661	99	1,226,234	-1,229	95.00%	-
Naturgas Energia Participaciones, S.A.U.	Bilbao	300,500 EUR	7,801	7,297	503	334	143	95.00%	-
Naturgas Energia Comercializadoras Ultimo Recurso, S.A.	Bilbao	2,000,000 EUR	2,027	6	2,021	24	15	95.00%	-
Naturgas Energia Servicios Comunes, S.A.	Bilbao	191,010 EUR	837	531	306	1,580	103	95.00%	-
Electricity Supply:									
EDP Energia Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	-	-	100.00%	-
HC Naturgas Comercializadora de Ultimo Recurso, S.A.	Oviedo	750,000 EUR	48,824	50,556	-1,732	151,853	-2,079	97.50%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	904,423	591,232	313,191	301,773	104,468	100.00%	-
Hidrocantabrico Energia, S.A.U.	Oviedo	1,000,000 EUR	478,228	448,494	29,734	1,573,350	-4,230	100.00%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Spain										
Electricity - Spain:										
Other Activities:										
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247	EUR	477	2,192	-1,715	1,320	-501	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2,996,022	EUR	10,690	8,307	2,384	15,056	319	100.00%	-
Renovamed, S.A.	Oviedo	60,200	EUR	258	1,406	-1,148	886	-115	75.00%	-
Sinova Medoambiental, SA	Oviedo	2,687,364	EUR	16,894	11,491	5,403	16,930	877	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202	EUR	18,658	5,050	13,608	18,501	1,575	88.00%	-
Brazil										
Parent Company and Related Activities:										
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954	BRL	2,032,753	117,753	1,915,000	234,374	146,122	51.09%	11.23%
Energest, S.A.	Sao Paulo	263,435,676	BRL	320,550	107,437	213,113	93,455	44,225	51.09%	-
Escelsapar	Espirito Santo	2,800,000	BRL	2,228	2,855	-628	1	-303	51.09%	-
Evrecy Participações Ltda	Sao Paulo	21,512,267	BRL	12,313	782	11,531	3,055	2,019	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000	BRL	76,215	33,072	43,144	10,546	4,260	51.09%	-
Electricity - Brazil:										
Electricity Generation:										
Costa Rica Energética, Lda.	Sao Paulo	14,318,185	BRL	10,649	876	9,773	7,907	5,849	26.06%	-
Elebras Projetos, Ltda	Sao Paulo	77,604,268	BRL	144,353	109,483	34,869	22,176	3,511	65.63%	-
Enercouto, S.A.	Sao Paulo	5,316,118	BRL	2,102	211	1,891	-	-73	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748	BRL	877,414	333,827	543,587	162,130	67,347	30.65%	-
Investco, S.A.	Sao Paulo	804,458,842	BRL	577,609	131,044	446,565	90,032	33,606	20.83%	-
Companhia Energética do Jari - Ceja	Sao Paulo	20,126,746	BRL	173,296	176,076	-2,780	5,255	-2,957	51.09%	-
Omega Engenharia e Assessoria, Ltda	Rio Grande do Sul	5,331,318	BRL	4,054	1,941	2,113	-	-83	51.09%	-
Pantanal Energética, Ltda	Sao Paulo	23,390,369	BRL	36,382	5,494	30,889	19,390	11,866	51.09%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541	BRL	659,873	82,316	577,558	217,260	79,658	28.54%	-
ECE Participações, S.A.	Sao Paulo	32,975,545	BRL	61,908	48,652	13,256	628	-193	51.09%	-
Renewable Energies:										
Central Nacional de Energia Eólica, S.A.	Sao Paulo	14,035,000	BRL	15,154	8,569	6,585	3,577	803	65.63%	-
EDP Renovaveis Brasil, SA	Sao Paulo	69,935,347	BRL	78,550	54,869	23,681	5,440	-2,689	65.63%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100	BRL	101	7,147	-7,046	-	-4,908	47.00%	-
Electricity Distribution:										
Bandeirante Energia, S.A.	Sao Paulo	254,628,684	BRL	1,091,609	748,879	342,731	1,172,440	92,451	51.09%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630	BRL	933,641	628,980	304,661	754,213	48,906	51.09%	-
Electricity Supply:										
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758	BRL	68,869	48,302	20,568	398,413	9,809	51.09%	-
France										
Electricity - France:										
Renewable Energies:										
Parc Eolien D'Ardennes	Elbeuf	1,000	EUR	76	233	-157	2	-16	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001	EUR	11,232	12,500	-1,268	1,874	192	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	16	44	-28	-	-	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004	EUR	30	22	8	-	-4	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000	EUR	15,780	15,905	-125	2,521	303	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000	EUR	76	151	-75	-	-5	77.53%	-
EDP Renewables France, S.A.S.	Paris	48,526,642	EUR	295,557	262,559	32,998	23,786	-4,960	77.53%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000	EUR	15	47	-33	-	-2	77.53%	-
C.E. Gueltas Noyal-Pontivy, S.A.S.	Paris	2,261,000	EUR	8,587	3,991	4,596	1,453	485	77.53%	-
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004	EUR	11	10	1	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000	EUR	14,090	14,165	-75	1,546	-56	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000	EUR	15	58	-43	-	-2	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000	EUR	8,753	9,046	-294	1,061	-91	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000	EUR	16,001	12,042	3,959	2,699	714	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	140	301	-162	3	-	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000	EUR	4,385	4,446	-61	507	46	77.53%	-
Plouvien Breiz, S.A.S.	Carhaix	40,000	EUR	11,712	13,602	-1,890	1,387	-130	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000	EUR	18,082	18,722	-640	2,153	-293	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000	EUR	12,808	12,121	687	2,016	801	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000	EUR	14,844	12,430	2,414	2,356	369	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000	EUR	33	67	-34	-	-1	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	EUR	9,597	9,702	-105	1,148	-65	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000	EUR	15,126	12,093	3,032	2,738	786	77.53%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	37,500	EUR	88	62	26	18	-1	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000	EUR	17,949	18,376	-427	2,277	-143	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003	EUR	13,978	15,219	-1,242	2,610	560	77.53%	-
Parc Eolien des Vatines, S.A.S.	Elbeuf	37,004	EUR	13,502	15,168	-1,666	2,282	312	77.53%	-
United Kingdom										
Electricity - United Kingdom:										
Renewable Energies:										
EDPR UK Limited	Cardiff	100,000	GBP	29,299	29,490	-191	6,630	454	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909	GBP	20,748	10,003	10,745	1,457	23	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Poland										
Electricity - Poland:										
Renewable Energies:										
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000	PLN	223,931	128,063	95,868	100,407	-1,343	77.53%	-
Elektrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000	PLN	8,684	8,927	-244	372	-202	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500	PLN	7,626	3,411	4,215	103	-36	77.53%	-
Relax Wind Park I, S.P. ZO.O	Warsaw	2,140,000	PLN	186,727	182,614	4,113	31,217	2,169	74.76%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000	PLN	768	749	18	30	-30	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	420,000	PLN	16,270	16,418	-148	525	-114	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000	PLN	685	808	-123	12	-108	77.53%	-
Karpacka Mala Energetyka, SP. ZO.O.	Warsaw	50,000	PLN	238	263	-24	8	-22	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500	PLN	1,544	1,490	54	62	-33	77.53%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
United States of America									
Parent Company:									
EDP Renewables North America, L.L.C.	Texas	4,238,753,714 USD	3,319,331	217,685	3,101,645	29,580	-47,410	77.53%	-
Electricity - United States of America:									
Renewable Energies:									
BC2 Maple Ridge Holdings, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind, Freeport Windpower I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	- USD	-	-	-	-	-	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, L.L.C.	Wisconsin	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	- USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm IV, L.L.C	Ohio	- USD	-	-	-	-	-	77.53%	-
Rush County Wind Farm, L.L.C	Kansas	- USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	5,990 USD	-	-	-	-	-	77.53%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	201,673,408 USD	144,458	2,550	141,908	3,728	-7,009	77.53%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	5,230,021 USD	4,052	25	4,027	-	-1	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	4,406,864 USD	2,568	19	2,549	-	-14	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	166,201,914 USD	141,911	2,051	139,860	15,701	7,050	77.53%	-
Horizon Wind Energy International	Texas	24,693 USD	222	-	222	1	1	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	203,084,742 USD	151,381	3,131	148,250	3,344	-7,873	77.53%	-
Marble River, L.L.C.	New York	250,980,906 USD	199,028	5,214	193,813	-	-21	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	154,744,432 USD	153,771	40,780	112,991	8,234	-2,399	77.53%	-
Aroostook Wind Energy, L.L.C.	Maine	13,072,504 USD	10,019	7	10,011	-	-7	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,601,961 USD	4,328	33	4,295	-	-	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,815,278 USD	2,971	40	2,931	-	-11	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502 USD	-	-	-	-	-2	77.53%	-

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United States of America										
Electricity - United States of America:										
Renewable Energies:										
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003	USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,119,115	USD	2,335	-	2,335	-	2	77.53%	-
OPQ Property, L.L.C.	Illinois	-	USD	114	2	113	7	6	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	286,505,191	USD	296,438	82,827	213,611	16,566	-2,086	77.53%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	90,185,436	USD	117,138	34,307	82,831	14,300	5,489	77.53%	-
High Trail Wind Farm, L.L.C.	Illinois	365,763,838	USD	297,063	6,605	290,458	25,131	4,129	77.53%	-
Madison Windpower, L.L.C.	New York	11,564,090	USD	6,159	470	5,689	616	-929	77.53%	-
Mesquite Wind, L.L.C.	Texas	242,630,091	USD	233,478	23,931	209,547	23,241	4,259	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	367,972,148	USD	292,236	-	292,236	3,446	136	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	156,528,876	USD	143,100	9,713	133,387	15,022	3,493	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	124,056,172	USD	130,844	15,575	115,269	14,911	5,139	77.53%	-
Post Oak Wind, L.L.C.	Texas	275,782,563	USD	260,696	15,858	244,838	24,391	3,329	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	145,388,814	USD	122,155	10,250	111,905	9,669	352	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	389,131,552	USD	301,691	3,994	297,698	24,390	3,492	77.53%	-
Cloud County Wind Farm	Kansas	307,488,828	USD	243,088	3,273	239,815	17,955	1,250	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	568,602,221	USD	438,504	5,322	433,182	32,640	2,455	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	168,765,954	USD	138,839	4,403	134,436	13,207	1,716	77.53%	-
Rail Splitter, L.L.C.	Illinois	233,746,541	USD	171,807	4,107	167,700	6,789	-5,062	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	195,823,377	USD	151,217	1,770	149,447	7,037	-600	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	5,279,310	USD	4,080	1	4,079	-	-1	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	124,705,172	USD	135,719	39,214	96,505	7,157	45	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	300,807,442	USD	325,022	99,092	225,930	15,183	-6,281	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	1,399,894	USD	1,136	58	1,078	-	-	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	145,886,375	USD	159,918	48,340	111,578	8,467	-1,130	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	9,911,095	USD	8,456	805	7,651	-	-9	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	553,039	USD	428	3	426	-	-2	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,704,155	USD	4,424	17	4,407	-	-1	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	101,603,095	USD	170,664	89,882	80,781	6,771	2,262	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	13,982,363	USD	10,888	92	10,795	-	-10	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	5,376,664	USD	4,213	68	4,145	-	-2	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	2,056,341	USD	2,101	517	1,584	-	-5	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	3,062,564	USD	2,377	11	2,366	-	-1	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	51,953,628	USD	140,908	100,743	40,164	211	12	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,127,200	USD	3,173	13	3,160	-	-30	77.53%	-
2007 Vento I, L.L.C.	Texas	1,071,443,307	USD	835,085	3,203	831,882	4,029	1,014	77.53%	-
2007 Vento II	Texas	947,735,457	USD	730,672	906	729,766	2	-350	77.53%	-
2008 Vento III	Texas	1,055,609,083	USD	814,456	599	813,857	3	-698	77.53%	-
2009 Vento IV, L.L.C.	Texas	234,063,075	USD	180,659	-	180,659	-	-79	77.53%	-
2009 Vento V, L.L.C.	Texas	166,418,101	USD	128,454	71	128,383	-	-112	77.53%	-
2009 Vento VI, L.L.C.	Texas	201,889,026	USD	155,872	-	155,872	144	76	77.53%	-
2010 Vento VII, L.L.C.	Texas	195,952,937	USD	151,345	-	151,345	130	62	77.53%	-
2010 Vento VIII, L.L.C.	Texas	203,192,141	USD	156,956	-	156,956	-	-71	77.53%	-
2010 Vento IX, L.L.C.	Texas	101,648,095	USD	78,525	-	78,525	-	-35	77.53%	-
2011 Vento X, L.L.C.	Texas	51,953,628	USD	40,153	19	40,133	-	-19	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	1,265,028,074	USD	2,393,919	1,346,616	1,047,303	38,766	22,716	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	14,216,799	USD	466,204	399,385	66,818	32,216	19,119	77.53%	-
Horizon Wind Ventures IC, L.L.C.	Texas	7,750,244	USD	396,147	376,707	19,440	26,317	7,327	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	141,814,133	USD	181,931	70,269	111,663	2,011	1,151	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	68,834,189	USD	129,011	74,987	54,025	6,346	1,411	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	113,394,039	USD	157,468	71,578	85,890	1,260	27	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	112,908,922	USD	152,948	65,720	87,227	1,318	544	77.53%	-
Horizon Wind Ventures VIII, L.L.C.	Texas	104,867,437	USD	157,723	77,163	80,560	1,476	-102	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	-	USD	89,394	92,131	-2,737	107	-2,737	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	-	USD	75,393	75,437	-44	96	-44	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	250,988,661	USD	193,972	-	193,972	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	-	USD	-	-	-	-	-	77.53%	-
Other Countries										
Related Activities:										
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000	MOP	145	-	145	-	-	100.00%	-
EDP Finance BV	Amsterdam	2,000,000	EUR	14,576,995	14,467,664	109,332	809,746	43,907	100.00%	100.00%
EDP ASIA - Investimento e Consultadoria , Limitada	Macao	200,000	MOP	65,026	13	65,013	8,131	8,180	100.00%	100.00%
EDP Finance Company (Ireland), Ltd	Dublin	1,000,001	EUR	586	351	235	-	-45	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	3,000,000	EUR	59,408	35,505	23,903	16,663	5,448	100.00%	100.00%
Electricity - Other Countries:										
Renewable Energies:										
Villa Castelli Wind, S.R.L.	Verbania	-	EUR	-	-	-	-	-	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	40,317,400	LEI	211,189	214,940	-3,751	17,755	-7,384	65.90%	-
EDP Renewables Canada, Ltd	Ontario	3,000,000	CAD	4,415	3,266	1,150	67	-1,019	77.53%	-
EDP Renewables Italia, S.R.L.	Verbania	21,335,000	EUR	52,732	24,654	28,078	23,759	-2,422	77.53%	-
EDP Renewables Romania, S.R.L.	Bucharest	28,650,270	LEI	238,980	242,305	-3,326	17,852	-7,989	65.90%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000	EUR	85,556	55,385	30,171	13,317	3,381	54.27%	-
Pestera Wind Farm, S.A.	Bucharest	24,287	EUR	76,497	78,870	-2,373	3,113	-430	65.90%	-
Pochidia Wind Farm, S.A.	Bucharest	24,287	EUR	25	3	22	-	-2	65.90%	-
Repano Wind S.R.L.	Verbania	11,000	EUR	398	263	135	66	-10	77.53%	-
Re Plus - S.R.L	Roma	100,000	EUR	2,851	2,340	511	-	-603	62.02%	-
Tarcan, BV	Amsterdam	20,000	EUR	17,277	8,353	8,924	2,780	2,266	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	-	EUR	1,171	1,175	-4	1	-4	65.90%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2011 are as follows:

Jointly controled entities	Head Office	Share Capital / Currency		Non-current Assets 31-Dec-11 Euro'000 *	Current Assets 31-Dec-11 Euro'000 *	Non-current Liabilities 31-Dec-11 Euro'000 *	Current Liabilities 31-Dec-11 Euro'000 *	Equity 31-Dec-11 Euro'000 *	Total Income 31-Dec-11 Euro'000 *	Total Costs 31-Dec-11 Euro'000 *	Net Profit/(Loss) 31-Dec-11 Euro'000 *	% Group	% Company
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700	EUR	935	1,539	538	1,599	337	1,486	-1,754	-268	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	141	41	24	154	4	38	-30	8	35.21%	-
Bioastur, AIE	Sérin	60,101	EUR	40	1,179	-	710	509	2,082	-1,782	300	50.00%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	234	38,958	-	39,015	177	125,027	-125,125	-98	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	159	3,109	-	1,359	1,909	3,107	-2,911	196	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	47,204	9,709	19,424	6,826	30,663	17,986	-10,214	7,772	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	79,344	5,629	52,444	28,112	4,417	18,709	-17,679	1,030	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,352	24	1,328	-	2,223	-2,223	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	23,319	5,025	18,850	2,134	7,360	5,255	-3,578	1,677	38.11%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885	USD	158,942	3,125	1,265	28	160,774	11,565	-13,815	-2,250	38.76%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	63,658	863	487	68	63,966	2,740	-4,609	-1,869	38.76%	-
Futurocompact, Lda	Lisbon	5,000	EUR	10	1	-	-	11	-	-	-	40.01%	-
InovGrid, A.C.E.	Lisbon	-	EUR	-	1,172	-	1,172	-	441	-441	-	55.00%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,101,000	BRL	-	348	211	16	121	7	-118	-111	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	16	265	-	63	218	186	-218	-32	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	986,412,262	BRL	668,910	42,395	449,956	109,256	152,093	23,605	-39,002	-15,397	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	7,082	1,179	99	7,883	279	4,001	-3,914	87	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	14,607	6,095	13,063	2,220	5,419	4,108	-3,276	832	38.76%	-
WINDPLUS, S.A.	Lisbon	85,750	EUR	6,574	227	5,320	1,483	-2	314	-412	-98	41.63%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2010 are as follows:

Jointly controled entities	Head Office	Share capital / Currency		Non-current Assets 31-Dec-10 Euro'000 *	Current Assets 31-Dec-10 Euro'0000 *	Non-current Liabilities 31-Dec-10 Euro'000 *	Current Liabilities 31-Dec-10 Euro'000 *	Equity 31-Dec-10 Euro'000 *	Total Income 31-Dec-10 Euro'000 *	Total Costs 31-Dec-10 Euro'000 *	Net Profit/(Loss) 31-Dec-10 Euro'000 *	% Group	% Company
Arquiled - Proj. Iluminação, S.A.	Lisbon	166,700	EUR	217	965	85	608	488	788	-908	-120	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	159	71	167	72	-9	34	-45	-11	35.21%	-
Bioastur, AIE	Gijon	60,101	EUR	43	896	-	730	209	1,829	-1,898	-69	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	211	3,856	-	2,353	1,713	3,642	-3,575	67	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	49,736	8,604	26,168	6,993	25,180	16,808	-10,103	6,705	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	82,759	7,210	81,804	4,777	3,387	18,107	-17,005	1,102	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994	EUR	24,435	7,102	20,293	4,073	7,172	4,988	-3,490	1,498	38.11%	-
Futurocompact, Lda	Lisbon	5,000	EUR	9	1	-	-	11	-	-	-	40.01%	-
Infrastructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006	EUR	2,241	2,164	168	1,743	2,494	836	-467	369	47.50%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	16,135	5,398	14,611	1,900	5,022	4,044	-3,433	611	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	3,201	-	3,201	-	1,392	-1,392	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	8,027	1,722	22	9,538	190	4,134	-3,906	228	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	610,473,962	BRL	561,039	31,334	438,098	47,802	106,473	12,935	-30,748	-17,813	32.46%	-
Flat Rock Windpower II, L.L.C.	Portland	207,447,187	USD	64,868	1,026	437	55	65,402	2,908	-5,132	-2,224	38.76%	-
Flat Rock Windpower, L.L.C.	Portland	522,818,885	USD	162,186	3,686	1,146	43	164,682	11,813	-15,578	-3,765	38.76%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	144	21,480	-	21,349	275	119,135	-119,224	-89	50.00%	-
InovGrid, A.C.E.	Lisbon	-	EUR	-	2,635	-	2,635	-	853	-853	-	55.00%	-
WINDPLUS, S.A.	Lisbon	85,750	EUR	2,332	261	1,418	1,061	114	-	-10	-10	41.63%	-

* Corresponding to the proportion held by the EDP Group

The associated companies included in the consolidation under the equity method as at 31 December 2011 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'00	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	27,852	24,431	3,151	52	-352	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	14,401	11,775	2,626	30,072	892	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	547,855	271,795	276,060	457,447	43,623	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	4,291,140	EUR	13,966	797	13,169	-3,870	1,800	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	777	77	700	-	-217	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525	EUR	1,234,769	1,205,026	29,743	106,380	6,027	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	29,868	28,878	990	305	-3	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000	EUR	9,824	267	9,557	2,183	3,558	19.38%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	1,814	1,858	-44	-	-12	37.99%	-
Inkolan, A.I.E.	Bilbao	60,101	EUR	298	138	160	-	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	8,957	4,626	4,331	14,700	1,702	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	30,880	27,709	3,171	4,859	-1,202	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	34,936	22,936	12,000	11,043	3,424	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000	EUR	18,999	3,132	15,867	15,732	3,120	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	181,064	127,525	53,539	38,069	8,753	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	10,856	7,322	3,534	33,542	816	19.83%	-

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'00	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	1,575	221	1,354	1,039	357	38.00%	-
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000	EUR	-	-	-	-	-	49.00%	-

The associated companies included in the consolidation under the equity method as at 31 December 2010 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	26,420	22,917	3,503	-	-	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	15,932	14,199	1,733	22,786	-1,416	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	475,796	215,486	260,310	421,066	48,216	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140	EUR	12,190	820	11,369	4,041	1,242	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	917	-	917	-	-34	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525	EUR	917,038	881,252	35,786	43,998	5,917	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	28,797	24,344	4,454	1,413	1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000	EUR	6,899	-	6,899	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101	EUR	298	138	160	472	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	8,680	5,235	3,445	9,490	907	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	31,893	27,520	4,373	5,174	-69	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	27,089	10,926	16,163	10,989	-	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000	EUR	18,988	3,241	15,747	14,908	3,535	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	177,690	132,899	44,791	27,953	8,712	19.83%	-
Sodecoan, S.L.	Seville	6,010	EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700	EUR	2,706	409	2,297	1,460	699	38.00%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2011, 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%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-

EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2011

ANNEX II

	Electricity													
	Iberian Generation				Iberian Distribution *			Iberian Supply						EDP Renováveis
Thousands of Euros	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Adjustments	Total	Europe	U.S.A.	Other operations
Turnover	2,742,390	2,128,926	-72,550	4,798,766	5,028,617	180,708	5,209,325	1,069,402	1,852,476	-694	2,921,184	665,155	306,350	20,247
Revenues from external customers	1,816,365	769,275	-	2,585,640	4,620,464	-	4,620,464	916,299	1,813,571	-	2,729,870	612,013	306,350	20,247
Revenues from transactions with other operating segments	926,025	1,359,651	-72,550	2,213,126	408,153	180,708	588,861	153,103	38,905	-694	191,314	53,142	-	-
Cost of electricity	-696,521	-1,325,451	-	-2,021,972	-3,727,397	-	-3,727,397	-906,734	-1,728,810	-	-2,635,544	-8,040	-3,460	-783
Cost of gas	-	22	-	22	-	-	-	-5,984	-5,406	-	-11,390	-	-	-
Change in inventories and cost of raw materials and consumables used	-921,684	-422,053	62,178	-1,281,559	-5,758	-1,356	-7,114	-6,638	-29,874	-	-36,512	-22,252	-	-
	1,124,185	381,444	-10,372	1,495,257	1,295,462	179,352	1,474,814	150,046	88,386	-694	237,738	634,863	302,890	19,464
Revenue from assets assigned to concessions	1,943	-	-	1,943	266,141	-	266,141	-	-	-	-	-	-	-
Expenditure with assets assigned to concessions	-1,943	-	-	-1,943	-266,141	-	-266,141	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)														
Other operating income	16,326	15,002	-	31,328	82,114	80,285	162,399	9,997	5,016	-	15,013	62,556	129,322	7,500
Supplies and services	-99,617	-60,375	1,972	-158,020	-317,277	-50,246	-367,523	-122,581	-51,009	1,045	-172,545	-106,654	-101,262	-20,460
Personnel costs and employee benefits	-90,355	-32,871	-	-123,226	-129,257	-21,200	-150,457	-43,256	-9,811	-	-53,067	-22,842	-25,936	-12,054
Other operating expenses	-15,491	-43,089	513	-58,067	-280,339	-6,661	-287,000	-15,425	-25,348	-351	-41,124	-28,648	-34,839	-3,162
	-189,137	-121,333	2,485	-307,985	-644,759	2,178	-642,581	-171,265	-81,152	694	-251,723	-95,588	-32,715	-28,176
	935,048	260,111	-7,887	1,187,272	650,703	181,530	832,233	-21,219	7,234	-	-13,985	539,275	270,175	-8,712
Provisions	1,711	4,361	-	6,072	1,647	4,085	5,732	3,891	850	-	4,741	266	-	-
Depreciation, amortisation expense and impairment	-286,776	-161,156	-	-447,932	-244,783	-35,956	-280,739	-15,067	-6,311	-	-21,378	-252,228	-209,653	-5,375
Compensation of amortisation and depreciation	1,894	443	-	2,337	98	1,155	1,253	19	-	-	19	1,296	13,690	-
	651,877	103,759	-7,887	747,749	407,665	150,814	558,479	-32,376	1,773	-	-30,603	288,609	74,212	-14,087
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-	10,499	-	-
Other financial income	421,997	42,139	-72,315	391,821	1,844	1	1,845	8	158	-	166	21,744	8,299	123,348
Interest revenue	2,202	8,839	-	11,041	33,719	318	34,037	616	1,648	-	2,264	14,207	539	275,551
Other financial expenses	-395,657	-13,538	85,699	-323,496	-61,582	-680	-62,262	-2,294	-196	-	-2,490	-38,173	-72,098	-135,809
Interest expense	-159,355	-42,743	-	-202,098	-83,090	-6,517	-89,607	-3,249	-11,826	-	-15,075	-281,619	1,283	-168,377
Share of profit in associates	258	426	-	684	-	-	-	-	-	-	-	4,795	-	-
Profit before Income tax	521,322	98,882	5,497	625,701	298,556	143,936	442,492	-37,295	-8,443	-	-45,738	20,062	12,235	80,626
Income tax expense	-163,149	-32,744	-612	-196,505	-70,841	-41,452	-112,293	5,569	3,227	-	8,796	3,987	-5,813	-25,381
Net profit for the year	**358,173**	**66,138**	**4,885**	**429,196**	**227,715**	**102,484**	**330,199**	**-31,726**	**-5,216**	**-**	**-36,942**	**24,049**	**6,422**	**55,245**
Attributable to:														
Equity holders of EDP	358,208	69,102	4,885	432,195	227,744	100,299	328,043	-31,726	-4,993	-	-36,719	20,727	6,422	56,502
Non-controlling Interest	-35	-2,964	-	-2,999	-29	2,185	2,156	-	-223	-	-223	3,322	-	-1,257
Net profit for the year	**358,173**	**66,138**	**4,885**	**429,196**	**227,715**	**102,484**	**330,199**	**-31,726**	**-5,216**	**-**	**-36,942**	**24,049**	**6,422**	**55,245**
Assets														
Property, plant and equipment	4,261,214	1,856,805	-	6,118,019	96,149	736,201	832,350	36,798	13,917	-	50,715	5,081,977	5,162,441	167,811
Intangible assets + Goodwill	1,875,061	650,232	-	2,525,293	2,346,777	235,843	2,582,620	4,244	-	-	4,244	700,185	618,437	2,319
Investments in associates	1,118	1,786	-	2,904	-	-	-	-	-	-	-	49,504	1,877	-
Current assets	683,048	874,323	-	1,557,371	1,246,061	166,090	1,412,151	276,074	549,018	-694	824,398	657,036	137,865	712,687
Equity and Liabilities														
Equity + non-controlling Interest	2,219,447	2,145,522	-156,903	4,208,066	543,796	519,297	1,063,093	-17,062	31,719	-	14,657	443,043	3,332,379	5,198,309
Current liabilities	2,047,301	927,625	-	2,974,926	821,669	196,788	1,018,457	319,793	492,445	-694	811,544	881,470	396,278	360,356
Other Information:														
Increase of the period														
Property, plant and equipment	439,407	12,553	-	451,960	12,655	96,260	108,915	8,358	7,734	-	16,092	362,867	407,894	59,949
Intangible assets + Goodwill	276,638	21,405	-	298,043	266,141	-	266,141	3,732	-	-	3,732	5	-	4
Material non-cash items:														
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Includes Last Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 857,454 thousands of Euros in Portugal, 132,317 thousands of Euros out of Portugal and -90,558 thousands of Euros related with adjustments between segments.

		EDP Brasil						Gas Iberian Activity							
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	EDP Group
-	991,752	469,773	1,684,220	392,966	3,378	-237,392	2,312,945	629,515	1,633,582	-97,324	2,165,773	275,689	-3,554,583	15,120,851
-	938,610	254,434	1,680,407	375,647	2,197	-	2,312,685	402,865	1,476,889	-	1,879,754	25,302	-5,326	15,086,999
-	53,142	215,339	3,813	17,319	1,181	-237,392	260	226,650	156,693	-97,324	286,019	250,387	-3,549,257	33,852
-	-12,283	-79,684	-1,066,476	-376,031	-	237,337	-1,284,854	-	-204,791	-	-204,791	-	2,566,468	-7,320,373
-	-	-	-	-	-	-	-	-536,089	-1,100,258	96,434	-1,539,913	-	223,213	-1,328,068
-	-22,252	1,172	99	-	-	385	1,656	-131	-11,543	-	-11,674	-12,599	334,119	-1,035,935
-	957,217	391,261	617,843	16,935	3,378	330	1,029,747	93,295	316,990	-890	409,395	263,090	-430,783	5,436,475
-	-	-	139,081	-	-	-	139,081	33,381	-	-	33,381	-	-	440,546
-	-	-	-139,081	-	-	-	-139,081	-33,381	-	-	-33,381	-	-	-440,546
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-3,224	196,154	9,116	5,352	3,335	-	-	17,803	4,493	14,616	-139	18,970	42,952	-70,277	414,342
3,307	-225,069	-28,103	-140,950	-1,990	-13,506	58	-184,491	-14,983	-50,942	1,107	-64,818	-186,516	457,934	-901,048
-	-60,832	-18,224	-90,327	-2,847	-10,178	-	-121,576	-5,418	-26,547	-	-31,965	-112,495	18,718	-634,900
-83	-66,732	-3,612	-47,682	-1,675	-6,775	-	-59,744	-5,356	-15,120	-78	-20,554	-28,514	2,454	-559,281
-	-156,479	-40,823	-273,607	-3,177	-30,459	58	-348,008	-21,264	-77,993	890	-98,367	-284,573	408,829	-1,680,887
-	800,738	350,438	344,236	13,758	-27,081	388	681,739	72,031	238,997	-	311,028	-21,483	-21,954	3,755,588
-	266	-3,393	-18,469	290	5,334	-4,516	-20,754	1,964	12,293	-	14,257	-11,005	-1	-692
-1,237	-468,493	-67,357	-99,911	-181	-10,361	1,495	-176,315	-12,553	-59,587	-	-72,140	-16,369	-33,794	-1,517,160
-	14,986	455	10,987	-	29,133	-3,732	36,843	-	1,290	-	1,290	250	-27,324	29,654
-1,237	347,497	280,143	236,843	13,867	-2,975	-6,365	521,513	61,442	192,993	-	254,435	-48,607	-83,073	2,267,390
-	10,499	-	-	-	-	-	-	-	-	-	-	120,740	-110,362	20,877
-122,592	30,799	50,596	22,307	1,168	262,204	-277,617	58,658	9,836	13,626	-7,150	16,312	774,874	-773,625	500,850
-259,541	30,756	15,961	50,734	945	10,427	-3,498	74,569	2,011	3,282	-	5,293	719,943	-559,905	317,998
126,718	-119,362	-73,709	-57,190	-769	-15,667	-1,595	-148,930	-10,151	-14,690	7,150	-17,691	-185,349	133,154	-726,426
262,390	-186,323	-43,098	-60,354	-184	-3,640	3,852	-103,424	-8,389	-37,251	-	-45,640	-723,896	558,254	-807,809
1	4,796	-	-	-	-	-1,257	-1,257	3,375	143	-	3,518	10,480	1,256	19,477
5,739	118,662	229,893	192,340	15,027	250,349	-286,480	401,129	58,124	158,103	-	216,227	668,185	-834,301	1,592,357
-831	-28,038	-17,750	-45,554	-4,841	-23,443	-	-91,588	-13,742	-29,563	-	-43,305	215,635	-13,080	-260,378
4,908	**90,624**	**212,143**	**146,786**	**10,186**	**226,906**	**-286,480**	**309,541**	**44,382**	**128,540**	**-**	**172,922**	**883,820**	**-847,381**	**1,331,979**
4,953	88,604	120,100	146,786	10,186	235,206	-286,480	225,798	34,069	116,172	-	150,241	899,213	-962,712	1,124,663
-45	2,020	92,043	-	-	-8,300	-	83,743	10,313	12,368	-	22,681	-15,393	115,331	207,316
4,908	**90,624**	**212,143**	**146,786**	**10,186**	**226,906**	**-286,480**	**309,541**	**44,382**	**128,540**	**-**	**172,922**	**883,820**	**-847,381**	**1,331,979**
42,392	10,454,621	2,334,817	169	235	1,288	-61	2,336,448	6,476	661,052	-	667,528	269,186	-20,554	20,708,313
12,723	1,333,664	572,869	877,478	269	153,641	-40,409	1,563,848	380,397	704,055	-	1,084,452	393,012	640,602	10,127,735
-	51,381	-	-	-	13,020	-2,363	10,657	31,062	3,470	-	34,532	235,966	-175,134	160,306
-617,036	890,552	286,804	649,756	60,608	232,138	-118,976	1,110,330	149,505	839,411	-10,610	978,306	4,416,456	-4,220,044	6,969,520
-3,520,006	5,453,725	1,738,543	647,391	20,568	1,564,503	-1,239,628	2,731,377	264,485	1,878,690	-	2,143,175	5,487,254	-9,714,568	11,386,779
-554,925	1,083,179	451,106	704,213	46,431	93,972	-117,728	1,177,994	170,263	511,705	-10,610	671,358	3,968,607	-4,307,475	7,398,590
-	830,710	196,619	-	15	725	-	197,359	4,303	51,896	-	56,199	99,734	-25,369	1,735,600
-	9	257,285	139,081	50	90	-	396,506	33,381	837	-	34,218	162,862	-	1,161,511
-	-	-	-	-	-5,505	-	-5,505	-	-	-	-	-57,930	-	-63,435

EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2010

	Electricity													
	Iberian Generation				Iberian Distribution *			Iberian Supply					EDP Renováveis	
Thousands of Euros	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	
Turnover	2,378,934	1,765,913	-13,166	4,131,681	5,099,338	183,595	5,282,933	887,766	1,887,596	2,775,362	565,203	276,494	4,222	
Revenues from external customers	1,776,377	565,893	4,965	2,347,235	4,806,553	-	4,806,553	737,579	1,771,488	2,509,067	476,529	276,494	3,359	
Revenues from transactions with other operating segments	602,557	1,200,020	-18,131	1,784,446	292,785	183,595	476,380	150,187	116,108	266,295	88,674	-	863	
Cost of electricity	-519,041	-1,037,238	-	-1,556,279	-3,751,449	115	-3,751,334	-694,126	-1,770,244	-2,464,370	-1,262	-1,525	-130	
Cost of gas	-	-255	-	-255	-	-	-	-752	-5,776	-6,528	-	-	-	
Change in inventories and cost of raw materials and consumables used	-641,252	-405,864	22,454	-1,024,662	-6,833	91	-6,742	-5,051	-26,229	-31,280	-1,709	-	-	
	1,218,641	322,556	9,288	1,550,485	1,341,056	183,801	1,524,857	187,837	85,347	273,184	562,232	274,969	4,092	
Revenue from assets assigned to concessions	4,323	-	-	4,323	234,595	-	234,595	-	-	-	-	-	-	
Expenditure with assets assigned to concessions	-4,323	-	-	-4,323	-234,595	-	-234,595	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other operating income / (expenses)														
Other operating income	8,937	3,504	-	12,441	61,719	33,312	95,031	7,755	32,201	39,956	26,882	153,027	1,197	
Supplies and services	-97,355	-58,618	1,902	-154,071	-322,136	-53,820	-375,956	-118,215	-43,899	-162,114	-87,409	-93,026	-17,684	
Personnel costs and employee benefits	-86,846	-33,249	1,582	-118,513	-171,802	-21,531	-193,333	-39,317	-9,347	-48,664	-20,124	-24,333	-10,387	
Other operating expenses	-18,126	-23,314	220	-41,220	-286,800	-5,050	-291,850	-10,748	-31,525	-42,273	-19,913	-22,303	-14,681	
	-193,390	-111,677	3,704	-301,363	-719,019	-47,089	-766,108	-160,525	-52,570	-213,095	-100,564	13,365	-41,555	
	1,025,251	210,879	12,992	1,249,122	622,037	136,712	758,749	27,312	32,777	60,089	461,668	288,334	-37,463	
Provisions	-433	-29,132	-	-29,565	-4,804	-1,004	-5,808	-11,549	-12,961	-24,510	155	-	-	
Depreciation, amortisation expense and impairment	-294,614	-134,106	-	-428,720	-243,217	-34,329	-277,546	-16,898	-3,731	-20,629	-209,185	-222,263	-1,883	
Compensation of amortisation and depreciation	7,905	452	-	8,357	-	1,112	1,112	19	-	19	1,536	9,869	-	
	738,109	48,093	12,992	799,194	374,016	102,491	476,507	-1,116	16,085	14,969	254,174	75,940	-39,346	
Gain/(losses) on the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-	-	
Other financial income	458,363	29,360	-50,312	437,411	470	-	470	15	346	361	18,123	6,131	126,875	
Interest revenue	830	7,269	-	8,099	29,777	194	29,971	184	234	418	8,268	308	246,828	
Other financial expenses	-427,427	-33,290	74,650	-386,067	-59,620	-1,776	-61,396	-1,979	-412	-2,391	-28,526	-73,355	-127,773	
Interest expense	-171,690	-33,618	-	-205,308	-66,275	-2,518	-68,793	-2,237	-4,394	-6,631	-227,435	3,400	-144,171	
Share of profit in associates	-504	227	-	-277	-	-	-	-	-	-	5,036	-	-	
Profit before Income tax	597,681	18,048	37,330	653,059	278,368	98,391	376,759	-5,133	11,859	6,726	29,640	12,424	62,413	
Income tax expense	-168,329	-13,272	-13,724	-195,325	-35,170	-30,344	-65,514	281	-4,290	-4,009	-12,785	-	-21,002	
Net profit for the year	**429,352**	**4,776**	**23,606**	**457,734**	**243,198**	**68,047**	**311,245**	**-4,852**	**7,569**	**2,717**	**16,855**	**12,424**	**41,411**	
Attributable to:														
Equity holders of EDP	428,565	8,182	23,606	460,353	243,198	65,934	309,132	-4,081	7,396	3,315	12,920	12,424	42,511	
Non-controlling Interest	787	-3,406	-	-2,619	-	2,113	2,113	-771	173	-598	3,935	-	-1,100	
Net profit for the year	**429,352**	**4,776**	**23,606**	**457,734**	**243,198**	**68,047**	**311,245**	**-4,852**	**7,569**	**2,717**	**16,855**	**12,424**	**41,411**	
Assets														
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479	
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718	
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-	
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763	
Equity and Liabilities														
Equity + non-controlling Interest	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119	442,303	3,146,741	5,141,393	
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192	
Other Information:														
Increase of the period														
Property, plant and equipment	345,534	89,359	-	434,893	13,388	59,281	72,669	7,862	4,938	12,800	607,287	765,650	79,504	
Intangible assets + Goodwill	222,216	17,589	-	239,805	234,595	329	234,924	-	1	1	58,233	2,185	314	
Material non-cash items:														
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	

* Includes Last Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 695,814 thousands of Euros in Portugal, 132,686 thousands of Euros out of Portugal and -9,694 thousands of Euros related with adjustments between segments.

								Gas						
		EDP Brasil						Iberian Activity						
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	EDP Group
-863	845,056	429,749	1,609,529	311,441	2,651	-205,740	2,147,630	551,088	1,333,598	-197,900	1,686,786	222,040	-2,920,746	14,170,742
-	756,382	236,515	1,605,820	303,523	1,772	-	2,147,630	282,207	1,242,658	-	1,524,865	14,453	31,458	14,137,643
-863	88,674	193,234	3,709	7,918	879	-205,740	-	268,881	90,940	-197,900	161,921	207,587	-2,952,204	33,099
-	-2,917	-72,844	-1,007,459	-299,158	-	205,740	-1,173,721	-	-187,372	-	-187,372	-	2,327,732	-6,808,261
-	-	-	-	-	-	-	-	-458,211	-843,830	198,438	-1,103,603	-	165,116	-945,270
212	-1,497	-20	-868	-	-10	-	-898	-	-8,184	-	-8,184	-1,521	61,904	-1,012,880
-651	840,642	356,885	601,202	12,283	2,641	-	973,011	92,877	294,212	538	387,627	220,519	-365,994	5,404,331
-	-	-	113,579	-	-	-	113,579	39,520	-	-	39,520	-	-	392,017
-	-	-	-113,579	-	-	-	-113,579	-39,520	-	-	-39,520	-	-	-392,017
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-1,076	180,030	341	12,187	3,780	2,961	-60	19,209	4,818	7,415	-36	12,197	67,265	-105,240	320,889
1,908	-196,211	-25,436	-129,292	-2,032	-15,048	117	-171,691	-13,539	-56,662	1,041	-69,160	-180,356	447,303	-862,256
-	-54,844	-17,216	-73,346	-2,760	-9,402	-	-102,724	-4,964	-25,154	-	-30,118	-110,394	15,122	-643,468
31	-56,866	-659	-30,167	-728	-6,002	-2,397	-39,953	-3,794	-23,761	-32	-27,587	-23,241	1,606	-521,384
863	-127,891	-42,970	-220,618	-1,740	-27,491	-2,340	-295,159	-17,479	-98,162	973	-114,668	-246,726	358,791	-1,706,219
212	712,751	313,915	380,584	10,543	-24,850	-2,340	677,852	75,398	196,050	1,511	272,959	-26,207	-7,203	3,698,112
-	155	-696	-3,268	-	1,165	-5,511	-8,310	-3,793	-33,370	-	-37,163	-26,578	28,201	-103,578
-1,072	-434,403	-65,262	-80,538	-71	-6,924	-7,779	-160,574	-11,353	-62,489	-	-73,842	-17,440	-55,848	-1,469,002
1	11,406	-	-	-	-	-	-	-	1,282	-	1,282	103	-	22,279
-859	289,909	247,957	296,778	10,472	-30,609	-15,630	508,968	60,252	101,473	1,511	163,236	-70,122	-34,850	2,147,811
-	-	-	-	-	-	-	-	-	-846	-	-846	62,764	-1,104	60,821
-116,755	34,374	19,214	16,128	548	216,463	-214,653	37,700	1,296	1,065	-	2,361	990,585	-991,858	511,404
-245,473	9,931	11,212	71,218	713	10,198	-3,484	89,857	1,307	988	-	2,295	669,619	-500,851	309,339
119,592	-110,062	-68,677	-52,461	-1,157	-16,277	8,994	-129,578	-1,902	-2,768	-1,511	-6,181	-224,707	175,100	-745,282
259,815	-108,391	-48,606	-46,542	-71	-336	-	-95,555	-6,043	-1,252	-	-7,295	-653,447	499,690	-645,730
-	5,036	-	-	-	-	-1,100	-1,100	2,879	280	-	3,159	15,552	1,100	23,470
16,320	120,797	161,100	285,121	10,505	179,439	-225,873	410,292	57,789	98,940	-	156,729	790,244	-852,773	1,661,833
-3,972	-37,759	-19,903	-88,968	-3,328	2,735	2,645	-106,819	-16,623	-26,840	-	-43,463	23,648	2,009	-427,232
12,348	**83,038**	**141,197**	**196,153**	**7,177**	**182,174**	**-223,228**	**303,473**	**41,166**	**72,100**	**-**	**113,266**	**813,892**	**-850,764**	**1,234,601**
12,348	80,203	84,657	196,153	7,177	182,174	-223,228	246,933	33,392	66,824	-	100,216	818,806	-940,033	1,078,925
-	2,835	56,540	-	-	-	-	56,540	7,774	5,276	-	13,050	-4,914	89,269	155,676
12,348	**83,038**	**141,197**	**196,153**	**7,177**	**182,174**	**-223,228**	**303,473**	**41,166**	**72,100**	**-**	**113,266**	**813,892**	**-850,764**	**1,234,601**
41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583
12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871
-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
-	1,452,441	266,162	-	85	13	-	266,260	56	58,066	-	58,122	96,374	-	2,393,559
-	60,732	3,045	113,581	-	62	-	116,688	40,370	201,799	-	242,169	59,961	-	954,280
-	-	-	-	-	-	-	-	-	-	-	-	-4,207	-	-4,207

5. external checks

KPMG

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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

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

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

In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December, 2011 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2011 (showing total assets of 41,280,577 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,109,534 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,124,663 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

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

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

Scope

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

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

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

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

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2011, the consolidated results of its operations, the consolidated cash flows , the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

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

Lisbon, 8 March, 2012

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

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2011

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

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, 2011.

2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.

4 Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, of consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the consolidated financial statements.

Lisbon, 8 March, 2012

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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AUDITORS' REPORT

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

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

In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at for the year ended 31 December, 2011 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2011 (showing total assets of 18,710,681 thousand Euros and shareholders' equity of 6,736,785 thousand Euros, including a net profit of 785,804 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

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

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

KPMG

Scope

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

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

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

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

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2011, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

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

Lisbon, 8 March, 2012

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2011

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

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, 2011.

2 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, of 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, 8 March, 2012

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)

financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2010 and 2009

	Notes	2010	2009*
		(Thousand Euros)	(Thousand Euros)
Turnover	6	14,170,742	12,198,009
Cost of consumed electricity	6	-6,808,261	-5,340,458
Cost of consumed gas	6	-945,270	-641,183
Changes in inventories and cost of raw materials and consumables used	6	-1,012,880	-1,111,229
		5,404,331	5,105,139
Other operating income / (expenses)			
Other operating income	7	320,889	224,790
Supplies and services	8	-862,256	-768,202
Personnel costs	9	-575,408	-540,036
Employee benefits	9	-153,362	-158,353
Other operating expenses	10	-521,384	-500,564
		-1,791,521	-1,742,365
		3,612,810	3,362,774
Provisions	11	-103,578	-74,685
Depreciation and amortisation expense	12	-1,469,002	-1,334,053
Compensation of amortisation and depreciation	12	22,279	15,531
		2,062,509	1,969,567
Gains / (losses) on the sale of financial assets	13	60,821	59,703
Other financial income	14	820,743	1,036,374
Other financial expenses	14	-1,305,710	-1,523,083
Share of profit in associates		23,470	25,151
Profit before income tax		1,661,833	1,567,712
Income tax expense	15	-427,232	-399,765
Net profit for the year		1,234,601	1,167,947
Attributable to:			
Equity holders of EDP		1,078,925	1,023,845
Minority interests	32	155,676	144,102
Net profit for the year		1,234,601	1,167,947
Earnings per share (Basic and Diluted) - Euros	29	**0.30**	**0.28**

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 December 2010 and 2009

	Notes	2010	2009*
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	20,323,583	18,434,806
Intangible assets	17	6,614,139	6,490,049
Goodwill	18	3,349,179	3,136,566
Investments in associates	20	146,871	175,272
Available for sale investments	21	443,965	443,117
Deferred tax assets	22	515,332	661,335
Trade receivables	24	117,442	114,821
Debtors and other assets	25	1,696,717	2,313,227
Total Non-Current Assets		33,207,228	31,769,193
Inventories	23	356,978	273,376
Trade receivables	24	2,069,676	1,892,805
Debtors and other assets	25	2,636,565	1,866,477
Tax receivable	26	640,485	557,641
Financial assets at fair value through profit or loss	27	35,745	84,852
Cash and cash equivalents	28	1,511,224	2,189,560
Assets classified as held for sale	39	30,952	-
Total Current Assets		7,281,625	6,864,711
Total Assets		40,488,853	38,633,904
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-115,731	-119,784
Share premium	29	503,923	501,992
Reserves and retained earnings	31	2,730,903	2,230,981
Consolidated net profit attributable to equity holders of EDP		1,078,925	1,023,845
Total Equity attributable to equity holders of EDP		7,854,558	7,293,572
Minority interests	32	2,930,401	2,684,441
Total Equity		10,784,959	9,978,013
Liabilities			
Financial debt	34	14,887,195	13,486,499
Employee benefits	35	1,904,879	1,879,704
Provisions	36	431,194	344,383
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	856,072	771,896
Trade and other payables	37	3,819,817	3,152,745
Total Non-Current Liabilities		21,974,255	19,747,858
Financial debt	34	3,004,451	2,794,481
Trade and other payables	37	4,172,832	5,185,546
Tax payable	38	552,356	928,006
Total Current Liabilities		7,729,639	8,908,033
Total Liabilities		29,703,894	28,655,891
Total Equity and Liabilities		40,488,853	38,633,904

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 October to 31 December 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	3,932,133	3,342,443
Cost of consumed electricity	-1,860,818	-1,446,730
Cost of consumed gas	-318,166	-196,387
Changes in inventories and cost of raw materials and consumables used	-343,307	-272,990
	1,409,842	1,426,336
Other operating income / (expenses)		
Other operating income	130,618	65,847
Supplies and services	-240,623	-238,430
Personnel costs	-139,495	-131,733
Employee benefits	-64,020	-48,223
Other operating expenses	-134,281	-140,967
	-447,801	-493,506
	962,041	932,830
Provisions	-35,269	-40,729
Depreciation and amortisation expense	-372,443	-404,048
Compensation of amortisation and depreciation	5,483	6,438
	559,812	494,491
Gains / (losses) on the sale of financial assets	58,246	29,056
Other financial income	255,778	339,335
Other financial expenses	-392,846	-446,709
Share of profit in associates	5,125	4,272
Profit before income tax	486,115	420,445
Income tax expense	-121,691	-90,624
Net profit for the period	364,424	329,821
Attributable to:		
Equity holders of EDP	304,653	273,515
Minority interests	59,771	56,306
Net profit for the period	364,424	329,821
Earnings per share (Basic and Diluted) - Euros	**0.08**	**0.08**

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Minority interests
Balance as at 31 December 2008	**8,567,425**	**3,656,538**	**501,992**	**443,838**	**1,975,487**	**-34,523**	**44,038**	**-94,018**	**-126,532**	**6,366,820**	**2,200,605**
Comprehensive income:											
Net profit for the year	1,167,947	-	-	-	1,023,845	-	-	-	-	1,023,845	144,102
Changes in the fair value reserve (cash flow hedge) net of taxes	91,843	-	-	-	-	96,317	-	-	-	96,317	-4,474
Changes in the fair value reserve (available for sale investments) net of taxes	130,470	-	-	-	-	-	130,065	-	-	130,065	405
Actuarial gains/(losses) net of taxes	-84,740	-	-	-	-83,898	-	-	-	-	-83,898	-842
Exchange differences arising on consolidation	502,022	-	-	-	-	-	-	259,877	-	259,877	242,145
Total comprehensive income for the year	1,807,542	-	-	-	939,947	96,317	130,065	259,877	-	1,426,206	381,336
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-74,691	-	-	-	-	-	-	-	-	-	-74,691
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	-	4,786	2,845	-
Share-based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	11,520	-	-	-	-	-	-	-	-	-	11,520
Other reserves arising on consolidation	1,842	-	-	-	2,792	-	-	-	-	2,792	-950
Balance as at 31 December 2009	**9,978,013**	**3,656,538**	**501,992**	**471,387**	**2,381,683**	**61,794**	**174,103**	**165,859**	**-119,784**	**7,293,572**	**2,684,441**
Comprehensive income:											
Net profit for the year	1,234,601	-	-	-	1,078,925	-	-	-	-	1,078,925	155,676
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,267	-	-	-	-	-26,683	-	-	-	-26,683	-1,584
Changes in the fair value reserve (available for sale investments) net of taxes	-6,727	-	-	-	-	-	-9,419	-	-	-9,419	2,692
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchange differences arising on consolidation	299,123	-	-	-	-	-	-	146,964	-	146,964	152,159
Total comprehensive income for the year	1,418,053	-	-	-	1,007,580	-26,683	-9,419	146,964	-	1,118,442	299,611
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to minority interests	-62,018	-	-	-	-	-	-	-	-	-	-62,018
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	-	2,323	291	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in minority interests resulting from acquisitions / sales and equity increases	8,538	-	-	-	-	-	-	-	-	-	8,538
Other reserves arising on consolidation	-148	-	-	-	23	-	-	-	-	23	-171
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**

The following notes form an integral part of these financial statements

financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 December 2010 and 2009

(Thousand Euros)

	2010		2009	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the year	1,078,925	155,676	1,023,845	144,102
Exchange differences arising on consolidation	146,964	152,159	259,877	242,145
Fair value reserve (cash flow hedge)	-35,264	-1,640	135,097	-6,666
Tax effect from the fair value reserve (cash flow hedge)	8,581	56	-38,780	2,192
Fair value reserve (available for sale investments)	-9,364	2,861	144,929	405
Tax effect from the fair value reserve (available for sale investments)	-55	-169	-14,864	-
Actuarial gains / (losses)	-93,788	-14,127	-85,239	-1,245
Tax effect from the actuarial gains / (losses)	22,443	4,795	1,341	403
Other comprehensive income for the year, net of income tax	39,517	143,935	402,361	237,234
Total comprehensive income for the year	1,118,442	299,611	1,426,206	381,336

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements as at 31 December 2010 and 2009

(Thousand Euros)

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Operating activities				
Cash receipts from customers	13,153,511	11,478,194	1,890,333	1,729,310
Proceeds from tariff adjustments securitization	-	1,639,142	-	-
Cash paid to suppliers	-9,415,651	-7,924,642	-1,810,537	-1,695,918
Cash paid to personnel	-654,063	-680,885	-49,502	-54,904
Concession rents paid	-236,440	-255,684	-	-
Other receipts / (payments) relating to operating activities	-321,258	-213,925	-56,178	-34,890
Net cash from operations	2,526,099	4,042,200	-25,884	-56,402
Income tax received / (paid)	-683,955	-120,531	25,793	6,237
Net cash from operating activities	1,842,144	3,921,669	-91	-50,165
Investing activities				
Cash receipts relating to:				
Financial assets	169,833	319,022	98,122	4,435
Property, plant and equipment and intangible assets	65,292	2,836	2,024	798
Investment grants	31,313	161,879	-	-
Interest and similar income	127,218	87,563	324,606	323,519
Dividends	37,387	48,766	346,968	645,078
	431,043	620,066	771,720	973,830
Cash payments relating to:				
Financial assets	-283,708	-451,571	-3,039	-121,042
Changes in cash resulting from perimeter variations	5,440	10,447	-	-
Property, plant and equipment and intangible assets	-2,983,595	-3,417,533	-59,617	-16,327
	-3,261,863	-3,858,657	-62,656	-137,369
Net cash from investing activities	-2,830,820	-3,238,591	709,064	836,461
Financing activities				
Receipts / (payments) relating to loans	1,104,831	1,257,479	-538,091	650,249
Interest and similar costs including hedge derivatives	-540,095	-528,581	-361,482	-420,671
Cash grants	169,304	155,946	-	-
Share capital and share premium increases	2,514	9,057	-	-
Receipts / (payments) relating to derivative financial instruments	-42,670	54,710	901	193,898
Dividends paid to equity holders of EDP	-561,819	-507,153	-561,819	-507,153
Dividends paid to minority interests	-87,274	-68,542	-	-
Treasury stock sold / (purchased)	369	2,107	2,487	4,169
Receipts / (payments) from wind activity institutional partnerships - USA	228,359	333,528	-	-
Net cash from financing activities	273,519	708,551	-1,458,004	-79,508
Changes in cash and cash equivalents	-715,157	1,391,629	-749,031	706,788
Effect of exchange rate fluctuations on cash held	36,821	84,344	350	1,689
Cash and cash equivalents at the beginning of the year	2,189,560	713,587	891,356	182,879
Cash and cash equivalents at the end of the year (*)	1,511,224	2,189,560	142,675	891,356

(*) See details of "Cash and cash equivalents" in note 28 to the Financial Statements.

financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2010 and 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Turnover	6	2,003,510	1,755,564
Cost of consumed electricity	6	-1,412,899	-1,192,863
Changes in inventories and cost of raw materials and consumables used	6	-430,640	-360,684
		159,971	202,017
Other operating income / (expenses)			
Other operating income	7	12,408	8,453
Supplies and services	8	-163,333	-99,170
Personnel costs	9	-13,797	-16,262
Employee benefits	9	-225	-197
Other operating expenses	10	-12,834	-17,610
		-177,781	-124,786
		-17,810	77,231
Provisions	11	-5,418	-187
Depreciation and amortisation expense	12	-12,054	-6,935
		-35,282	70,109
Gains / (losses) on the sale of financial assets	13	52,724	-10
Other financial income	14	1,628,636	2,162,520
Other financial expenses	14	-947,406	-1,574,110
Profit before income tax		698,672	658,509
Income tax expense	15	26,464	-28,488
Net profit for the year		725,136	630,021

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 31 December 2010 and 31 December 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	165,105	123,562
Intangible assets	17	24	33
Investments in subsidiaries	19	9,507,310	9,535,843
Investments in associates	20	-	45,398
Available for sale investments	21	257,072	238,401
Debtors and other assets	25	5,393,428	4,537,916
Total Non-Current Assets		15,322,939	14,481,153
Inventories	23	51,745	11,351
Trade receivables	24	46,357	97,432
Debtors and other assets	25	2,511,562	1,727,737
Tax receivable	26	92,330	44,545
Cash and cash equivalents	28	142,675	891,356
Total Current Assets		2,844,669	2,772,421
Total Assets		18,167,608	17,253,574
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-109,636	-113,689
Share premium	29	503,923	501,992
Reserves and retained earnings	31	1,926,188	1,868,007
Net profit for the year		725,136	630,021
Total Equity		6,702,149	6,542,869
Liabilities			
Financial debt	34	1,311,375	1,962,393
Provisions	36	21,867	18,637
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	67,926	80,489
Trade and other payables	37	3,222,714	2,824,741
Total Non-Current Liabilities		4,698,980	4,998,891
Financial debt	34	5,779,736	4,194,840
Trade and other payables	37	985,555	1,032,380
Tax payable	38	1,188	484,594
Total Current Liabilities		6,766,479	5,711,814
Total Liabilities		11,465,459	10,710,705
Total Equity and Liabilities		18,167,608	17,253,574

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 October to 31 December 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	601,048	555,787
Cost of consumed electricity	-404,972	-333,352
Changes in inventories and cost of raw materials and consumables used	-180,696	-149,853
	15,380	72,582
Other operating income / (expenses)		
Other operating income	4,403	3,564
Supplies and services	-43,155	-33,192
Personnel costs	-3,824	-3,427
Employee benefits	-33	-56
Other operating expenses	-1,266	-1,928
	-43,875	-35,039
	-28,495	37,543
Provisions	8,146	3,570
Depreciation and amortisation expense	-5,050	-1,915
	-25,399	39,198
Gains / (losses) on the sale of financial assets	45,782	-
Other financial income	594,803	672,689
Other financial expenses	-258,852	-400,538
Profit before income tax	356,334	311,349
Income tax expense	18,617	-31,934
Net profit for the period	374,951	279,415

LISBON, 3 MARCH 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at 31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2008	**6,270,678**	**3,656,538**	**501,992**	**443,838**	**1,774,327**	**-8,770**	**23,190**	**-120,437**
Comprehensive income:								
Net profit for the year	630,021	-	-	-	630,021	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	49,874	-	-	-	-	49,874	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	94,542	-	-	-	-	-	94,542	-
Total comprehensive income for the year	774,437	-	-	-	630,021	49,874	94,542	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	4,786
Share-based payments	2,062	-	-	-	100	-	-	1,962
Balance as at 31 December 2009	**6,542,869**	**3,656,538**	**501,992**	**471,387**	**1,867,805**	**41,104**	**117,732**	**-113,689**
Comprehensive income:								
Net profit for the year	725,136	-	-	-	725,136	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,291	-	-	-	-	-23,291	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	14,914	-	-	-	-	-	14,914	-
Total comprehensive income for the year	716,759	-	-	-	725,136	-23,291	14,914	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	2,323
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 31 December 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**

The following notes form an integral part of these financial statements

financial statements

EDP - Energias de Portugal

Company Statement of Comprehensive Income as at 31 December 2010 and 2009

(Thousand Euros)

	2010	2009
Net profit for the year	725,136	630,021
Fair value reserve (cash flow hedge)	-30,839	67,856
Tax effect from the fair value reserve (cash flow hedge)	7,548	-17,982
Fair value reserve (available for sale investments)	18,034	104,160
Tax effect from the fair value reserve (available for sale investments)	-3,120	-9,618
Other comprehensive income for the year, net of income tax	-8,377	144,416
Total comprehensive income for the year	716,759	774,437

The following notes form an integral part of these financial statements

1. Economic activity of EDP Group

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

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

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

Activity in the energy sector in Portugal

Electricity

The National Electricity System (SEN) basis of organization, operations and activities are established by the Decree-Law 29/2006 of 15 February, which transposes the principles of the European Parliament and Council's Directive n.º 2009/72/CE of 13 July which came to repeal the Directive n.º2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July and DL 104/2010, of 29 September.

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

Transmission, distribution and supply of last resort activities are subject to regulation from Entidade Reguladora dos Serviços Energéticos — ERSE (Energy Sector Regulator), which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage — access tariffs — and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

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

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

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

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

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

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição with the possibility of being revoked with at least 1 year's prior notice. These concessions are in return for payment of a rent to the municipalities that grant.

Supply

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

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE. The Decree-Law104/2010 of 29 September, establishes the end of regulated tariffs for very high, high , medium and low-tension customers from 1 January 2011, with a transitional period until 31 December 2011.

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Public Domain Assets

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

Gas

In the distribution and commercialization activity for natural gas, EDP Group develops its activity in Portugal through its subsidiaries Portgás, S.A. EDP Group is present in the commercialization of natural gas, under the regulated market (EDP Gás Serviço Universal) and free market (EDP Gás.com). EDP Gás.com, with a trading license in the free market since 2008, began operating in early 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL S.A.

On 15 June 2010, the tariffs set by ERSE were published for the years 2010-2011. The income allowed to Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

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

Electric Sector Regulation

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

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

Generation

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

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

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

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

Producers have the right to use primary energy sources in its generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, was approved the Royal Decree Law 1221/2010 of 1 October that modify the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective decision to promote the consumption of local coal. Additionally, from the endorsement of Royal Decree Law 14/2010 of 23 December, the producers in ordinary regime have the obligation of paying for the utilization of the transport and distribution networks.

Transportation

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

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

The Royal Decree 325/2008 of 29 February, establishes a new fee system applicable to electricity transportation facilities, that entered into service from 1 January 2009. Just as for distribution, this new model of compensation is based on investments, but there is no knowledge of the amounts which will be allocated to the electrical assets and associates, because the standard is not yet developed in detail.

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

Distribution

Law 54/1997 provides that the retribution for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the distribution electricity activity and modifying the system of "Acometidas" (system that regulated the installation, that allows the connection of the network distribution with the point of delivery energy to the client). The new remuneration system is based on investments and increased demand of each distributor. The standard provides new incentives for reducing losses and improving quality, which are pending for new regulatory developments.

Supply

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

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges. These rates exclusive to Spain, are established by the Industry Trade Ministry, of industry, tourism and trade based on regulated activities costs, including permanent costs and diversification and security of supply costs.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to free market. However, the Royal Decree 485/2009 of 3 April, pursuant to Articles 9.f and 18th and 24th Additional disposition of Law 54/1997, provide that the consumers of low-tension, with contract capacity not exceeding 10 kW, are eligible for the tariff of last resort, which determines the maximum and minimum price of supply. This rate will be applicable by the suppliers of last resort, where Hidrocantábrico Energia Último Recurso, S.A.U. is included.

Social Benefit

The Royal Decree 6/2009 of 30 April, created the Social Benefit for some consumers who benefit from the tariff of last resort (TUR) and that meet certain social characteristics of consumption and purchasing power given by the Ministry of Industry, Tourism and Trade. The benefit will cover the difference between the value of TUR and the benchmark value and will be financed by the production companies.

Gas

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

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market .

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

§ Transmission companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas;

§ Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as build, maintain and operate such facilities in order to bring natural gas to the consumption points;

§ Suppliers, companies that hold access to the facilities owned by third parties, purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

§ Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

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

The system of provisioning and based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort rates have been set, that can benefit the consumers who are covered by the regulation (from July 2009 are those consuming less than 50,000 kWh / year), and that will be implemented by the suppliers, in accordance with Article 82 of Law 34/1998 that have an obligation to take delivery of last resort. Naturgás Comercializadora Energía, SAU. is one of the trading companies designated by the Ministry.

For the supplier of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (HC Energia Supplier of Last Resort currently comprises the delivery obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff ("TUR") became the only tariff from 1 January 2010, denying to the suppliers of last resort the application of discounts over customers with TUR.

Activity in the energy sector in Brazil

Electricity

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

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

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

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

The main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by ANEEL. The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines. Public auctions began in late 2004.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5.163/04). Free consumers can return to the regulated system under certain conditions.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Generation

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

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

§ Generation companies, producing electricity for public service distribution;

§ Independent producers, who assume the risk of the sale of electricity with distributors or directly with free consumers;

§ Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

Transmission

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

Distribution

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

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

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration basis in the assets used in the distribution energy service (BRR). The tariff also includes a part to cover the operating costs established from a standard company, the Reference Company (with costs that would be charged by an efficient operator and which acted in the concession region). The regulatory EBITDA has two parts, which (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC, ie by the rate of weighted average cost of capital of sector companies. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the reference Company is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes occurred in portion A costs and in the correction of portion B costs, by the index of variation of IGPM, discounting productivity gains (factor X). The index adjustment is calculated to pass on the variations in costs not manageable in the Parcel A and the adjusted Parcel B. Periodically (on average every 4 years) there is a tariff revision, which results in a global review of costs, in the definition of a new BRR and a new Reference Company, which capture of the productivity gains in the period between reviews. At the start of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market, selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

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

Activity in the Renewable energies sector

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

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

Electricity

Generation

In December 2010, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital in EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L) and Horizon Wind Energy, LLC (EDPR NA), operating respectively in Europe and in the United States of America.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and Brazil. EDPR EU's main subsidiaries are: EDP Renováveis Portugal (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors), EDP Renewables Polska (wind farms in Poland held by EDPR EU), EDP Renewables Romania (wind farms in Romenia), EDP Renewables Italia (wind farms in Italy) and EDP Renováveis Brasil (wind farms in Brasil). As at 31 December 2010, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

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

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

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

The Royal Decree 6/2009 of 7 May was approved and is aimed at eliminating the tariff deficit from 2013. Among other measures, it introduces a pre-allocation register for new renewable energy capacity for renewable-energy installations to obtain the entitlements set out in Royal Decree 661/2007.

In July 2010, Ministry of Industry established an agrement with two major associations of renewables (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1614/2010 , of December 7, which defines (i) for the years 2011 and 2012 a redution of 35% in the prize applicable to wind generation defined by Royal Decree 661/2007, (ii) an addition to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the prize for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) setting a limit of 2,589 hours of operation for the installed capacity from which the wind farm is nor entitled to receive any prize.

The Decree-Law 14/2010 of 23 December, establishes several measures to reduce the tariff deficit, including a production rate of 0,5€ /MWh applicable to producers under the ordinary and special regimes.

Regulatory framework for the activities in Portugal

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

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

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

Since 1 July, 2007, the Iberian electricity financial market ("MIBEL") has been fully operational, with daily transactions from both Portugal and Spain, including a forwards market that has operated since July 2006.

Regulatory framework for the activities in the United States of America

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

The federal government regulates the wholesale electric energy sale and transmission business in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978 ("PURPA 1978"), the Energy Policy Act of 1992 ("EPACT 1992") and the Energy Policy Act of 2005 ("EPACT 2005").

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

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorizations may involve a more extensive approval process, possibly including an environmental impact evaluation and opposition by interested parties or users.

Both the United States federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power. The primary federal renewable energy incentive program is the Production Tax Credit (PTC), which was established by the U.S. Congress as part of EPACT 1992. As part of the American Recovery and Investment Act of 2009, the federal government is encouraging renewable energy development through investment tax credits and cash grants from 2009 through 2013. Many states have passed legislation, principally in the form of renewable portfolio standards ("RPS"), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

The American Recovery and Investment Act of 2009 was approved and includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely (i) a three year extension of the PTC until 2012 and (ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year extension of the ITC, which allow the companies to receive 30% of the cash invested in projects with beggining of construction until December 2011 as long as placed in service until December 2012.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

2. Accounting policies

a) Basis of presentation

The accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years ended 31 December 2010 and 2009.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 3 March 2011. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDP Group's consolidated financial statements for the years ended 31 December 2010 and 2009 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

In 2010, EDP Group adopted the IFRS 3 (revised) - Business combinations and the interpretations IFRIC 12 -Service Concession Arrangements and IFRIC 18 - Transfers of Assets from Customers. These interpretations, which had to be applied with reference to 1 January, 2010 had impact on the assets and liabilities of the Group. According to the transition rules of these interpretations, the new disclosures required include comparative information.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

In accordance with IFRS 3 — Business Combinations, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative financial information, reflecting these adjustments on the income statement and balance sheet, with effect from the date of the acquisition.

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

b) Basis of consolidation

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

As from 1 January, 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

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

Until 31 December, 2009, when the accumulated losses of a subsidiary attributable to minority interests exceed the minority interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the minority interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to minority interests, implying that the Group can recognise negative minority interests.

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

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

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January, 2010 onwards, the EDP Group has the possibility to book minority interest at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the minority interests, against minority interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against "goodwill". As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of minority interests and dilution

Until 31 December 2009, in an acquisition of minority interests, the difference between the fair value of the minority interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The difference between the minority interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Until 31 December, 2009, when an interest in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurs when the percentage of interest in a subsidiary decreases without any sale of interest in that subsidiary, for example, if the Group does not participate proportionally in the share capital increase of that subsidiary. Until 31 December, 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

As from 1 January 2010 onwards, in an acquisition (dilution) of minority interests not resulting in a loss of control, the difference between the fair value of the minority interests acquired and the consideration paid, is accounted against reserves. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. 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.

The cumulative gains or losses recognised in reserves are reclassified to the income statement when the hedged item affects the income statement.

When a hedging relation of a future transaction is discontinued, the changes in the fair value of derivative recognised in reserves remain recognised in reserves until the future hedged transaction also affects the income statement. When the future transaction is no longer expected to occur, the cumulative gains or losses recognised in reserves are recorded immediately in the income statement.

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging recognised in equity are transferred to the income statement when the foreign entity is sold, as part of gain or loss resulting from the disposal.

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (Fair Value Option).

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	20
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change occurs in the expected economic benefits flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes ocurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

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

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for incurred expenses are booked in income statement on a systematic basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from clients, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

ii) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and depreciated on a straight-line basis over the concessions period, not exceeding 30 years.

Concession rights to use the public hydric domain

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

The accounting policy related to intangible assets attributed to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Lease payments include the financial income and the amortisation of the outstanding principal.

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will rise.

l) Inventories

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

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

CO2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

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

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal or contractual obligation at the end of the assets' useful life. Therefore, such provisions have been booked in the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

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

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

r) Income tax

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

Deferred taxes arising from the revaluation of available for sale investments and cash flow hedge derivatives recognised in equity are recognised in the income statement in the period the results that originated the deferred taxes are recognised.

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Segmental reporting

The Group presents the operational segments based on internal Management information.

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

A geographical segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and rewards that are different from those of components operating in other economic environments.

x) Tariff adjustments

In regulated activities, the regulator establishes through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on real costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity tariffs charged to customers in subsequent periods.

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

y) CO2 licenses and greenhouse effect gas emission

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

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

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

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.

aa) Group concession activities

The International Financial Reporting Commitee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impraticable. The effect of the retrospective application would have a similar effect as a prospective application.

IFRIC 12 is applicable to the public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of determined infrastructures as well as the price of these services and equally controls any significant residual interest in those infrastructures.

According to IFRIC 12, the infrastructures allocated to concessions are not recognised by the operator as tangible fixed assets or as financial leases, as the operator does not control the assets. These infrastructures are recognised according to one of the following accounting models, depending on the type of remuneration commitment of the operator assumed by the grantor within the terms of the contract:

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless of the level of use of the infrastructures within the concession and results in the recognition of a financial asset, booked at amortised cost.

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructures (demand risk) and results in the recognition of an intangible asset.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 6 and 45).

Intangible assets within concessions are depreciated over their respective useful lives during the concession period.

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis, and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

The changes resulting from the application of IFRIC 12 are presented in note 45 to the consolidated financial statements.

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

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation (CMEC)

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousand Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible.

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

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

Contractual Stability Compensation — Revisable mechanism

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

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

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric generating assets which, consequently, led to a propspective change in the depreciation charge of the period.

The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the planning maintenance plan. Based on this information, new useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of these assets.

Tariff adjustments

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

Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, the EDP Group booked in the caption Electricity sales of the period, the effects of the recognition of the tariff adjustment, against Other debtors / Other Creditors. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009.

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

Spanish Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies through a State guarantee; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed.

EDP Group believes, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

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

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

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

In Portugal, the Tax Authorities are entitled to review the EDP, S.A. and its subsidiaries' determination of its annual taxable earnings, for a period of four years for annual periods starting from 2010 and six years for previous annual periods in case of tax losses carried forward. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no material tax assessments within the context of the financial statements.

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

The EDP Group believes that there are legal or contractual obligations to dismantle and decommission property, plant and equipment assets relating to electricity generation operations. The Group records provisions with accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are installed. The calculation of the provisions is based on estimates of the present value of the future liabilities.

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

4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Brazilian Reais (BRL). Currently, the exposure to EUR/USD exchange rate risk results essentially from the acquisition of Horizon in July 2007 and from the investments in the wind parks performed in the USA since then. In order to finance this acquisition and its investment plan, EDP contracted USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the net assets of EDPR NA. The exchange rate and interest rate risk on the GBP and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

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

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2010 and 2009, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	31 December 2010			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	7,485	-9,148	-15,995	19,550
PLN	-	-	3,584	-4,381
	7,485	-9,148	-12,411	15,169

	31 December 2009			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	24,114	-29,473	-23,087	28,218
PLN	-	-	7,984	-9,759
	24,114	-29,473	-15,103	18,459

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

Interest rate risk management

The aim of the interest rate risk management policies is to reduce the financial charges and to reduce the exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments (swaps).

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

All the operations are undertaken on liabilities in the EDP Group's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 18 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2010 and 2009 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	31 Dec 2010			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-27,277	27,277	-	-
Unhedged debt	-64,241	64,241	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	36,981	-40,988
Trading derivatives (accounting perspective)	-25,659	28,386	-	-
	-117,177	119,904	36,981	-40,988

	31 Dec 2009			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-17,277	17,277	-	-
Unhedged debt	-64,135	64,135	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	18,997	-20,956
Trading derivatives (accounting perspective)	-15,142	12,191	-	-
	-96,554	93,603	18,997	-20,956

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

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Counterparty credit risk management

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

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

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 34).

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal) and forwards to fix prices.

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

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

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

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

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

	P@R Distribution by risk factor	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Risk factor:		
Negociation	1,000	4,000
Fuel	41,000	32,000
CO2	3,000	33,000
Electricity	36,000	44,000
Hydrological	20,000	17,000
Diversification effect	-74,000	-93,000
Total	27,000	37,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 31 December 2010 and 2009 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2010	Dec 2009
Credit risk rating (S&P):		
AAA to AA-	18.06%	48.48%
A+ to A-	75.69%	47.66%
BBB+ to BBB-	0.900%	0.92%
BB+ to B-	1.11%	2.25%
No rating assigned	4.24%	0.69%
Total	100.00%	100.00%

Brazil — Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries at 31 December 2010 and 2009 is as follows:

	VaR	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Exchange rate risk	461	809
Interest rate risk	3,638	3,619
Covariation	-421	-1,098
Total	3,678	3,330

5. Consolidation perimeter

During 2010, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables Europe, S.L. acquired 85% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of the polish companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO and Karpacka Mala Energetyka SP ZOO, through its subsidiary EDP Renewables Polska SP ZOO (previously Neolica Polska SP ZOO);
- EDP Renewables Europe, S.L. acquired 80% of the share capital of Re Plus - Societá a Responsabilitá Limitata, thorugh its subsidiary EDP Renewables Italia, S.r.l.);
- A EDP Ventures, S.G.P.S., S.A. acquired 40% of the Arquiled Group, which includes Arquiled - Projectos de iluminação, S.A., Arquiservice - Consultadoria e Serviços, S.A. and Futurcompact, Lda.

Considering the existence of a written put option of 15% of the companies Repano Wind, S.r.l. and EDP Renewables Italia, S.r.l. from the minority interests, EDP Group has consolidated these companies at 100% in accordance with the accounting policy 2.b) (see note 41).

Companies sold and liquidated:

- Horizon Wind Energy L.L.C. liquidated Freeport Windpower I, L.P.*;
- Hidrocantábrico Explotación Centrales dissolved and liquidated Mazarrón Cogeneración, S.A. and Papresa Cogeneración AIE;
- Naturgás Energía Grupo, S.A. sold its shareholding, through its subsidiary Naturgas Participaciones, in Tecman, S.L.;
- EDP Imobiliária e Participações, S.A. sold its 34% shareholding of Central-E - Informação e Comércio Electrónico, S.A.;
- EDP, S.A. sold its 21% shareholding of Deca - Distribuición Eléctrica do Centro Americana Dos (II), S.A.;
- EDP Renewables Europe sold its shareholding, through its subsidiary Genesa, in Murciasol 1 - Solar Térmica, S.L.;
- EDP Produção liquidated Hidroeléctrica de Janeiro de Baixo, Lda..

Companies incorporated:

The following companies were merged into Naturgás Comercializadora, S.A.:

- Naturgás Energía Suministro Sur, S.L;
- Naturgás Energía Suministro, S.L.

The following companies were merged into Pebble Hydro - Consultoria, Investimento e Serviços, Lda:

- Hidroeléctrica de Fagilde, Lda;
- Minihídrica do Palhal, Lda;
- Hidroeléctrica de Penacova, Lda;
- Hidroeléctrica de Pinhel, Lda;
- Hidroeléctrica do Rabaçal Ponte, Lda.

Eneraltius - Produção de Energia Eléctrica, S.A. was merged into EDP Renováveis Portugal, S.A.

Agrupación Eólica Francia, S.L. was merged into EDP Renewables Europe, S.L.

Companies incorporated:

- Headwaters Wind Farm L.L.C.*;
- 17th Star Wind Farm L.L.C.*;
- Waverly Wind Farm L.L.C.;
- EDP - Projectos SGPS, S.A.;
- EDP Renewables Canada;
- 2010 Vento VII, L.L.C.;
- 2010 Vento VIII, L.L.C.;
- 2010 Vento IX, L.L.C.*;
- Horizon Wind Ventures VII, L.L.C.;
- Horizon Wind Ventures VIII, L.L.C.;
- Horizon Wind Ventures IX, L.L.C.*;
- EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.;
- SGORME - SGO Rede Mobilidade Eléctrica,S.A..
- Rio Blanco Wind Farm L.L.C.*;
- Hidalgo Wind Farm L.L.C.*;
- HC Naturgas Servicios Energeticos S.L.;
- MacColl Offshore Windfarm Limited*;
- Stevenson Offshore Windfarm Limited*;
- Telford Offshore Windfarm Limited*;
- Stone Wind Power L.L.C.*;
- Franklin Wind Farm L.L.C.*;
- HC Energia Gas, S.L.

* EDP Group holds, through EDP Renováveis, a set of subsidiaries in the United States and United Kingdom legally incorporated without share capital and that as at 31 December 2010 do not have any assets, liabilities, or any operating activity.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Other changes:

- EDP Renewables Europe, S.L. increased its shareholding from 19.6% to 36% on ENEOP - Éolicas de Portugal, S.A., through its subsidiary EDP Renováveis Portugal, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 49% to 61% on Parque Eólico Altos del Voltoya, S.A. through its subsidiary Sinae, S.L.;
- Naturgás Energia Distribución, S.A.U. now holds 100% of the share capital of Naturgás Energía Distribución Cantabria, S.A., following the amortisation of the shares held by the minority interests.
- As a consequence of the put option exercise by Ente Vasco de la Energia over Naturgas Energia, HC Energia acquired from EVE 29.43% of Naturgas Energia share capital, increasing to 95% its shareholding in this company. As the put option referred to 30.35% of share capital of Naturgás Energia, the indirect shareholding held by HC Energia in Naturgás subsidiaries decrease by 0.92%, following the put option exercise;
- EDP Comercial - Comercialização de Energia, S.A, increased its shareholding from 55% to 100% on EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. through acquisition of shares from other shareholders;
- EDP - Gestão da Produção de Energia S.A. increased its shareholding from 55% to 97% on Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida,S.A. through a share capital increase;
- Windplus, S.A. changed its consolidation method from full to proportional consolidation due to a share capital dillution.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2010 and 2009 are listed in note 52.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Turnover:				
Electricity and network accesses	12,536,606	11,021,866	1,664,390	1,566,404
Gas and network accesses	1,348,165	981,493	62,945	-
Advisory, management and IT services	8,262	7,274	121,782	59,774
CO2 licenses	145,922	71,559	154,038	129,196
Other	131,787	115,817	355	190
	14,170,742	12,198,009	2,003,510	1,755,564

In 2010, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 194,510 thousand Euros (cost in December 2009: 361,080 thousand Euros) regarding the tariff adjustments of the period, as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network accesses includes on a consolidated basis 312,899 thousand Euros (31 December 2009: 535,543 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 91,622 thousand Euros (140,052 thousand Euros as at 31 December 2009) related to the initial CMEC for the period and 221,277 thousand Euros (395,491 thousand Euros as at 31 December 2009) resulting from the revisable mechanism, as established by the current legislation in Portugal.

The caption "Advisory, management and IT services" includes, on a company basis, an amount of 80,589 thousand Euros related with services charged to EDP, S.A subsidiaries for management and IT services. The amounts charged are in accordance with the contractual terms which are established on an arms length basis.

Turnover by geographical market, **for the Group** , is analysed as follows:

	Dec 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	7,148,205	3,000,503	2,111,404	276,494	12,536,606
Gas and network accesses	283,205	1,064,960	-	-	1,348,165
Advisory, management services and IT services	7,274	988	-	-	8,262
CO2 licenses	145,922	-	-	-	145,922
Other	68,262	23,940	39,585	-	131,787
	7,652,868	4,090,391	2,150,989	276,494	14,170,742

	Dec 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	6,923,086	2,247,272	1,655,241	196,267	11,021,866
Gas and network accesses	126,387	855,106	-	-	981,493
Advisory, management services and IT services	6,617	657	-	-	7,274
CO2 licenses	71,559	-	-	-	71,559
Other	53,379	27,178	26,879	8,381	115,817
	7,181,028	3,130,213	1,682,120	204,648	12,198,009

The breakdown of Revenue by segment is presented in the Segmental reporting (see note 51).

Cost of consumed electricity and gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost of consumed electricity	6,808,261	5,340,458	1,412,899	1,192,863
Cost of consumed gas	945,270	641,183	-	-
Changes in inventories and cost of raw materials and consumables used:				
Fuel, steam and ashes	252,223	454,965	-	3,411
Gas	586,698	495,745	274,779	214,521
Cost of consumables used	34,162	134,529	-	-
CO2 licenses	98,152	104,970	155,859	142,752
Other	131,558	124,224	2	-
Own work capitalised	-89,913	-203,204	-	-
	1,012,880	1,111,229	430,640	360,684
	8,766,411	7,092,870	1,843,539	1,553,547

On a company basis, Cost of consumed electricity includes costs of 730,536 thousand Euros (31 December 2009: 699,737 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

Assets assigned to concessions

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets assigned to concessions				
Revenue from assets assigned to concessions	-392,017	-350,590	-	-
Expenditure with the acquisition of assets assigned to concessions	392,017	350,590	-	-
	-	-	-	-

7. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Supplementary income	23,409	25,181	345	325
Operating government grants	1,909	882	-	-
Gains on fixed assets	4,731	3,297	1,839	781
Reversal of impairment losses:				
- Doubtful debtors	30,401	20,700	-	-
- Debtors and other assets	2,666	831	-	-
Own work capitalised	2,048	4,198	-	-
Customers contributions	25,982	8,201	-	-
Insurance premiums - Energia RE	10,692	11,302	-	-
Income arising from institutional partnerships - EDPR NA	107,005	82,671	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	25,776	17,654	-	-
Turbine availability bonus - EDPR NA	962	12,692	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	3,170	-	-	-
Contract termination indemnity - EDPR NA	15,840	-	-	-
EDPR Poland PPA	15,000	-	-	-
Other operating income	51,298	37,181	10,224	7,347
	320,889	224,790	12,408	8,453

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI and VII projects, in wind farms in U.S.A.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousand USD and recorded as a non-current liability (note 37). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2010, the amortisation for the period amounts to 25,776 thousand Euros (31 December 2009: 17,654 thousand Euros).

Turbine availability bonus - EDPR NA refers to compensation received and predicted in the contracts with turbines suppliers responsible for supply and maintenance of eolic turbines when the measured average availability of turbines in activity is less than 93% in the first six months and/or less than 97% in any of the subsequent periods of six months during the warranty period.

In 2010, the EDP Group acquired an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya, S.A., changing the consolidation method of this company to full consolidation. Based on the preliminary purchase price allocation and according to the accounting policy of the Group, the shareholding previously held was remeasured to fair value, originating the recognition of a gain of 3,170 thousand Euros (see note 2 b).

In 2010, Customers contributions includes 18,670 thousand Euros related with the application of IFRIC 18 in the electricity and gas distribution of activities in Spain, as referred in the accounting policy 2h).

Contract termination indemnity - EDPR NA totalling 15,840 thousand Euros, relates to na indemnity received by the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) due to the early termination of a power purchase agreement held with a customer.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The caption EDPR Poland PPA totalling 15,000 thousand Euros corresponds to the operating income arising from the Purchase Price Allocation completed during 2010 for the operating assets and liabilities related with the acquisition of the subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO. Following the purchase price allocation a positive differece between the fair value of assets and liabilities acquired and the cost of acquiring these subsidiares was identified. In accordance with IFRS 3 and the Group's accounting policy, this difference was recognized as operating income for the year.

8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Subcontracts	4,742	3,753	-	-
Supplies and services:				
Water, electricity and fuel	13,700	11,386	972	928
Tools and office material	7,117	6,597	771	273
Rents and leases	93,892	92,759	36,589	9,804
Communication	40,832	40,156	9,293	1,584
Insurance	41,191	34,174	640	845
Transportation, travelling and representation	28,150	25,031	2,177	1,393
Commission and fees	4,697	4,205	68	105
Maintenance and repairs	289,048	241,202	16,058	2,739
Advertising	26,611	27,403	7,755	6,640
Surveillance and security	11,982	10,304	457	456
Specialised works:				
- Commercial activity	134,219	92,275	-	-
- IT services	45,096	41,013	16,775	1,913
- Legal fees	23,742	18,420	3,662	2,330
- Advisory fees	24,551	25,001	6,464	4,354
- Other services	43,490	63,397	20,877	25,998
Provided personnel	-	-	36,985	34,175
Other supplies and services	29,196	31,126	3,790	5,633
	862,256	768,202	163,333	99,170

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Board of Directors remuneration	14,514	12,298	5,173	5,281
Employee's remuneration	478,214	441,098	1,516	405
Social charges on remuneration	121,485	112,501	266	227
Indemnities	7,062	7,838	-	-
Performance, assiduity and seniority bonus	77,670	74,725	5,714	9,102
Share-based remuneration plan	2,118	2,062	-	-
Other costs	22,937	21,936	1,128	1,247
Own work capitalised	-148,592	-132,422	-	-
	575,408	540,036	13,797	16,262

The breakdown by management positions and category of professional permanent staff as at 31 December 2010 and 2009 is as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Board members and senior officers	107	87	28	29
Senior management	484	436	-	-
High management	2,389	2,050	-	-
Middle management	646	803	-	-
Intermediate management	782	830	-	-
Highly-skilled and skilled workers	5,890	5,976	1	1
Semi-skilled workers	1,737	1,837	-	-
Temporary workers	61	77	-	-
	12,096	12,096	29	30

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Pension plans costs	72,426	73,751	86	75
Medical plans costs and other benefits	47,453	43,801	135	122
Cost of rationalising human resources	33,164	39,872	-	-
Other	319	929	4	-
	153,362	158,353	225	197

Pension plans costs include 56.705 thousand Euros (31 December 2009: 62,274 thousand Euros) related to defined benefit plans (see note 35) and 15,721 thousand Euros (31 December 2009: 11,477 thousand Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 49,201 thousand Euros (31 December 2009: 49,955 thousand Euros) related to the charge of the year, net of the corresponding charge-off. The cost of rationalising human resources results from 135 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. and EDP Distribuição, S.A. In 2009, the cost of rationalising human resources results from the implementation of PAE Plan (Plan to Adjust the Workforce in Portugal), through which 133 employees opted for early retirement, totalling 34,493 thousand Euros and from the project for restructuring the hierarchy structure of EDP Brasil, with a total cost of 5,379 thousand Euros.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Concession rents paid to local authorities	239,286	240,517	-	-
Rents from power generation units	11,251	8,113	-	-
Direct taxes	16,647	13,132	240	271
Indirect taxes	62,800	57,376	812	460
Impairment losses on doubtful debts	83,610	71,327	19	-
Impairment losses on debtors and other assets	2,280	7,369	6	11
Losses on fixed assets	14,724	8,934	69	415
Regulation costs	1,669	5,037	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	-	15,502	-	-
Operating compensations	5,237	857	-	-
Donations	20,918	16,770	8,127	6,876
Other operating costs	62,962	55,630	3,561	9,577
	521,384	500,564	12,834	17,610

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

Return of CO2 licenses (Royal Decree - Law 11/07) in 2009 referred to the amount of the licenses that the Group expected to return to the Spanish Government as a result of Royal Decree - Law 11/07 in force until July 2009, which established that the cost relating to CO2 licenses granted free of charge by the Spanish Government should be deducted from the sector's tariff deficit in that year.

Impairment losses on doubtful debts and debtors and other assets are analysed in notes 24 and 25, respectively.

11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Charge for the year	134,145	92,322	7,927	187
Write-back for the year	-30,567	-17,637	-2,509	-
	103,578	74,685	5,418	187

The net movement of provisions (103,578 thousand Euros) includes the charge for the year related to onerous contracts with clients (approximately 85,018 thousand Euros) in Portugal and Spain.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Property, plant and equipment:				
Buildings and other constructions	12,354	10,756	443	469
Plant and machinery:				
Hydroelectricity generation	118,592	134,526	8	8
Thermoelectric generation	274,325	275,957	-	-
Renewable generation	422,524	305,996	-	-
Electricity distribution	54,633	56,728	-	-
Gas distribution	54,160	31,600	-	-
Other plant and machinery	4,043	1,782	15	15
Transport equipment	8,886	10,191	754	687
Office equipment and tools	64,557	52,341	9,405	4,335
Other	3,372	3,023	1,421	1,413
Impairment loss	-	416	-	-
	1,017,446	883,316	12,046	6,927
Intangible assets:				
Industrial property and other rights	5,788	15,753	8	8
Concession rights amortisation and impairment	92,062	125,007	-	-
Intangible assets related to concessions - IFRIC 12	353,706	309,977	-	-
	451,556	450,737	8	8
	1,469,002	1,334,053	12,054	6,935
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-22,279	-15,531	-	-
	1,446,723	1,318,522	12,054	6,935

In 2009, Concession rights amortisation and impairment included 44,219 thousand Euros related to the accelerated amortisation/impairment of the concession rights of EDP Energias do Brasil, under the treasury stock sale performed by this company (see note 13).

The partially-funded property, plant and equipment are depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (registered under Trade and other payables) on the same basis and at the same rates as the corresponding partially-funded assets.

Following the adoption of the interpretation IFRIC 12, the depreciation of tangible fixed assets under concessions and the corresponding subsidies have been reclassified to the caption Intangible assets related to concessions - IFRIC 12. As at 31 December 2010 the referred reclassification amounts to 458,637 thousand Euros (31 December 2009: 405,635 thousand Euros) and 104,578 thousand Euros (31 December 2009: 95,484 thousand Euros), respectively.

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

Gains / (losses) on the sale of financial assets for the **Group** are analysed as follows:

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Banco Comercial Português, S.A.	-	-	0.60%	5,355
Sonaecom, S.A.	-	-	7.96%	28,920
Other	-	1,073	-	-
Held for sale assets:				
ESC90 - Telecomunicações, Lda.	-	-	48.51%	19,141
Investments in subsidiaries and associates:				
Ambitec Laboratorio Medioambiental, S.A.	-	-	100.00%	-150
Central Térmica Ciclo Combinado Soto 4	-	-	25.00%	12,899
Ibersol E. Solar Ibérica, S.A.	-	-	50.00%	268
Proenercam	-	-	50.00%	60
Cogeneration La Espina, S.L	-	-	50.00%	367
EDP Brasil Treasury stock	-	-	7.03%	-6,979
Oni SGPS, S.A.	-	6,942	-	-
Distribuicion Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	56,965	-	-
Naturgas	0.92%	-2,831	-	-
Tecman, S.L.	100.00%	-846	-	-
Other	-	-482	-	-178
		60,821		59,703

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

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Pirites Alentejanas, S.A. *	-	-	-	-10
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	6,942		
Distribuicion Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	45,782	-	-
		52,724		-10

* Minority interest, corresponding to a total of 332 shares sold.

In 2010, as a result of the settlement of a pending law suit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI SGPS, S.A. was adjusted from the 96,908 thousand Euros initially established to 103,850 thousand Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousand Euros.

On 21 October 2010 EDP, S.A., and the remaining shareholders, signed a a sale and purchase agreement with Empresas Públicas de Medellín in order to sell its share of 21% of the voting rights of Distribuicion Eléctrica Centro Americana Dos (II), S.A. (DECA II), in accordance with its other shareholders: Iberdrola and TECO by 91,180 thousand Euros. Following this transaction, EDP, S.A. recognised a gain on sale in the company and consolidated accounts of 45,782 thounsand Euros and 56,965 thousand Euros, respectively.

On 28 July 2010, Ente Vasco de la Energia and HC Energia signed an agreement for the partial exercise, 29.43%, of the put option held by Ente Vasco de la Energia over Naturgás share capital. Considering that the original put option was for 30.35% of Naturgás share capital, the EDP Group recognised in 2010 the remaining 0.92% as a sale of minority interests, generating a loss on a consolidated basis of 2,831 thousand Euros.

In 2009, EDP sold 28,167,603 shares of BCP, for 22,706 thousand Euros, which were booked by 17,351 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 5,355 thousand Euros.

In 2009, EDP sold 29,150,000 shares of Sonaecom, S.A., for 57,866 thousand Euros, which were booked by 28,946 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 28,920 thousand Euros.

In November 2009 it was concluded a secondary public offer distribution of ordinary shares which consists in own shares of EDP - Energias do Brasil, S.A. The offer was composed by 15.5 million shares (including greenshoe) corresponding to 9.76% of total share capital. EDP reduced its participation percentage by 7.03% (from 71.95% to 64.91%). This operation generated for EDP Group, a loss of 6,979 thousand Euros by dilution, recognised in the income statement, according to the accounting policy described in paragraph 2 b).

On 30 June 2009 the Group sold its investment in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sales and Purchase Private Agreement celebrated on August 2008. This operation generated a gain of 19,141 thousand Euros.

In January 2009 the share capital of Central Térmica Ciclo Combinado Soto 4 ("CTCC Group 4") was increased and subscribed by EDP through its subsidiary Electrica de la Ribera del Ebro, S.A. (the sole previous shareholder) and also by a new shareholder, Sonatrach, who paid a share premium of approximately 16,204 thousand Euros. Following the share capital increase, Sonatrach holds 25% of the share capital of CTCC Group 4, and EDP reduced its participation (by dilution) from 100% to 75%. EDP benefited from the capital increase of CTCC Soto 4 as a result of the share premium paid by the minority shareholders. This operation generated, for the EDP Group, a gain of 12,899 thousand Euros booked against the profit and loss of the period, according to the accounting policy described in paragraph 2b).

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial income				
Interest income from investments	57,804	70,139	291,268	353,022
Interest from derivative financial instruments	149,480	182,941	57,926	200,944
Derivative financial instruments	293,696	445,646	542,210	671,023
Other interest income	87,708	46,089	5,918	-
Income from equity investments	16,159	24,954	713,321	608,697
Foreign exchange gains	92,284	80,449	15,537	268,825
CMEC	83,729	91,693	-	-
Interest Income - Tariff adjustment and tariff deficit	13,575	76,627	-	-
Reversal of impairment losses of equity investments	-	-	-	57,190
Other financial income	26,308	17,836	2,456	2,819
	820,743	1,036,374	1,628,636	2,162,520

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial expenses				
Interest expense from financial debt	687,156	666,280	312,849	377,456
Capitalised interest expense from financial debt	-168,651	-150,387	-	-
Interest from derivative financial instruments	93,220	127,562	24,729	160,494
Derivative financial instruments	338,849	498,564	401,870	723,025
Other interest expense	8,271	12,076	4,447	12,724
Impairment of available for sale financial assets	4,207	29,289	-	-
Banking services	15,084	10,881	4,250	2,657
Foreign exchange losses	96,875	73,321	167,567	244,481
CMEC	20,274	25,696	-	-
Impairment of financial investments and equity investments	-	-	29,339	42,550
Unwinding	118,562	113,059	-	-
Interest Expenses - Tariff adjustment	25,734	17,241	-	-
Cost of the securitization of the tariff deficit	-	35,718	-	-
Other financial expenses	66,129	63,783	2,355	10,723
	1,305,710	1,523,083	947,406	1,574,110
Financial income / (expenses)	-484,967	-486,709	681,230	588,410

The caption Other financial Income - CMEC totalling 83,729 thousand Euros includes 21,099 thousand Euros related to interest of the initial CMEC included in the annuity for 2010 and 59,283 thousand Euros related to the financial effect considered in the calculation of the initial CMEC, and 3,347 thousand Euros relating to the financial component of revisable mechanism of CMEC for 2010. Other financial expenses - CMEC, in the amount of 20,274 thousand Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

Capitalised interest expense from financial debt includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). The interest rates considered for the referred capitalisation are in accordance with market rates.

In 2010, Impairment of available for sale financial assets, on a consolidated basis, totalling 4,207 thousand Euros, refers essentially to the recognition in the income statement of impairment losses in the investment held in BCP as a result of the depreciation on the market share price of this investment (31 December 2009: 29,274 thousand Euros).

Impairment of financial investments and equity investments, on a company basis, in 2010 include a provision booked against financial expenses as a result of losses on its subsidiaries EDP Imobiliária e Participações, S.A. (28,109 thousand Euros) and EDP Inovação, S.A. (1,230 thousand Euros). In 2009, this caption include a provision of the same nature on its subsidiaries EDP Imobiliária e Participações, S.A. and EDP Investimentos of 41,891 thousand Euros and 659 thousand Euros, respectively.

The Unwinding expenses refer essentially to, (i) the unwinding of the dismantling provision for wind farms of 2,872 thousand Euros (3,134 thousand Euros in 2009), (ii) the unwinding related to the put option of EDP Renewables Itália of 1,889 thousand Euros, (iii) the unwinding related to the put option of Naturgás of 10,830 thousand Euros (16,100 thousand Euros in 2009), (iv) the implied financial return in institutional partnership in US wind farms which amounted to 64,830 thousand Euros (54,147 thousand Euros in 2009) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 11,551 thousand Euros (11,518 thousand Euros in 2009), 2,828 thousand Euros (2,444 thousand Euros in 2009) and 13,480 thousand Euros (3,075 thousand Euros in 2009), respectively. During 2009, this caption includes 8,620 thousand Euros related with the unwinding of the liability related with Genesa's put option.

Income from equity investments is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Group companies	-	-	696,458	590,621
Associated companies				
DECA - Distribuición Elétrica Centroamericana, S.A.	-	-	9,322	3,965
Other companies				
Ampla Energia e Serviços, S.A.	381	2,119	381	2,119
Ampla Investimentos e Serviços, S.A.	4,039	8,908	4,039	8,908
EDA - Electricidade dos Açores, S.A.	350	315	-	-
Banco Comercial Português, S.A.	2,347	2,579	-	-
Tejo Energia, S.A.	5,556	7,556	-	-
REN - Redes Energéticas Nacionais, S.A.	3,121	3,084	3,121	3,084
Other	365	393	-	-
	16,159	24,954	713,321	608,697

15. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered as definitively settled by the tax administration the year of 2004. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (4 years in Portugal since 2010, 15 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, but limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

Recently a decision from the Supreme Administrative Court - stated under the process number 909/10 - was known which is related with the state surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law.

According to the referred decision, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group.

As a consequence, the municipal surcharge calculation of the tax group dominated by EDP, S.A. for 2010 was already calculated based on the taxable profit of the group, which results in a decrease of the current income tax of 12,700 thousand Euros, when compared with the previous calculation.

For the amounts paid related with 2007, 2008 and 2009 municipal surcharge, in the amount of 18,600 thousand Euros, the Group will take the necessary steps, as prescribed by Law, to recover these amounts.

Income tax expense is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax	-186,304	-531,037	20,110	26,031
Deferred tax	-240,928	131,272	6,354	-54,519
	-427,232	-399,765	26,464	-28,488

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2010, is analysed as follows:

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,661,833	440,386
Tax losses and tax credits	-0.1%	-4,551	-1,206
Dividends	1.1%	71,449	18,934
Tax benefits	-0.9%	-58,049	-15,383
Non deductible provisions and amortisations for tax purposes	-1.3%	-79,064	-20,952
Fair value of financial instruments and financial investments	0.1%	8,849	2,345
Financial investments in associates and subsidiaries	-0.4%	-26,528	-7,030
Autonomous taxation and tax benefits	0.0%	1,034	274
Change in tax rate	-0.9%	-56,683	-15,021
State surcharge	1.4%	84,509	22,395
Other adjustments and changes in estimates	0.2%	9,396	2,490
Effective tax rate and total income tax	25.7%	1,612,195	427,232

The Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aiming the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 million euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The impact of this change in the tax rate was considered in the computation of current and deferred income tax for the year ended at 31 December 2010, as disclosed under Change in tax rate (deferred tax) and State surcharge (current tax).

The reconciliation between the nominal and the effective income tax rate for the **Group** at 2009, is analysed as follows:

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,567,712	415,444
Tax losses and tax credits	0.8%	50,355	13,344
Dividends	0.9%	53,894	14,282
Tax benefits	-3.5%	-206,800	-54,802
Non deductible provisions and amortisations for tax purposes	-1.0%	-57,294	-15,183
Fair value of financial instruments and financial investments	2.0%	115,823	30,693
Financial investments in associates and subsidiaries	-0.5%	-29,540	-7,828
Autonomous taxation and tax benefits	0.1%	4,506	1,194
Difference between tax and accounting gains/losses	-0.4%	-26,004	-6,891
Other adjustments and changes in estimates	0.6%	35,894	9,512
Effective tax rate and total income tax	25.5%	1,508,546	399,765

The reconciliation between the nominal and the effective income tax rate for the **Company** at 2010, is analysed as follows:

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	698,672	185,148
Non deductible provisions and amortisations for tax purposes	1.1%	27,883	7,389
Tax losses and tax credits	-5.2%	-136,883	-36,274
Difference between tax and accounting gains/losses	-0.9%	-23,758	-6,296
Dividends	-25.2%	-662,830	-175,650
Autonomous taxation and tax benefits	0,0%	-1,045	-277
Change in tax rate	0.6%	14,777	3,916
State surcharge	0.2%	6,192	1,641
Other adjustments and changes in estimates	-0.9%	-22,872	-6,061
Effective tax rate and total income tax	-3.8%	-99,864	-26,464

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The reconciliation between the nominal and the effective income tax rate for the **Company** at 2009, is analysed as follows:

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	658,509	174,505
Non deductible provisions and amortisations for tax purposes	0.1%	1,475	391
Tax losses and tax credits	-2.0%	-49,770	-13,189
Difference between tax and accounting gains/losses	-0.1%	-2,966	-786
Dividends	-22.2%	-552,336	-146,369
Autonomous taxation and tax benefits	-0.4%	-8,479	-2,247
Unrecognised deferred tax assets related to temporary differences	0.2%	4,438	1,176
Fair value of financial instruments and financial investments	-0.6%	-14,642	-3,880
Other adjustments and changes in estimates	2.8%	71,272	18,887
Effective tax rate and total income tax	4.3%	107,501	28,488

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Land and natural resources	163,184	149,633	46,498	46,502
Buildings and other constructions	502,184	473,599	24,569	25,252
Plant and machinery:				
Hydroelectric generation	7,805,470	7,720,225	254	254
Thermoelectric generation	7,571,906	7,161,919	-	-
Renewable generation	9,531,048	7,346,192	-	-
Electricity distribution	1,985,616	1,921,172	-	-
Gas distribution	1,268,116	1,216,821	-	-
Other plant and machinery	39,065	30,139	148	148
Transport equipment	73,793	88,356	4,051	3,788
Office equipment and tools	610,443	600,790	103,915	98,114
Other	121,428	115,131	14,312	14,246
Assets under construction	3,210,711	3,278,539	82,951	36,056
	32,882,964	30,102,516	276,698	224,360
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,017,446	-882,900	-12,046	-6,927
Accumulated depreciation in previous years	-11,535,836	-10,769,930	-99,547	-93,871
Impairment reversal losses for the year	-	-416	-	-
Impairment losses in previous years	-6,099	-14,464	-	-
	-12,559,381	-11,667,710	-111,593	-100,798
Carrying amount	20,323,583	18,434,806	165,105	123,562

As referred under accounting policies - note 2b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gás Natural Cantabria S.A., Gás Natural Murcia, S.A. and Gas Natural Servicios Comunes, S.L. in 2009, determined an increase of the fair value of Property, plant and equipment of 4,041 thousand Euros, decrease of 3,226 thousand Euros, increase of 19,537 thousand Euros and 4,906 thousand Euros, respectively, with reference to 31 December 2009.

The movements in **Property, plant and equipment, for the Group,** for the year ended 31 December 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions/ Increases Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	149,633	5,564	-194	-306	8,852	-365	163,184
Buildings and other constructions	473,599	2,994	-6,794	-3,742	41,719	-5,592	502,184
Plant and machinery	25,396,468	21,041	-93,135	2,273,969	493,388	109,490	28,201,221
Transport equipment	88,356	10,441	-9,575	-18,082	2,628	25	73,793
Office equipment and tools	600,790	16,223	-27,436	17,850	3,393	-377	610,443
Other	115,131	5,508	-1,558	29,705	293	-27,651	121,428
Assets under construction	3,278,539	2,331,788	-2,564	-2,453,161	81,555	-25,446	3,210,711
	30,102,516	2,393,559	-141,256	-153,767	631,828	50,084	32,882,964

	Balance at 1 January Euro'000	Charge and Impairment loss for the year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	12,354	-4,094	-4,211	7,477	-2,964	144,266
Plant and machinery	10,962,464	928,277	-62,307	-93,146	48,576	34,329	11,818,193
Transport equipment	59,074	8,886	-12,461	-8,506	2,385	46	49,424
Office equipment and tools	441,004	64,557	-5,547	-27,299	2,871	-5,069	470,517
Other	69,464	3,372	-	-7,522	54	11,613	76,981
	11,667,710	1,017,446	-84,409	-140,684	61,363	37,955	12,559,381

The opening balances as at 1 January 2010 include the effect of the IFRIC 12 application with the restatement of comparative amounts as of 31 December 2009, of -5,684,190 thousand Euros (see note 45).

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2010. Additionally, the EDP Brasil subgroup carried out investments related to the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 61,184 thousand Euros of cost of acquisition and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 39). Additionally, this caption includes the effect of the changes in the application of IFRIC 12 in Brazil. These changes follow the clarifications provided by the Agência Nacional de Energia Eléctrica (ANEEL) regarding the criteria to determine assets allocated to concessions.

Transfers from assets under construction into operation in 2010, refer mainly to wind farms of EDP Renováveis that became operational.

Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group in 2010, namely EDP Renewables Italia,.and Repano Wind, and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, which has been consolidated under the full consolidation method, following the acquisition of an additional 12% interest.

The movement in Exchange differences in the period results mainly from the appreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the year ended 31 December 2010.

The movements in **Property, plant and equipment, for the Group,** for the year ended 31 December 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	129,936	1,926	-93	2,422	14,161	1,281	149,633
Buildings and other constructions	394,513	2,855	-1,400	8,448	69,892	-709	473,599
Plant and machinery	21,810,979	166,183	-21,065	2,470,615	192,278	777,478	25,396,468
Transport equipment	78,078	13,856	-11,825	2,321	5,840	86	88,356
Office equipment and tools	521,145	20,411	-146	48,424	4,777	6,179	600,790
Other	92,456	888	-19,991	1,880	-29	39,927	115,131
Assets under construction	3,505,873	2,695,229	-11,844	-2,534,110	64,608	-441,217	3,278,539
	26,532,980	2,901,348	-66,364	-	351,527	383,025	30,102,516

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	112,915	10,756	-	-1,472	11,516	1,989	135,704
Plant and machinery	10,034,822	806,589	416	-16,427	35,356	101,708	10,962,464
Transport equipment	54,743	10,191	-	-11,062	4,964	238	59,074
Office equipment and tools	387,109	52,341	-	-94	4,845	-3,197	441,004
Other	53,324	3,023	-	-7,305	-29	20,451	69,464
	10,642,913	882,900	416	-36,360	56,652	121,189	11,667,710

Acquisitions include the investment in wind farms by the subgroups EDPR EU, in Europe, and EDPR NA, in the United States during 2009. Additionally, the Hidrocantábrico subgroup carried out investments related to the construction of the new CCGT Soto 5, as well as in new gas and electricity networks. In Portugal subgroup, in the energy distribution activity, investments were made in the electricity distribution network. In the Portuguese generation activity, the Group is carrying out hydroelectric investments on the construction of the new Baixo Sabor power station and on the power enhancement projects of Picote and Bemposta.

Transfers from assets under construction into operation in 2009, refer mainly to wind farms of EDP Renováveis that became operational and to the conclusion of the construction of CCGT Lares by the Portuguese Generation subgroup.

The Perimeter Variations/Regularisations include, among others, the effect of the 2009 acquisitions, by the EDPR EU subgroup, namely Mardelle, Quinze Mines, Vallé du Moulin, Renovatio Power and Aprofitament D'Energies Renovables de la Terra Alta, by the Naturgás subgroup, such as Gas Natural Cantabria, Gas Natural Murcia, GEM Suministro Gas, GEM Suministro Sur and GEM Suministro Servicios Comunes. This caption also includes 35,756 thousand Euros related with the effect of the Purchase Price Allocation for the companies acquired in 2009 namely, Elektrownia Wiatrowa Kresy, Bon Vent de L'Ebre, CENAEEL and Elebrás, subsidiaries of the EDP Renováveis Group.

The movement in Exchange differences for the period is essentially due to the appreciation of the Brazilian Real (BRL) against the Euro and the depreciation of the American Dollar (USD) against the Euro for the year ended 31 December 2009. F-424

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

As at 31 December 2010, Property, plant and equipment financed through lease contracts for the Group, amounts to 13,103 thousand Euros (12,133 thousand Euros at 31 December 2009), with accumulated depreciation of 4,186 thousand Euros (4,678 thousand Euros at 31 December 2009) and, the respective future lease payments amount to 7,572 thousand Euros (5,861 thousand Euros at 31 December 2009).

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2,857	146	3,003	2,325	97	2,422
Between one and three years	3,859	147	4,006	3,059	93	3,152
Between three and five years	548	15	563	279	8	287
	7,264	308	7,572	5,663	198	5,861

During 2010, the costs incurred with these assets amounted to 562 thousand Euros (31 December 2009: 607 thousand Euros) and are booked in the income statement under Maintenance and repairs.

The movements in **Property, plant and equipment, for the Company,** for the year ended 31 December 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	391	-1,887	-	813	24,569
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,788	754	-491	-	-	4,051
Office equipment and tools	98,114	6,476	-	164	-839	103,915
Other	14,246	-	-	66	-	14,312
Assets under construction	36,056	47,125	-	-230	-	82,951
	224,360	54,746	-2,382	-	-26	276,698

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	443	-	-1,597	813	17,394
Plant and machinery	122	23	-	-	-	145
Transport equipment	1,483	754	-	-393	-	1,844
Office equipment and tools	72,757	9,405	-	-	-74	82,088
Other	8,701	1,421	-	-	-	10,122
	100,798	12,046	-	-1,990	739	111,593

The movements in **Property, plant and equipment, for the Company,** for the year ended 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,502	-	-	-	-	46,502
Buildings and other constructions	25,648	-	-1,222	-	826	25,252
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,262	1,358	-832	-	-	3,788
Office equipment and tools	85,001	5,991	-	7,054	68	98,114
Other	14,246	-	-	-	-	14,246
Assets under construction	26,834	16,276	-	-7,054	-	36,056
	201,895	23,625	-2,054	-	894	224,360

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,647	469	-1,207	-	826	17,735
Plant and machinery	99	23	-	-	-	122
Transport equipment	1,469	687	-673	-	-	1,483
Office equipment and tools	68,354	4,335	-	-	68	72,757
Other	7,288	1,413	-	-	-	8,701
	94,857	6,927	-1,880	-	894	100,798

As at 31 December 2010 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,393 thousand Euros (3,177 thousand Euros at 31 December 2009), with accumulated depreciation of 1,318 thousand Euros (1,055 thousand Euros at 31 December 2009) and the respective future lease payments amount to 1,644 thousand Euros (1,751 thousand Euros at 31 December 2009). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	717	28	745	674	26	700
Between one and three years	816	25	841	949	25	974
Between three and five years	56	2	58	75	2	77
	1,589	55	1,644	1,698	53	1,751

During 2010, the costs incurred related to these assets amount to 155 thousand Euros (130 thousand Euros at 31 December 2009) and are booked under Maintenance and repairs in the income statement.

17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Industrial property, other rights and other intangibles	93,411	212,112	100	100
Concession rights	15,032,831	14,126,916	-	-
CO2 licenses	212,230	287,989	-	-
Intangible assets in progress	597,396	566,909	-	-
	15,935,868	15,193,926	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-445,768	-434,984	-	-
Amortisation of industrial property and other intangibles during the period	-5,788	-15,753	-8	-8
Accumulated amortisation in previous years	-8,870,173	-8,253,140	-68	-59
	-9,321,729	-8,703,877	-76	-67
Carrying amount	6,614,139	6,490,049	24	33

As referred under accounting policies - note 2 b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria S.A., GEM Suministro,S.L. and GEM Suministro Sur, S.L., in 2009, determined an increase of the fair value of Intangible assets of 21,529 thousand Euros and 1,013 thousand Euros, respectively, with reference to 31 December 2009.

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048, as well as the concession of the public hydric domain for hydroelectric generation.

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

The movements in **Intangible assets** during 2010, **for the Group** , are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles assets	212,112	3,235	-448	-135,925	11,841	2,596	93,411
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	63,727	-	1,254,421
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	43,924	-	-	-	14,867	470,228
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	218,001	-293,760	-	-	-	212,230
Intangible assets assigned to concessions	11,525,486	62,296	-31,348	470,825	281,624	-	12,308,883
Intangible assets assigned to concessions - in progress	254,238	329,721	-121	-337,842	11,302	-	257,298
Intangible assets not assigned to concessions - in progress	312,671	33,940	-4,010	-2,289	233	-447	340,098
	15,193,926	691,117	-329,687	-5,231	368,727	17,016	15,935,868

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,729	5,788	-73,692	-305	5,680	-571	25,629
Concession rights	496,217	92,062	-	-	9,001	-	597,280
Intangible assets assigned to concessions	8,118,931	353,706	127,869	-14,812	113,126	-	8,698,820
	8,703,877	451,556	54,177	-15,117	127,807	-571	9,321,729

Transfers includes 97,814 thousand Euros that corresponds to the movement of the financial asset related with IFRIC 12 and also the impact of the change in the IFRIC 12 scope application in Brazil, which originated a transfer from tangible assets to this caption of 92,583 thousand Euros.

Acquisitions of CO2 Licenses as at 31 December 2010 includes 209,978 thousand Euros (31 December 2009: 234,817 thousands Euros) of CO2 licenses granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licenses is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousand Euros (31 December 2009: 366,115 thousand Euros) and 46,361 thousand Euros sold at market.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,924 thousand Euros (31 December 2009: 43,612 thousand Euros) relate to the power enhancement performed during the year. The movement in Perimeter variations/Regularisations of 14,867 thousand Euros (31 December 2009: 9,635 thousand Euros) relates to the update of the discount rate used in the calculation of the use rights to 6.66% (31 December 2009: 7.56%).

The movements in **Intangible assets** during 2009, **for the Group** , are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles	145,427	302	-6,855	49,014	27,694	-3,470	212,112
Concession rights							
Concession rights - Brazil	1,082,498	-	-	-	109,079	-883	1,190,694
Concession rights - Gas	152,232	-	-	-	-	-13,878	138,354
Use rights Alqueva/Pedrogão	377,460	43,612	-	-	-	-9,635	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	385,096	243,091	-366,115	25,917	-	-	287,989
Intangible assets assigned to concessions	10,792,886	-	-20,267	296,530	456,337	-	11,525,486
Intangible assets assigned to concessions - in progress	256,989	350,590	-	-393,367	40,026	-	254,238
Intangible assets not assigned to concessions - in progress	75,880	280,372	-	-49,014	2,737	2,696	312,671
	14,129,413	917,967	-393,237	-70,920	635,873	-25,170	15,193,926

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	64,953	15,753	-	-7,049	-	14,809	263	88,729
Concession rights	365,793	80,788	44,219	-	-	11,053	-5,636	496,217
Intangible assets assigned to concessions	7,548,201	309,977	-	-9,922	-	270,675	-	8,118,931
	7,978,947	406,518	44,219	-16,971	-	296,537	-5,373	8,703,877

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 231,700 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Ocreza and Tâmega rivers, for a period of 65 years starting from the operation, of the hydroelectric power plants of Alvito and Fridão.

In the caption Acquisitions of CO2 Licenses, transfers totalling 25,917 thousand Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidrocantábrico Group, in order to cover the need for CO2 licenses arising from consumptions ("own use").

The movements in **Intangible assets in** 2010, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

	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	67	8	-	-	1	76
	67	8	-	-	1	76

The movements in **Intangible assets in** 2009, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

	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
	59	8	-	-	-	67

18. Goodwill

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Electric business:		
Hidrocantábrico Group	952,387	969,050
EDPR EU Group	748,680	766,599
EDPR NA Group	592,915	550,868
Brazil Group	58,991	56,762
EDP Renováveis Brazil Group	1,699	1,501
Other (Portugal Group)	38,418	35,312
	2,393,090	2,380,092
Gas Distribution business:		
Naturgás Group	956,089	756,474
	3,349,179	3,136,566

During 2010, EDP Group performed the final allocation of the acquisition cost to the acquired assets, liabilities and contigent liabilities (PPA) of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Murcia Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. According to IFRS 3, any adjustment of the fair value of assets, liabilities and contigent liabilities that occurred in the subsequent period of 12 months, should be adjusted to the purchase date. As a consequence, the Group restated the goodwill value of EDPR Renewables Europe Group, as at 31 December 2009, in the amount of 1,324 thousand Euros (increase) and 24,590 thousands Euros (decrease) for the goodwill value of Naturgás group.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The movements in **Goodwill** during the year ended 31 December 2010, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Electric business:							
Hidrocantábrico Group	969,050	-	-16,663	-	-	-	952,387
EDPR EU Group	766,599	58,234	-72,170	-	-3,983	-	748,680
EDPR NA Group	550,868	-	-	-	42,047	-	592,915
Brazil Group	56,762	-	-	-	2,229	-	58,991
EDP Renováveis Brazil Group	1,501	-	-	-	198	-	1,699
Other (Portugal Group)	35,312	3,130	-24	-	-	-	38,418
	2,380,092	61,364	-88,857	-	40,491	-	2,393,090
Gas Distribution business:							
Naturgás Group	756,474	201,799	-2,184	-	-	-	956,089
	3,136,566	263,163	-91,041	-	40,491	-	3,349,179

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:							
Hidrocantábrico Group	954,196	14,854	-	-	-	-	969,050
EDPR EU Group	735,229	39,383	-8,013	-	-	-	766,599
EDPR NA Group	569,777	-	-	-	-18,909	-	550,868
Brazil Group	57,288	-	-	-4,328	3,802	-	56,762
EDP Renováveis Brazil Group	-	1,225	-	-	276	-	1,501
Other (Portugal Group)	34,137	1,175	-	-	-	-	35,312
	2,350,627	56,637	-8,013	-4,328	-14,831	-	2,380,092
Gas Distribution business							
Naturgás Group	754,352	33,321	-31,199	-	-	-	756,474
	3,104,979	89,958	-39,212	-4,328	-14,831	-	3,136,566

Hidrocantabrico Group

During 2010, the goodwill from Hidrocantabrico Group decreased by 16,663 thousand Euros (31 December 2009: increase of 14,854 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renewables Europe Group

The goodwill held in EDP Renewables Europe Group, with reference to 31 December 2010 and 2009, is presented as follows:

	EDP Renewables Europe Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Genesa subgroup	408,554	477,522
Ceasa subgroup	117,637	117,513
EDPR Poland	23,266	25,410
Neo Galia subgroup	79,958	83,160
Romania subgroup	9,421	10,931
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
Italia subgroup	57,781	-
Other	3,174	3,174
	748,680	766,599

Genesa subgroup

The decrease in Genesa subgroup goodwill is related with the revaluation (in proportion of 20% of full equity valuation) of the put option of Caja Madrid over Genesa amounting to 68,968 thousand Euros (31 December 2009: increase of 36,139 thousand Euros).

In 2010, EDP Group increase its interest in share capital of Parque Eólico Altos del Voltoya, S.A. from 49% to 61% (see note 5) and concluded the purchase price allocation that led to the recognition of an operating income of 3,170 thousand Euros (see note 7).

Ceasa Subgroup

In 2010, the increase in Ceasa Group is related with an adjustment to the contingent price (124 thousand Euros) of Aprofitement D'Energies Renovables de la Terra Alta, S.A.

EDPR Poland subgroup

In 2010, the reduction of EDPR Polska subgroup goodwill (2,144 thousand Euros) results from the negative effect of exchange differences PLN/EUR (2,473 thousand Euros), which was compensated with the increase related with the acquisition of the 100% of share capital of Karpacka Mala Energetyka SP ZOO (329 thousand Euros). During 2010, the subgroup EDPR Poland acquired 100% of share capital of subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO and carried out the final PPA, that led to a recognition of an operating income of 15,000 thousand Euros, booked against operating income.

Neo Galia subgroup

The decrease in Neo Galia subgroup goodwill results from the reduction of the success fees payable estimation for the acquisition of the company EOLE 76 (3,202 thousand Euros).

Romania subgroup

In 2010, the reduction of goodwill of Romania subgroup (1,510 thousand Euros) results of the effect of exchange differences EUR/LEI.

EDPR Italy group

In 2010, EDP Group acquired, through its subsidiary EDP Renewables Europe (EDPR EU), 85% of the share capital of EDP Renewables Italy, S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remaining 15% of the company's share capital (see note 41). As a consequence, as at 31 December 2010, the EDP Group has consolidated 100% of EDP Renewables Italy, S.r.l., considering the put option as an antecipated acquisition of minority interests.

The goodwill of EDPR Italia subgroup (57,781 thousand Euros) results from the acquisition of the companies Italian Wind, S.r.l. (42,444 thousand Euros after the conclusion of the purchase price allocation), Repano, S.r.l. (46 thousand Euros) and Re Plus, S.r.l. (142 thousand Euros) and from the goodwil included in the financial statements of Italian Wind, S.r.l. (15,149 thousand Euros).

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determinated in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 592,915 thousand Euros as at 31 December 2010 (31 December 2009: 550,868 thousand Euros), including transaction costs of 12,723 thousand Euros. The increase in this caption is related with the effect of exchange differences EUR/USD, which amounts to 42,047 thousand Euros (31 December 2009: decrease of 18,909 thousand Euros).

Brazil Group

The increase in Brazil Group goodwill of 2,229 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

EDP Renováveis Brazil Group

The increase in EDP Renováveis Brazil Group goodwill of 198 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

Other (Portugal group)

The variation of goodwill of the caption Other (Portugal Group) results essentially from the acquisition of an additional interest of 42% of the share capital of the company Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida, S.A. (2,626 thousand Euros) and from an anticipated acquisition of minority interests of the remaining 3% held by Martifer, as a result of the existence of a written put option held by this entity over EDP - Gestão da Produção, S.A. Additionally, it includes the effect of the acquisitions of 40% of Arquiled-Projectos de Iluminação, S.A. which generated a goodwill of 504 thousand Euros.

Naturgas Group

During 2010, the Naturgas goodwill increased 201,799 thousand Euros as a result of the revaluation of the liability related with the acquisition by Ente Vasco de la Energia (see note 37) of 29.43% of Naturgas Energia share capital.

The decrease in Naturgas goodwill is mainly related with the sale of the subsidiary Tecman (2,184 thousand Euros).

In 2009, the Naturgas Group acquired the companies Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. In 2010, the purchase price allocation related with these acquisitions was concluded , with the following impacts with reference to the date of acquisition:

	Book Value	PPA	Assets and liabilities at fair value
Property, plant and equipment	177.664	24.443	202.107
Other assets	41.657	23.495	65.152
Total Assets	219.321	47.938	267.259
Minority interests	3.831	-3.818	13
Deferred tax liabilities	5.554	11.499	17.053
Other liabilities	163.645	15.667	179.312
Total liabilities and minority interests	173.030	23.348	196.378
Net assets acquired	46.291	24.590	70.881
Acquisition cost	104.202		104.202
Goodwill	57.911		33.321

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Restatement related with Purchase Price Allocation (PPA):

During 2010, EDP Group restated the final allocation of the acquisition cost of the assets, liabilities and contingent liabilities acquired (PPA) from Bon Vent de L'Ébre, Kresy, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. Consequently, the Group restated the balance sheet captions as at 31 December 2009, as follows:

	31 Dec 2009 Before PPA	PPA reclassifications	31 Dec 2009 After PPA
Property, plant and equipment	200,218	25,258	225,476
Intangible assets	42,757	22,542	65,299
Goodwill	-	-23,266	-23,266
Total Non-current Assets	242,975	24,534	267,509
Trade receivables	-	-508	-508
Debtors and other assets	-	1,461	1,461
Total Current Assets	-	953	953
Total Assets	242,975	25,487	268,462
Reserves and retained earnings	-	2,421	2,421
Minority interests	3,831	-3,096	735
Total Equity	3,831	-675	3,156
Provisions	-	1,628	1,628
Deferred tax liabilities	9,078	13,003	22,081
Trade and other payables	169,167	-2,508	166,659
Total Non-current liabilities	178,245	12,123	190,368
Trade and other payables	-	14,039	14,039
Total Non-current liabilities	-	14,039	14,039
Total Equity and Liabilities	182,076	25,487	207,563

Goodwill impairment tests

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

The recoverable amount calculation is made for each cash flow generating unit, identified in each country where EDP Group performs its activities, namely:

- EDP Brasil Group - Generation, Distribution and Supply;
- HC Energia Group (including Naturgás Group) - Generation, Distribution and Supply;
- EDPR EU Group - Wind generation;
- EDPR NA Group - Wind generation.

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments of the Group.

The cash flows were determined based on the production and consumption volume and estimated tariffs (EDP Brasil and Hidrocantábrico Groups) and installed capacity and tariff evolution prospects in the different markets / power purchase agreements (EDPR Group).

The period of considered cash flows corresponds to the useful life of the equipments (HC Energia, EDPR EU and EDPR NA Groups) or until the end of the concession (EDP Brasil Groups), if lower than the useful life.

The discount rates used (after tax) reflect the specific risks of each cash generating unit and are between 5.6% and 6.4% in HC Energia Group, 5.25% and 9.21% in EDPR Group and 8.68% and 9.1% in EDP Brasil Group.

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Historical acquisition cost	10,813,169	10,812,363
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,647,373	9,646,567
Impairment losses on equity investments in subsidiaries	-140,063	-110,724
	9,507,310	9,535,843

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

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2010	Dec 2009
	Net amount Euro'000	Net amount Euro'000
Investments in subsidiaries:		
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Comercial, S.A.	188,463	188,463
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,796	47,796
Energia RE	2,005	2,005
EDP Produção Bioeléctrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sãvida, S.A.	4,452	4,452
EDP Investimentos, S.G.P.S., S.A.	46,592	46,592
EDP Imobiliária e Participações, S.A.	-	28,109
Balwerk, S.A.	1,686	1,686
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Inovação, S.A.	1,625	2,098
Other	1,956	1,907
	9,507,310	9,535,843

The decrease in Investments in subsidiaries (28,533 thousand Euros) results mainly from the impairment charge for the year in the investment in EDP Imobiliária e Participações, S.A. (28,109 thousand Euros).

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Associated companies:				
Investments in associates	147,008	175,409	137	45,535
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	146,871	175,272	-	45,398

As of 31 December 2010, for the Group, Investments in associates include goodwill of 33,454 thousand Euros (31 December 2009: 36,767 thousand Euros).

Investments in associates , **for the Group** , are analysed as follows:

	Group			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	64,294	-	57,132	-
DECA - Distribucion Eléctrica Centroamerica, S.A.	-	-	34,797	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	26,789	-	23,909	-
D. E. de Canárias, S.A.	11,566	-	11,235	-
Parque Eólico Altos del Voltoya, S.A.	-	-	8,995	-
Portsines - Terminal de Multipurpose de Sines, S.A.	6,236	-	7,489	-
ENEOP - Eólicas de Portugal, S.A.	12,869	-	6,907	-
Parque Eólico Sierra del Madero, S.A.	6,788	-	5,485	-
Subgroup Veinco Energia Limpia SL	4,790	-	4,792	-
Parque Eólico de Belmonte, S.A.	3,033	-	3,073	-
Hidroastur, S.A.	1,725	-	1,937	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	1,365	-	1,365	-
Carriço Cogeração, S.A.	607	-	1,102	-
Other	6,946	-137	7,191	-137
	147,008	-137	175,409	-137

EDP Group sold its 21% share capital of Distribuidora Electrica de Centro America Das (Deca II), together with the other shareholders of the company, Iberdrola and TECO (see note 13). Following this transaction, EDP, S.A. recognised in the company and consolidated accounts gains of 45,782 thousand Euros and 56,965 thousand Euros, respectively.

The participation in EDP's share capital in Parque Eólico Altos del Voltoya, SA increased 12% (from 49% to 61%) so this company in 2010 began to be consolidated by the full method.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance as at 1 January	175,409	172,891
Acquisitions / Perimeter entries	3,904	7,248
Disposals	-33,229	-
Share of profit of associates	23,470	25,151
Dividends received	-20,074	-20,254
Exchange differences	6,523	-7,264
Transfers / Regularisations	-8,995	-2,363
Balance as at 31 December	147,008	175,409

Investments in associates, **for the Company**, are analysed as follows:

	Company			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies				
DECA - Distribuición Eléctrica Centroamerica, S.A.	-	-	45,398	-
Other	137	-137	137	-137
	137	-137	45,535	-137

During 2010, there were no movements in the impairment of Investments in associates.

21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	181,221	163,644	181,221	163,644
Ampla Investimentos e Serviços, S.A.	23,191	15,038	23,191	15,038
Banco Comercial Português, S.A.	72,901	104,118	-	-
Denerge - Desenvolvimento Energético, S.A.	18,398	15,563	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	48,220	55,883	48,220	55,883
Parque Eólico Montes de las Navas, S.L.	6,684	-	-	-
Sociedade Eólica de Andalucia, S.A.	10,832	11,766	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,253	25,636	-	-
Other	46,990	41,194	4,440	3,836
	443,965	443,117	257,072	238,401

At 31 December 2010, the investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., increased by 17,577 thousand Euros and 8,153 thousand Euros, respectively, as a consequence of the positive evolution in the listed market price of these shares. This increase in the fair value was booked against fair value reserves (see note 31).

At 31 December 2010, the investment held in BCP decreased by 32,243 thousand Euros, booked against fair value reserves in the amount of 28,036 thousand Euros and against impairment losses in the amount of 4,207 thousand Euros. During 2010, EDP acquired 1,750,000 shares of BCP at a price of 0.586 Euros per share for a total investment of 1,026 thousand Euros.

During 2010, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 7,663 thousand Euros and were booked against fair value reserves (see note 31).

In 2010, the movements in **Available for sale investments** are analysed as follows:

	Dec 2010						
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Other variations Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	163,644	-	-	-	17,577	-	181,221
Ampla Investimentos e Serviços, S.A.	15,038	-	-	-	8,153	-	23,191
Banco Comercial Português, S.A.	104,118	1,026	-	-4,207	-28,036	-	72,901
Denerge - Desenvolvimento Energético, S.A	15,563	-	-	-	478	2,357	18,398
EDA - Electricidade dos Açores, S.A.	8,213	-	-	-	-	-	8,213
Parque Eólico Montes de las Navas, S.L.	-	-	-	-	2,524	4,160	6,684
REN - Redes Energéticas Nacionais, SGPS, S.A.	55,883	-	-	-	-7,663	-	48,220
Sociedade Eólica de Andalucia, S.A.	11,766	-	-	-	-724	-210	10,832
Tagusparque, S.A.	2,062	-	-	-	-	-	2,062
Tejo Energia, S.A.	25,636	-	-	-	-383	-	25,253
Other	41,194	38,464	-32,083	-	-1,290	705	46,990
	443,117	39,490	-32,083	-4,207	-9,364	7,012	443,965

In 2009, the movements in **Available for sale investments** are analysed as follows:

	Dec 2009						
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Other variations 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 - Desenvolvimento Energético, S.A	-	-	-	-	370	15,193	15,563
EDA - Electricidade dos Açores, S.A.	6,006	-	-	-	2,207	-	8,213
REN - Redes Energéticas Nacionais, SGPS, S.A.	52,332	-	-	-	3,551	-	55,883
Sociedade Eólica de Andalucia, 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

In 2009, Other variations includes the transfer of 3.16% of the investment in Denerge - Desenvolvimento Energético, S.A. of 14,995 thousand Euros previously included under Assets held for sale.

Available for sale investments are booked at fair value being the changes from the date of acquisition recorded against fair value reserves (see note 31). The fair value reserves attributable to the Group as at 31 December 2010 and 2009 are analysed as follows:

	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	112,282	94,705
Ampla Investimentos e Serviços, S.A.	17,616	9,463
Banco Comercial Português, S.A.	-	28,036
Denerge - Desenvolvimento Energético, S.A.	848	370
EDA - Electricidade dos Açores, S.A.	1,322	1,322
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	22,400	30,063
Sociedade Eólica de Andalucia, S.A.	5,947	6,671
Tagusparque, S.A.	965	965
Tejo Energia, S.A.	18,898	19,281
Other	-273	1,017
	182,529	191,893

22. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Tax credits	96,546	110,310	-	-	96,546	110,310
Provisions	599,601	506,148	-	-	599,601	506,148
Financial instruments	150,575	77,900	65,674	69,043	84,901	8,857
Tangible and intangible fixed assets	263,221	251,212	47,528	10,807	215,693	240,405
Reinvested gains	-	-	8,258	8,083	-8,258	-8,083
Financial and available for sale investments	35,312	25,059	86,555	70,030	16,380	-44,971
Tariff adjustments and tariff deficit	65,081	303,349	113,038	168,501	-47,957	134,848
Reversal of regulatory assets and liabilities	10,540	18,196	-	-	10,540	18,196
Allocation of fair value to assets and liabilities acquired	22,030	30,944	758,015	703,215	-735,985	-672,271
Accounting revaluations	9,670	48,260	230,396	211,508	-220,726	-163,248
Deferred income relating to CMEC	-	-	245,274	222,871	-245,274	-222,871
Other temporary differences	5,795	39,773	44,373	57,654	-106,201	-17,881
Assets/liabilities compensation of deferred	-743,039	-749,816	-743,039	-749,816	-	-
	515,332	661,335	856,072	771,896	-340,740	-110,561

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.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions	9,042	6,327	-	-	9,042	6,327
Financial instruments	28,442	33,123	31,218	47,736	-2,776	-14,613
Financial and available for sale investments	1,608	441	78,364	68,870	-76,756	-68,429
Accounting revaluations	10,691	9,043	13,132	12,023	-2,441	-2,980
Other temporary differences	5,005	4,193	-	4,987	5,005	-794
	54,788	53,127	122,714	133,616	-67,926	-80,489

The deferred tax movement, for the Group and for the Company, in 2010 and 2009 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
	Dec 2010 Euro '000	Dec 2009 Euro '000	Dec 2010 Euro '000	Dec 2009 Euro '000
Balance at 1 January	-110,561	-135,859	-80,489	60,716
Charges to the profit and loss account	-240,928	131,272	6,354	-54,519
Charges against reserves	37,433	-48,740	6,210	-26,632
Exchange differences and other variations	-26,684	-57,234	-1	-60,054
Balance at 31 December	-340,740	-110,561	-67,926	-80,489

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

The allocation of the fair value of assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre, S.L., Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. e GEM Suministro Sur, S.L., that occurred in 2009, implied an allocation of 13,003 thousand Euros to deferred tax liabilities, as at 31 December 2009 (see note 18).

Taxes recorded against reserves are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax				
Changes in fair value of derivative financial instruments	-1,782	-968	-1,782	-968
Gains/losses on the sale of treasury stock	-64	-366	-64	-366
	-1,846	-1,334	-1,846	-1,334
Deferred tax				
Financial instruments and fair value	10,419	-35,620	9,330	-17,014
Actuarial gains and losses	27,238	1,744	-	-
Changes in fair value of financial assets held for sale	-224	-14,864	-3,120	-9,618
	37,433	-48,740	6,210	-26,632
	35,587	-50,074	4,364	-27,966

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Expiry date:		
2010	-	93
2011	344	348
2012	540	525
2013	1,659	2,132
2014	9,232	8,543
2015	28,971	32,415
2016 to 2029	1,338,613	831,430
Without expiry date	155,987	149,304
Without expiry date but limited to 30% of taxable income of each year	584,539	491,942
	2,119,885	1,516,732

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Merchandise	49,836	24,937	-	-
Advances on account of purchases	4,849	4,650	-	-
Finished and intermediate products	21,209	10,384	-	-
Sub-products, waste, residues and scrap	20,097	13,159	-	-
Raw and subsidiary materials and consumables:				
Coal	106,327	94,780	-	-
Fuel	27,991	41,041	-	-
Nuclear fuel	14,090	13,594	-	-
Other consumables				
CO2 licenses	51,745	11,351	51,745	11,351
Other	60,834	59,480	-	-
	356,978	273,376	51,745	11,351

CO2 licenses correspond to the amount of trading licenses held for sale, valued at market price against the income statement, as described in accounting policy 2 y).

24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	790,442	772,701	46 357	97,432
Spain	727,241	648,922	-	-
Brazil	354,640	332,441		-
U.S.A.	27,945	27,434	-	
Poland	8,967	-	-	-
Other	11,106	12,429	-	-
Public Sector:				
Portugal				
State and official entities	16,360	16,674	-	-
Local government	37,455	33,769	-	-
Brazil				
State and official entities	9,004	8,306	-	-
Local government	23,475	20,132	-	-
Spain				
State and official entities	12,302	9 375	-	-
Local government	50,739	10 622	-	-
	2,069,676	1,892,805	46,357	97,432
Doubtful debts	276,312	231,359	9,960	9,941
Impairment losses	-276,312	-231,359	-9,960	-9,941
	2,069,676	1,892,805	46,357	97,432

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	32,553	38,386	-	-
Public Sector:				
Portugal - Local government	137,437	142,521	-	-
Brazil - Local government	8,831	-	-	-
	178,821	180,907	-	-
Impairment losses	-61,379	-66,086	-	-
	117,442	114,821	-	-
	2,187,118	2,007,626	46,357	97,432

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009 determined the allocation of 508 thousand Euros, with reference to 31 December 2009.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

The movement in **Impairment losses** , in 2010, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,514	-	47,800	-24,384	-20,897	-	130,033
Brazil	52,939	7,605	10,337	-218	-	1,521	72,184
Spain	24,651	-	22,343	-220	-	-753	46,021
Other	6	-	-	-6	-	-	-
Public sector :							
Portugal	90,068	-	1,261	-5,109	-	-	86,220
Brazil	609	70	253	-464	-	-	468
Spain	1,658	-	1,616	-	-	-509	2,765
	297,445	7,675	83,610	-30,401	-20,897	259	337,691

The movement in **Impairment losses** , in 2009, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,587	-	35,214	-14,275	-856	-20,156	127,514
Brazil	50,263	13,467	28,858	-740	-14,693	-24,216	52,939
Spain	15,667	-	6,827	98	-48	2,107	24,651
Other	-	-	-	-	-	6	6
Public sector :							
Portugal	94,969	-	314	-5,215	-	-	90,068
Brazil	624	182	-	-	-197	-	609
Spain	1 604	-	114	-568	-	508	1,658
	290,714	13,649	71,327	-20,700	-15,794	-41,751	297,445

The movement in **Impairment losses** , in 2010, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	19	-	-	9,960
	9,941	19	-	-	9,960

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
	9,941	-	-	-	9,941

25. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	1,442,620	811,279
Dividends	-	-	368,859	-
Loans to related companies	150,936	142,976	19,074	7,492
Other debtors:				
- Advances to pensioners on account of the Social Security	2,063	13,717	-	-
- Amounts receivable from staff	2,883	3,520	-	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	814,086	117,915	-	-
- Amounts receivable from Portuguese tariff adjustments	394,057	559,724	-	-
- Receivables from the State and concessors	14,652	13,040	-	-
- Amounts with RTP - broadcasting charge	23,170	32,125	-	-
- Receivables relating to other goods and services	123,032	66,831	45,019	84,651
- Derivative financial instruments	195,865	230,195	164,419	216,534
- Subsidiary companies	-	-	249,154	524,888
- Amounts receivable relating to gas sales operations	7,278	1,402	-	-
- Amounts receivable relating to insurance and reinsurance operations	3,281	5,067	-	-
- Amounts receivable relating to the renewable operations	5,408	11,272	-	-
- Expenditure on concessions	12,683	14,284	-	-
- Insurance	11,445	10,130	60	6,269
- Other deferred costs	19,957	6,879	2,180	-
- Rents receivable of Energin lease	22,512	24,976	-	-
- Amounts receivable relating to CMEC	365,070	363,350	-	-
- Tied deposits (EDPR NA)	80,121	90,505	-	-
Accrued income relating to energy sales and purchase activity in the market	156,584	27,425	193,930	38,191
Sundry debtors and other operations	250,754	149,695	27,161	39,341
	2,711,477	1,940,668	2,512,476	1,728,645
Impairment losses on short-term debtors - Current	-74,912	-74,191	-914	-908
	2,636,565	1,866,477	2,511,562	1,727,737

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	5,231,320	4,480,386
Loans to related companies	19,315	25,672	6,106	18,874
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	29,726	76,127	-	-
- Amounts receivable from Spanish tariff expenses	-	536,205	-	-
- Expenditure on concessors	14,861	16,199	-	-
- Guarantees and linked deposits	158,408	126,601	4,419	1,385
- Amounts receivable relating to CMEC	892,628	1,026,181	-	-
- Derivative financial instruments	27,188	46,116	151,457	37,271
- O&M contract valuation - Mapple Ridge I (EDPR NA)	6,317	7,405	-	-
- Amounts receivable from concessors - IFRIC 12 (see note 45)	468,071	370,257	-	-
Sundry debtors and other operations	83,061	85,303	126	-
	1,699,575	2,316,066	5,393,428	4,537,916
Impairment losses on medium and long term debtors - Non current	-2,858	-2,839	-	-
	1,696,717	2,313,227	5,393,428	4,537,916
	4,333,282	4,179,704	7,904,990	6,265,653

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities following the PPA's of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group restated Debtors and other assets 1,461 thousand Euro as at 31 December 2009 (see note 18).

Tied deposits (EDRP NA) - Current includes 80,121 thousand Euros (90,505 thousand Euros in 2009) 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 2010, according to the applicable legal framework (see note 3).

The amounts receivable relating to CMEC totalize 1,257,698 thousand Euros, which include 892,628 thousand Euros as medium and long term debts and 365,070 thousand Euros as short term debts. The amount receivable relating to the initial CMEC includes 744,071 thousand Euros as medium and long term debts and 25,456 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 to 2010. The remaining 148,557 thousand Euros in the medium and long term and 339,614 thousand Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2008 to 2010.

The Derivative financial instruments portfolio current and non current, with an amount of 195,865 thousand Euros and 27,188 thousand Euros respectively, corresponds to the fair value of trading and hedge portfolios as at 31 December 2010 (see note 40).

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 468,071 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa) and note 45).

The amounts receivable from Portuguese current and non-current tariff adjustments by 394,057 thousand Euros and 29,726 thousand Euros respectively (31 December 2009: 559,724 thousand Euros and 76,127 thousand Euros in current and non-current respectively), relate to the tariff adjustment (see note 3) from the Portuguese electric system (SEP) in 2010 and 2009 of regulated companies in Portugal.

The amount included in Dividends on a company basis is related with dividends granted by subsidiaries EDP - Gestão da Produção, S.A., EDP Distribuição, S.A. and Hidrocantábrico of 185,000 thousand Euros, as well as reserves distribution of EDP - Gestão da Produção, S.A. and EDP Distribuição, S.A. (183,859 thousand Euros), which as at 31 December 2010 are outstanding.

The movement for the period in Amounts receivable from Portuguese tariff adjustments (Current and Non current) is analysed as follows:

	Current Euro'000	Non Current Euro'000
Balance as at 1 January 2009	10,444	1,435,033
Receipts through the electric energy tariff	-11,015	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-1,672,845
Tariff adjustment of 2008	-	49,435
Tariff adjustment for the exercise	-	748,172
Interest expense	571	76,056
Transfer from Non-Current to Current	559,724	-559,724
Balance as at 31 December 2009	559,724	76,127
Receipts through the electric energy tariff	-571,337	-
Tariff adjustment of 2009	20,147	-
Tariff adjustment for the exercise	295,821	29,726
Interest expense	13,575	-
Transfer from Non-Current to Current	76,127	-76,127
Balance as at 31 December 2010	394,057	29,726

On 5 March 2009 and 3 December 2009, EDP - Serviço Universal, S.A. entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus - Sociedade de Titularização de Créditos, S.A. ("Tagus"), of the rights to receive the full amount of the positive adjustments to the electricity tariffs, as endorsed by Decree-Law n.º 165/2008 of 21 August.

In the first operation, EDP - Serviço Universal, S.A. granted the rights to receive the non regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousand Euros. With the sale of those rights, EDP Group has received 1,204,422 thousand Euros, generating a loss of 22,969 thousand Euros including financial expenses incurred (see note 14).

In the second operation, was granted the right to receive the non regular tariff adjustments (tariff deficit) related to the estimated over cost concerning to generation in special regime related to 2009 of 447,469 thousand Euros. The transaction totalised 434,720 thousand Euros, net of expenses, and generated a loss of 12,749 thousand Euros (see note 14).

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	74,191	2,280	-2,666	1,099	8	74,912
	74,191	2,280	-2,666	1,099	8	74,912

As at 31 December 2010 the balance mainly includes the impairment losses booked for the receivable of telecommunications business (ONI Multimédia) of 55,640 thousand Euros as detailed in the caption Short term debtors - Current.

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	67,481	7,297	-831	166	78	74,191
	67,481	7,297	-831	166	78	74,191

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	908	6	-	-	-	914
	908	6	-	-	-	914

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	897	11	-	-	-	908
	897	11	-	-	-	908

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2010, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,839	-	19	-	2,858
	2,839	-	19	-	2,858

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2009, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,782	72	-15	-	2,839
	2,782	72	-15	-	2,839

26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	253,331	144,016	34,854	14,077
- Value added tax (VAT)	280,816	334,110	54,221	30,468
- Turnover tax (Brazil)	92,556	72,786	-	-
- Social tax (Brazil)	406	288	-	-
- Other taxes	13,376	6,441	3,255	-
	640,485	557,641	92,330	44,545

27. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Fixed income securities:				
Listed funds	35,335	33,012	-	-
Bonds and other listed fixed income securities	1	47,749	-	-
	35,336	80,761	-	-
Variable income securities:				
Listed funds	409	4,091	-	-
	409	4,091	-	-
	35,745	84,852	-	-

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cash:				
- Cash in hand	72	124	-	-
Bank deposits:				
- Current deposits	413,831	333,102	28,475	13,856
- Term deposits	1,038,821	613,506	114,200	-
- Other deposits	19,682	505	-	-
	1,472,334	947,113	142,675	13,856
Other short term investments:				
- Banks - Euros	5,893	915,156	-	877,500
- Banks - Other currencies	32,925	327,167	-	-
	38,818	1,242,323	-	877,500
Cash and cash equivalents	1,511,224	2,189,560	142,675	891,356

The caption Other short term investments includes very short term investments promptly convertible into cash.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

29. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.69% of the share capital of EDP, S.A.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each. Of this amount, 2,936,222,980 are class A shares and 720,314,735 are class B shares. The class B shares are held by Portuguese public entities.

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2009	3,656,538	501,992
Movements during the year	-	1,931
Balance as at 31 December 2010	3,656,538	503,923

The movement for the year in Share premium is related with the reimbursement of capital tax paid incorrectly in 2004, net of tax effect, when the share capital was increased, through a public offer reserved for EDP shareholders with preference rights, of 656,537,715 nominative shares.

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Net profit attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684	725,135,695	630,020,903
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684		
Weighted average number of ordinary shares outstanding	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Weighted average number of diluted ordinary shares outstanding	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Basic earnings per share from continuing operations (in Euros)	0.30	0.28		
Diluted earnings per share from continuing operations (in Euros)	0.30	0.28		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-33,619, 187	-35,118, 323	-32,106, 187	-33,605, 323
Average number of shares during the year	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Effect of stock options	690,252	1,038,669	690,252	1,038,669
Diluted average number of shares during the year	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061

30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Book value of EDP, S.A. treasury stock (thousand Euros)	115,731	119,784	109,636	113,689
Number of shares	33,324,941	34,212,975	31,811,941	32,699,975
Market value per share (in Euros)	2.491	3.108	2.491	3.108
Market value of EDP, S.A.'s treasury stock (thousand Euros)	83,012	106,334	79,244	101,632
Operations performed from 1 January 2010 to 31 December 2010:	EDP, S.A.	Energia RE		
Volume acquired (number of shares)	918,738	-		
Purchased price average (in Euros)	2.67	-		
Purchase total value (thousand Euros)	2,454	-		
Volume sold (number of shares)	-1,806,772	-		
Selling price average (in Euros)	2.66	-		
Sold total value (thousand Euros)	4,802	-		
Final position (number of shares)	31,811,941	1,513,000		
Highest market price (in Euros)	3.18	-		
Lowest market price (in Euros)	2.21	-		
Average market price (in Euros)	2.70	-		

The treasury stock held by EDP, S.A., is within the limits established by the Company's articles of association and by the 'Código das Sociedades Comerciais' (Companies Commercial Code). The treasury stock is stated at acquisition cost.

31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Legal reserve	502,888	471,387	502,888	471,387
Fair value reserve (cash flow hedge)	45,180	80,444	25,722	56,561
Tax effect of fair value reserve (cash flow hedge)	-10,069	-18,650	-7,909	-15,457
Fair value reserve (available-for-sale investments)	182,529	191,893	147,843	129,809
Tax effect of fair value reserve (available-for-sale investments)	-17,845	-17,790	-15,197	-12,077
Exchange differences arising on consolidation	312,823	165,859	-	-
Treasury stock reserve (EDP, S.A.)	109,636	113,689	109,636	113,689
Other reserves and retained earnings	1,605,761	1,244,149	1,163,205	1,124,095
	2,730,903	2,230,981	1,926,188	1,868,007

Legal reserve
In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)
This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

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 sheetdate , net of impairment losses. The changes in this consolidated caption for the year are as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2008	322,565	-275,601
Changes in fair value	179,756	-29,841
Transfer of impairment to profit or loss	-	29,289
Transfer to the income statement relating to assets sold	-34,275	-
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	28,899	-41,397
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 31 December 2010	495,872	-313,343

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2010 are analysed as follows:

	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	17,577	-
Ampla Investimentos e Serviços, S.A.	8,153	-
BCP	-	-32,243
Denerge - Desenvolvimento Energético, S.A.	478	-
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-7,663
Sociedade Eólica de Andalucia, S.A.	-	-724
Tejo Energia, S.A.	-	-383
Other	167	-384
	28,899	-41,397

Exchange difference on consolidation

Exchange difference on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

		Exchange rates at Dec 2010		Exchange rates at Dec 2009	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.336	1.326	1.441	1.390
Brazilian Real	BRL	2.218	2.331	2.511	2.783
Macao Pataca	MOP	10.697	10.611	11.506	11.088
Quetzal	GTQ	10.708	10.708	12.003	11.332
Zloty	PLN	3.975	3.995	4.105	4.362
Lei	RON	4.262	4.212	4.236	4.245
Pound Sterling	GBP	0.861	0.858	0.888	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amont equal to the booking amount of treasury stock held.

Dividends

On 16 April 2010, the Shareholders General Meeting of EDP, S.A. approved the dividend distribution to shareholders which ocurred on 13 May 2010 over the net profit for the year 2009 in the amount of 566,763 thousand Euros, corresponding to a dividend of 0.155 Euros per share (including the treasury stock dividend amounting to 4,944 thousand Euros).

Proposal for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008 - Donations to Fundação EDP

In accordance with article 30, n.º 1 f) of EDP - Energias de Portugal, S.A. Articles, the General Assembly of Shareholders approved on 16 April 2010 and 15 April 2009, the proposals for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008, attributing for 2009 and 2008 annual donations to Fundação EDP of 6,000,000 Euros, in each year. The referred donations for IFRS accounting purposes were recognised as Donations in Other operating expenses (see note 10) in 2010 and 2009, respectively.

32. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Minority interests in income statement	155,676	144,102
Minority interests in reserves	2,774,725	2,540,339
	2,930,401	2,684,441

Minority interests , by company, are made up as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
EDP Renováveis Group	1,306,194	1,282,394
Energias do Brasil Group	1,570,666	1,346,792
Hidrocantábrico Group	22,428	31,716
Other	31,113	23,539
	2,930,401	2,684,441

During 2010, EDP Group generated profits of 155,676 thousand Euros attributable to minority interests (31 December 2009: 144,102 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 16,876 thousand Euros, negative exchange differences of 4,772 thousand Euros and variations resulting from acquisitions and share capital increases attributable to minority interests totalling 12,316 thousand Euros.

The movement booked in minority interests of Energias do Brasil Group includes 132,329 thousand Euros of profits attributable to minority interests, 156,927 thousand Euros from the positive exchange difference and a decrease of 56,272 thousand Euros related to dividends paid. Additionally, during the year ended at 31 December 2010, the variation of fair value reserve associated to available for sale financial assets, has originated an increase in the minority interests of 258 thousand Euros and the effect of changes in actuarial losses net of taxes has originated a decrease in the minority interests of 9,190 thousand Euros.

The movement in minority interests of the Hidrocantábrico Group includes, mainly, a decrease of 4,019 thousand Euros related to dividends paid.

The caption Other minority interests includes 30,120 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2009: 22,287 thousand Euros).

33. Hydrological account

The movements in the **Hydrological account** are analysed as follows:

	Group and Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	112,631	237,822
Amounts received / (paid) during the year	-41,272	-135,069
Financial charges	3,739	9,878
Balance at the end of the year	75,098	112,631

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up in 1994 when the actual EDP Group was owned by the State, through a charge against the income statement. In 2000, through a spin-off of EDP, REN was set up, and new regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's balance sheet.

As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the split of REN in June 2000, EDP, S.A. (the Group parent company) has paid to or received cash from REN, which is booked against the hydrological correction account in the balance sheet and the related financial charges are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above. Therefore, REN is effectively a pass-through entity for the purposes of the hydrological correction account.

In 2004, Decree-law 240/2004 was issued which establishes that, in respect to the free electricity market, the government must publish specific regulations applicable to the hydrological correction account. Based on these regulations and due to the government announcement mentioned above, the EDP Group's Executive Board of Directors expects with a high probability that the recorded liability, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP — Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements. At extinction date, and for purpose of extinction movement, until 31 December 2016, the government will incorporate a team/workforce composed by representatives of ERSE, of National Electricity Distribution Network (RND), of National Electricity High Tension Transport (RNT) and National Conseil of Consumption, to determine such final movements.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

34. Financial debt

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short term debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	27,284	51,277	27,284	51,277
- EDP Finance B.V.	150,000	-	-	-
- EDP Energias do Brasil Group	145,789	119,661	-	-
- HC Energia Group	907	1,488	-	-
- Renewables Group	197,893	103,039	-	-
- Generation - Portugal	11,699	8,991	-	-
- Portgás	12,820	33,999	-	-
	546,392	318,455	27,284	51,277
Non convertible bond loans:				
- EDP, S.A.	747,352	-	747,352	-
- EDP Finance B.V.	499,697	499,861	-	-
- EDP Energias do Brasil Group	92,304	81,077	-	-
	1,339,353	580,938	747,352	-
Commercial paper:				
- EDP, S.A.	766,900	1,218,500	4,963,900	4,107,500
- EDP Energias do Brasil Group	-	91,586	-	-
- HC Energia Group	70,104	329,322	-	-
	837,004	1,639,408	4,963,900	4,107,500
Other loans:				
- EDP Energias do Brasil Group	7,705	5,402	-	-
- Renewables Group	4,569	4,096	-	-
- Generation - Portugal	1,228	701	-	-
	13,502	10,199	-	-
Accrued interest	265,079	245,481	38,079	36,063
Other liabilities:				
- Fair value of the issued debt hedged risk	3,121	-	3,121	-
	3,004,451	2,794,481	5,779,736	4,194,840

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debts and borrowings - Non current				
Bank loans:				
- EDP, S.A.	870,993	759,024	870,993	759,024
- EDP Finance B.V.	3,590,027	3,206,321	-	-
- EDP Energias do Brasil Group	847,051	707,426	-	-
- HC Energia Group	4,014	4,991	-	-
- Renewable Group	499,639	402,599	-	-
- Generation - Portugal	171,436	185,046	-	-
- Portgás	55,142	66,862	-	-
	6,038,302	5,332,269	870,993	759,024
Non convertible bond loans:				
- EDP, S.A.	428,838	1,174,742	428,838	1,174,742
- EDP Finance B.V.	8,080,229	6,795,215	-	-
- EDP Energias do Brasil Group	288,587	180,639	-	-
	8,797,654	8,150,596	428,838	1,174,742
Other loans:				
- Preference shares of Investco	22,651	22,494	-	-
- EDP Energias do Brasil Group	47,886	37,349	-	-
- Renewable Group	26,755	29,530	-	-
- Generation - Portugal	5,116	6,151	-	-
	102,408	95,524	-	-
	14,938,364	13,578,389	1,299,831	1,933,766
Other liabilities:				
- Fair value of the issued debt hedged risk	-51,169	-91,890	11,544	28,627
	14,887,195	13,486,499	1,311,375	1,962,393
	17,891,646	16,280,980	7,091,111	6,157,233

EDP Group, at EDP, S.A. level, has short-term credit facilities of 257,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 242,410 thousand Euros have a firm underwriting commitment, being available 242,410 thousand Euros; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being totally available as at 31 Detember 2010. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 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 2010 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 2010 and 2009 these loans amounted to 862,625 thousand Euros and 716,429 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 2010, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar/03	Euribor 6 months + 0.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
					450,000	450,000
Issued under the Euro Medium Term Notes program						
EDP, S.A.	Mar/01	Fixed rate EUR 5.875%	Fair Value	Mar/11	747,352	747,352
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	748,391	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	748,391	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	Fair Value	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	Net Investment	Jun/19	78,259	-
EDP Finance B.V.	Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000,000	-
EDP Finance B.V.	Sep/09	Fixed rate USD 4.90 %	Net Investment	Oct/19	748,391	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,839	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Jun/10	Variable Rate EUR (iv)	n.a.	Jun/11	500,000	-
					9,429,294	747,352
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov/01	IGPM + 10.5%	n.a.	Nov/11	15,047	-
Bandeirante	Apr/06	104.4% do CDI	n.a.	Mar/11	37,576	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	175,858	-
Escelsa	Jun/06	104.4% do CDI	n.a.	Jun/11	39,681	-
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	112,729	-
					380,891	-
					10,260,185	1,197,352

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies during the useful life of the loan.
(iii) Part of this loan has associated interest rate swaps.
(iv) These issues correspond to private placements.

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Bank loans and overdrafts:				
Up to 1 year	562,399	324,586	28,853	52,513
From 1 to 5 years	4,644,826	4,012,942	170,592	131,155
More than 5 years	1,393,476	1,319,327	700,401	627,869
	6,600,701	5,656,855	899,846	811,537
Bond loans:				
Up to 1 year	1,590,549	820,699	786,380	34,726
From 1 to 5 years	4,232,741	3,232,718	140,382	891,685
More than 5 years	4,513,744	4,825,988	300,000	311,684
	10,337,034	8,879,405	1,226,762	1,238,095
Commercial paper:				
Up to 1 year	837,607	1,638,513	4,964,503	4,107,601
Other loans:				
Up to 1 year	13,896	10,683	-	-
From 1 to 5 years	50,866	42,921	-	-
More than 5 years	51,542	52,603	-	-
	116,304	106,207	-	-
	17,891,646	16,280,980	7,091,111	6,157,233

The fair value of EDP Group's debt is analysed as follows:

	Dec 2010		Dec 2009	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	3,004,451	2,764,591	2,794,481	2,547,504
Medium/Long term debt and borrowings - Non current	14,887,195	14,634,186	13,486,499	14,110,568
	17,891,646	17,398,777	16,280,980	16,658,072

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.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

As at 31 December 2010, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	2,013,432	2,550,417	2,480,825	1,883,759	5,958,762	14,887,195
Short term debt and borrowings	3,004,451	-	-	-	-	-	3,004,451
	3,004,451	2,013,432	2,550,417	2,480,825	1,883,759	5,958,762	17,891,646

Future payments of capital in debt and interests and guarantees are detailed in note 41.

Future debt and borrowings payments and interest for type of loan and currency are analysed as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Bank loans:							
Euro	305,174	460,527	2,228,270	112,530	99,334	1,042,082	4,247,917
Brazilian Real	218,274	251,884	118,524	104,743	128,093	251,859	1,073,377
US Dollar	-	-	-	1,122,586	-	-	1,122,586
Others	38,951	2,855	4,008	4,855	6,617	99,535	156,821
	562,399	715,266	2,350,802	1,344,714	234,044	1,393,476	6,600,701
Bond loans:							
Euro	1,498,245	500,000	150,000	1,008,995	1,497,100	2,903,532	7,557,872
Brazilian Real	92,304	37,576	37,576	107,920	70,343	35,172	380,891
US Dollar	-	748,391	-	-	74,839	1,575,041	2,398,271
	1,590,549	1,285,967	187,576	1,116,915	1,642,282	4,513,745	10,337,034
Commercial paper:							
Euro	837,607	-	-	-	-	-	837,607
	837,607	-	-	-	-	-	837,607
Other loans:							
Euro	5,256	3,292	2,994	10,694	1,052	10,504	33,792
Brazilian Real	7,705	7,890	7,937	7,295	6,381	41,037	78,245
US Dollar	935	1,017	1,108	1,207	-	-	4,267
	13,896	12,199	12,039	19,196	7,433	51,541	116,304
	3,004,451	2,013,432	2,550,417	2,480,825	1,883,759	5,958,762	17,891,646

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions for social liabilities and benefits	1,104,406	1,109,347	-	-
Provisions for medical liabilities and other benefits	800,473	770,357	-	-
	1,904,879	1,879,704	-	-

Provisions for social liabilities and benefits as at 31 December 2010 include 1,093,075 thousand Euros relating to retirement pension defined benefit plans (31 December 2009: 1,095,981 thousand Euros) and 11,331 thousand Euros (31 December 2009: 13,366 thousand Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

The movement in **Provisions for social liabilities and benefits** is analysed as follows :

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	1,109,347	1,082,905	-	-
Charge for the year	56,705	62,274	-	-
Pre-retirements (curtailments)	31,248	32,757	-	-
Actuarial (gains)/losses	88,582	84,005	-	-
Charge-off	-186,690	-150,267	-	-
Transfers, reclassifications and exchange differences	5,214	-2,327	-	-
Balance at the end of the year	1,104,406	1,109,347	-	-

The movement in **Provisions for Medical and other benefits** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	770,357	750,982	-	-
Charge for the year	49,201	49,955	-	-
Pre-retirements (curtailments)	1,916	1,736	-	-
Benefits Reduction	-4,805	-	-	-
Actuarial (gains)/losses	19,333	2,479	-	-
Charge-off	-42,851	-42,905	-	-
Transfers, exchange differences and "mútua"	7,322	8,110	-	-
Balance at the end of the year	800,473	770,357	-	-

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2010 and 2009, losses of 107,915 thousand Euros and of 86,484 thousand Euros, respectively.

Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement. The responsibilities with early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, a closed supplementary welfare entity with its own assets, segregated from those of its Sponsors (Bandeirante and other Brazilian electricity companies) and with no common contributions or funding between these funds:

- BD Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan.

- the BD plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement due to age, disability, and survivor pensions. Escelsa also has a special complementary retirement pension plan for war veterans.

As at 31 December 2010 and 2009 the number of participants covered by the pension plans was as follows:

	Portugal 2010	Spain 2010	Brazil 2010	Portugal 2009	Spain 2009	Brazil 2009
Number of participants						
Retirees and pensioners	18,205	1,644	1,507	18,309	1,631	1,610
Active workers	6,384	1,294	1,975	6,608	1,263	1,951
	24,589	2,938	3,482	24,917	2,894	3,561

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

	Dec 2010				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.60%	not applicable	11.63%	11.63%	11.63%
Discount rate	5.00%	3.40%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	2,75% (CPI + 0,5%); In 2011 - 3% (CPI + 0,75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age >60 -- TV88/90 // Age<=60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	40.00%	not applicable	not applicable	not applicable	not applicable

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

	Dec 2009				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	6.00%	not applicable	11.49%	11.49%	11.49%
Discount rate	5.20%	5% / 4,5%	11.20%	11.20%	11.20%
Salary increase rate	3.70%	2.75% (CPI+0.5%); In 2011 - 3% (CPI+0.75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2010.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2010 and 2009 is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207
Fair value of plan assets at the end of the year	-1,013,829	-	-277,036	-1,290,865
Asset ceiling	-	-	43,733	43,733
Provision at the end of the year	947,589	92,936	52,550	1,093,075

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307
Fair value of plan assets at the end of the year	-1,011,986	-	-221,776	-1,233,762
Asset ceiling	-	-	27,436	27,436
Provision at the end of the year	972,779	91,679	31,523	1,095,981

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods.

The evolution of the present value of the plan liability and fair value of the plan assets of the related Funds is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for Pension Plans					
Liability at the end of the year	2,340,207	2,302,307	2,192,985	2,217,351	2,247,023
Fair value of plan assets at the end of the year	-1,290,865	-1,233,762	-1,146,273	-1,389,997	-1,316,748
Asset ceiling	43,733	27,436	20,841	-	-
Provision at the end of the year	1,093,075	1,095,981	1,067,553	827,354	930,275

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	11,939	-9,112	-33,781	7,315	-9,987
Experience adjustments for the Plan assets	-33,724	13,676	-136,929	-12,027	12,538

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	-3,238	2,701	4,693	4,907	-8,654
Experience adjustments for the Plan assets	4,244	5,160	-18,938	16,401	7,694

The past service liability of the pension plans for the Group, as at 31 December 2010 and 2009 is as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,984,765	91,679	225,863	2,302,307
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Benefits paid	-189,374	-10,689	-15,562	-215,625
Curtailments / Settlements	31,248	-	-	31,248
Actuarial losses and gains	23,178	6,582	17,254	47,014
Currency fluctuation	-	-	31,370	31,370
Other	-	24	975	999
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,930,534	93,990	168,461	2,192,985
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Benefits paid	-187,949	-7,984	-12,297	-208,230
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	1,984,765	91,679	225,863	2,302,307

The components of consolidated net cost of the plans recognised in the year were as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Expected return on plan assets	-59,053	-	-27,136	-86,189
Curtailments / Settlements	31,248	-	-	31,248
Plan participants contributions	-	-	-	-
Net cost for the year	83,796	5,340	-1,183	87,953

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Expected return on plan assets	-61,085	-	-19,940	-81,025
Curtailments / Settlements	32,757	-	-	32,757
Plan participants contributions	-	-	-937	-937
Net cost for the year	88,491	5,376	1,164	95,031

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	1,011,986	-	221,776	1,233,762
Group contribution	31,043	-	7,888	38,931
Plan participants contributions	-	-	948	948
Benefits paid	-54,529	-	-15,372	-69,901
Actual return on plan assets	59,053	-	27,136	86,189
Actuarial gains/(losses)	-33,724	-	4,037	-29,687
Currency fluctuation	-	-	30,623	30,623
Assets value at the end of the year	1,013,829	-	277,036	1,290,865

The actuarial gains/losses in Brazil include the amount of 11,881 thousand Euros (28,087 thousand BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2009: 674 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 43,733 thousand Euros, converted at closing rate of BRL (96,987 thousand BRL). As at 31 December 2009 the value of the asset ceiling was 27,436 thousand Euros.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	991,453	-	154,820	1,146,273
Group contribution	-	-	6,086	6,086
Plan participants contributions	-	-	805	805
Benefits paid	-54,228	-	-11,806	-66,034
Actual return on plan assets	61,085	-	19,940	81,025
Actuarial gains/(losses)	13,676	-	4,567	18,243
Currency fluctuation	-	-	47,364	47,364
Assets value at the end of the year	1,011,986	-	221,776	1,233,762

As at 31 December 2010 and 2009, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	19,256	548,353	233,230	165,430	47,560	1,013,829
31 December 2009	26,818	541,817	230,227	165,460	47,664	1,011,986

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	1.90%	54.09%	23.00%	16.32%	4.69%	100.00%
31 December 2009	2.65%	53.54%	22.75%	16.35%	4.71%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousand Euros at 31 December 2010 (124,722 thousand Euros at 31 December 2009). Bonds include the amount of 4,046 thousand Euros (2,227 thousand Euros as at 31 December 2009) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

	2010 Euro'000	2009 Euro'000
Shares:		
EDP Renováveis	4,554	2,815
	4,554	2,815

Pension fund assets in Brazil as at 31 December 2010 and 2009 are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	-	226,577	42,779	1,255	6,425	277,036
31 December 2009	-	182,637	32,362	1,071	5,706	221,776

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	-	81.79%	15.44%	0.45%	2.32%	100.00%
31 December 2009	-	82.35%	14.59%	0.48%	2.58%	100.00%

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at the date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods the benefits are expected to be paid.

The expected return rate of assets for 2011 and subsequent years, in accordance with expectations in January 2011, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2010		Expected return rate for 2011 and subsequent years	
Portugal	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	54.00%	4.40%	52.50%	4.10%
European shares	14.00%	7.90%	14.00%	8.00%
Global shares	9.00%	8.00%	10.00%	8.10%
Hedge Funds	3.00%	5.80%	3.00%	5.70%
Property	16.00%	6.90%	18.50%	6.40%
Other	4.00%	8.40%	2.00%	8.30%
Total	100.00%	6.00%	100.00%	5.60%

The real return rate of assets in 2010 was 2.55% (2009: 7.47%).

Brazil	2010		Expected return rate for 2011 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	82.40%	11.20%	82.40%	10.84%
European shares	-	-	-	-
Global shares	14.40%	13.29%	14.40%	16.31%
Hedge Funds	-	-	-	-
Property	0.60%	11.20%	0.60%	10.77%
Other	2.60%	10.77%	2.60%	10.77%
Total	100.00%	11.49%	100.00%	11.63%

As at 31 December 2010 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

	Expected future benefits to be paid			
Portugal	Pensions	Medical plans	Other benefits	Total
2011	187,280	20,411	15,916	223,607
2012	182,578	20,816	16,326	219,720
2013	176,410	21,276	16,685	214,371
2014	170,434	21,752	17,074	209,260
2015	161,908	22,286	17,667	201,861
2016	154,279	22,869	18,162	195,310
2017	148,862	23,564	18,954	191,380
2018	141,434	24,321	19,501	185,256
2019	136,882	25,117	20,021	182,020
2020	131,389	25,981	20,551	177,921

The contributions made in Portugal to the pension Funds in 2010 amounted to 31,043 thousand Euros (December 2009: were not made contributions to the pension Funds) and were fully paid in cash.

In 2010, the pensions paid by the Funds in Portugal totalled 54,529 thousand Euros (54,228 thousand Euros in December 2009).

	Expected future benefits to be paid
Spain	Other Benefits
2011	12,176
2012	13,065
2013	13,308
2014	7,632
2015	5,854
2016	5,121
2017	4,338
2018	3,557
2019	2,777
2020	2,000

In 2010, the pensions paid by the Funds in Spain totalled 10,689 thousand Euros (7,984 thousand Euros in December 2009).

The amount of 92,912 thousand Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 40,478 thousand Euros (31 December 2009: 37,801 thousand Euros) relating to provisions for revision of the collective labour agreement. The provision includes 52,434 thousand Euros (31 December 2009: 53,878 thousand Eurios) related to responsibilities with pre-retirement before 31 December 2007.

	Expected future benefits to be paid			
Brazil	Pensions	Medical Plans	Other Benefits	Total
2011	36,941	3,509	262	40,712
2012	40,710	3,769	153	44,632
2013	44,257	4,044	393	48,694
2014	48,797	4,305	153	53,255
2015	52,671	4,596	197	57,464
2016	57,450	4,877	343	62,670
2017	62,782	5,130	195	68,107
2018	68,209	5,430	281	73,920
2019	73,500	5,738	157	79,395
2020	79,312	6,062	156	85,530

The contributions made to the pension Funds in 2010 amounted to 7,888 thousand Euros (6,086 thousand Euros in 2009) and were fully paid in cash.

The pensions paid by the Funds in 2010 totalled 15,372 thousand Euros (11,806 thousand Euros in 2009).

II. Defined contribution pension plan

Subsidiaries of EDP Group from Spain, Brazil and Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa and Energest in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Dec 2010		Dec 2009	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	5.00%	10.75%	5.20%	11.20%
Annual increase rate of medical service costs	4.00%	9,5% (b)	4.00%	9,5% (b)
Estimated administrative expenses per beneficiary per year (Euros)	175	not applicable	150	not applicable
Mortality table	Age >60 -- TV88/90 // Age<=60 years - - TV99/01	RP-2000 Geracional	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	RP-2000 Geracional
Disability table	50%EKV 80	Wyatt 85 Class 1	50% EKV 80	Wyatt 85 Class 1
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

(b) 9.5% in the first year, decreasing to 5.5% in 8 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2010 and 2009 is as follows:

	Portugal 2010	Brazil 2010	Portugal 2009	Brazil 2009
Number of participants				
Retirees and pensioners	18,205	1,918	18,300	856
Current employees	6,384	1,068	6,608	656
	24,589	2,986	24,908	1,512

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for medical care					
Liability at the end of the year	800,473	770,357	750,982	779,784	760,460
Provision at the end of the year	800,473	770,357	750,982	779,784	760,460

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Medical Care Plans are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	15,249	57,164	-4,160	-69,385	-9,693
	15,249	57,164	-4,160	-69,385	-9,693

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Medical Care Plans is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	-7,931	-9,771	2,717	1,542	-2,853
	-7,931	-9,771	2,717	1,542	-2,853

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability						
Liability at the beginning of the year	741,722	28,635	770,357	734,934	16,048	750,982
Current service cost	6,965	144	7,109	6,622	166	6,788
Current interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Benefits reduction	-	-4,805	-4,805	-	-	-
Benefits paid	-37,885	-4,966	-42,851	-39,034	-3,871	-42,905
Curtailments / Settlements	1,916	-	1,916	1,736	-	1,736
Actuarial gains and losses	4,911	14,422	19,333	-6,338	8,817	2,479
Currency fluctuation	-	4,266	4,266	-	5,449	5,449
Other and "mútua"	3,056	-	3,056	2,661	-	2,661
Liability at end of the year	758,314	42,159	800,473	741,722	28,635	770,357
Provision at end of the year	758,314	42,159	800,473	741,722	28,635	770,357

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

The components of the net consolidated cost with this plan recognised during the year are as follows:

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	6,965	145	7,110	6,622	166	6,788
Interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Curtailment	1,916	-	1,916	1,736	-	1,736
Net cost for the year	46,510	4,608	51,118	49,499	2,192	51,691

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1%	-1%
Liabilities at the end of the year	758,314	811,605	714,388
2011 cost for the year			
Current service cost	7,130	8,075	6,405
Interest cost	37,008	39,673	34,812
	44,138	47,748	41,217

Medical Care Plan and Other Benefits in Brazil includes liabilities of 53,321 thousand Euros relating to medical care, which sensitivity analysis is as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1%	-1%
Liabilities at the end of the year	53,231	59,527	47,908
2011 cost for the year			
Current service cost	-	-	-
Interest cost	2,860	3,118	2,633
	2,860	3,118	2,633

36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provision for legal and labour matters and other contingencies	92,406	94,520	-	-
Provision for customer guarantees under current operations	108,480	28,561	-	-
Provision for other liabilities and charges	230,308	221,302	21,867	18,637
	431,194	344,383	21,867	18,637

The changes in the **Provisions for legal and labour matters and other contingencies** are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	94,520	116,528	-	-
Charge for the year	19,423	26,502	-	-
Reversals	-16,676	-10,354	-	-
Charge-off for the year	-10,005	-65,551	-	-
Other and exchange differences	5,144	27,395	-	-
Balance at the end of the year	92,406	94,520	-	-

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has reexpressed the comparative figures as at 31 December 2009 of the value of the Provisions for liabilities and charges in 1,628 thousand Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists in investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2010, the amount of this Tax contingency totals 200.5 million Euros.

Considering the analysis made and the technical advice received, and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes, as established in article 75, no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law at the date of the transaction.

Consequently, EDP Group is currently executing all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and a tax perspective. The Group intends to, at a final instance, call upon a judicial proceeding, if necessary.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

Provision for legal and labour matters and other contingencies of 92,406 thousand Euros, includes provisions for litigation in progress and other labour contingencies of 76,392 thousand Euros.

The provisions for legal litigations in process against subsidiaries of the EDP Group amounting to 76,392 thousand Euros (2009: 78,693 thousand Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 18,207 thousand Euros (2009: 15,607 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;

ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of approximately 11,200 thousand Euros;

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the public thoroughfare for the years 2004 and 2005 of 3,172 thousand Euros each year, in a total amount of 6,344 thousand Euros;

iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

The opening balance as at 31 December 2010 relating to tax litigation includes 9,564 thousand Euros relating to taxes to be returned to the Spanish State by the subsidiary Naturgás Distribucion for specific deductions made in the Basque Country under Norma Foral 7/1996 of 4 July, which establishes that 45% of the amounts invested in new fixed assets by residents in the Basque Country could be considered as tax deductible. The subsidiary applied the referred deductions, however, following a process brought by the European Community Authorities, a court decision was issued under which the entities making such deductions should return them to the State. The company awaits for the final court decision.

The movement in **Provision for customer guarantees under current operations** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	28,561	14,993	-	-
Charge for the year	85,698	30,992	-	-
Reversals	-680	-	-	-
Charge-off for the year	-14,366	-17,457	-	-
Other and exchange differences	9,267	33	-	-
Balance at the end of the year	108,480	28,561	-	-

Provisions for customer guarantees under current operations of 108,480 thousand Euros (2009: 28,561 thousand Euros) includes essentially provisions for commercial losses.

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	221,302	192,198	18,637	79,014
Changes in the consolidation perimeter	723	184	-	-
Charge for the year	29,024	34,828	7,927	187
Reversals	-13,211	-7,283	-2,509	-57,190
Charge-off for the year	-7,218	-36,211	-1,425	-7,500
Other and exchange differences	-312	37,586	-763	4,126
Balance at the end of the year	230,308	221,302	21,867	18,637

As at 31 December 2010, Provision for other liabilities and charges on a consolidated basis of 230,308 thousand Euros (31 December 2009: 221,302 thousand Euros) mainly includes the following situations:

i) The Group holds a provision of 22,136 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it.

ii) Provisions for dismantling of wind farms of 53,156 thousand Euros (2008: 63,956 thousand Euros) to cover the costs of returning the locations and land to their original state, from which 28,813 thousand Euros referring to the wind farms of the EDPR NA Group, 23,703 thousand Euros to the wind farms of the EDPR EU Group and 640 thousand Euros to the wind farms of the EDPR Brasil Group.

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of lands where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 (o), these provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Current:				
Suppliers	1,182,508	804,718	119,507	110,501
Property, plant and equipment suppliers	805,531	901,417	2,414	7,217
Advances from customers	86,935	29,500	43	43
Other payables:				
- Employees	32,579	56,949	8,023	6,901
- Supply of other goods and services	150,703	193,914	20,354	9,777
- Concession rents	16,729	15,822	-	-
- Amount payable to the regulatory entity in Brazil	26,710	11,988	-	-
- Amount to be invested in research and development - Brazil	26,573	16,449	-	-
- Amounts payable for electricity transactions in MIBEL	68,257	-	68,257	-
Payables - related companies	90,258	30,481	-	-
Payables from the Regulated Activity	87,517	40,159	-	-
Energetic efficiency program - Brazil	33,588	21,056	-	-
Holiday pay, bonus and other charges	97,246	96,606	510	587
Derivative financial instruments	27,310	88,745	87,216	132,349
Government grants and co-participation in investment in fixed assets	1,407	1,322	-	-
Accrued costs - Energy management business	53,812	17,132	179,481	102,176
Accrued costs - Energy purchase (PRE)	134,118	143,280	-	-
Accrued income - supply energy	24,572	20,395	-	-
Accrued costs relating to the fix network utilization tariff	30,464	72,140	-	-
CO2 emission licenses	170,919	341,446	-	-
Accrued costs - Subcontracts (EDPR NA)	52,775	22,841	-	-
Deferred income - CMEC	3,769	92,446	-	-
Amounts payable for tariff adjustments - Portugal	173,831	1,056,236	-	-
Amounts payable for tariff adjustments - Spain	55,009	65,231	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	467,188	621,941
Put options over minority interests liabilities	234,754	710,113	-	-
Amounts payable for the acquisition of companies	210,852	-	-	-
Other creditors and sundry operations	279,789	320,843	32,562	40,888
	4,172,832	5,185,546	985,555	1,032,380

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has restated the value of the Creditors and other liabilities - Medium / Long term and Short-term by -2,508 thousand Euros and 14,039 thousand Euros, respectively, as at 31 December 2009.

The caption Group companies on a Company basis includes 99,506 thousand Euros (2009: 558,061 thousand Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 170,387 thousand Euros, 55,398 thousand Euros and 84,492 thousand Euros, relating to debt financing obtained near EDP Renováveis, EDP Renewables Europe e Naturgás Energia Grupo, S.A., respectively (see note 43).

In the caption Put options over minority interests liabilities — current, as referred in accounting policy 2 b), the Group accounts for its put options regarding interests held by minority interests in group subsidiaries, at the acquisition date or in a subsequent date as an anticipated acquisition of those minority interests, booking a financial liability by the present value of the best estimate of the amount payable, regardless the exercise probability of the options. As at 31 December 2010 the liabilities with options over minority interests include a put option of Caja Madrid to EDPR EU regarding 20% of its interests in Genesa of 234,754 thousand Euros (31 December 2009: 303,722 thousand Euros). The option was exercised by Caja Madrid during the option exercise period.

- The timeframe is from 1 January 2010 to 2011, inclusive.
- The contract is for the total shares held by Caja Madrid in the Genesa Group (20%).
- The strike price will be reflected to the market value determined according to the shareholders agreement.

As at 31 December 2010, the assessment process that under the contract terms will serve as the basis for determining the put option exercise price was still in progress.

In 31 December 2009, the caption Put options over minority interests liabilities — current also includes a put option from Ente Vasco de la Energia to HC Energia of 30.4% of its interests in Naturgas totalling 406,391 thousand Euros.

The caption CO2 emission licenses includes 89,398 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 81,521 thousand Euros related to the HC Energia Group in Spain, regarding the CO2 consumptions made during the year.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,062	10,893	11,062	10,893
Deposits received from customers and other debtors	32,859	37,670	3	3
Payables to associates	144,554	121,006	-	-
Suppliers of property, plant and equipment	10,056	6,789	1,791	1,888
Government grants for investment in fixed assets	563,477	413,897	-	-
Put options over minority interests liabilities	123,492	101,622	-	-
Amounts payable for tariff adjustments - Portugal	61,557	88,479	-	-
Energy sales contracts - EDPR NA	71,991	97,951	-	-
Deferred income - CMEC	377,508	381,278	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,644,048	1,353,612	-	-
Amounts payable for concessions	265,341	235,903	-	-
Derivative financial instruments	169,383	178,628	-	773
Payables - Group companies (EDP Finance BV)	-	-	3,207,855	2,809,277
Amounts payable for the acquisition of companies	210,859	21,230	-	-
Success fees payable related to companies acquisitions	76,621	53,034	-	-
Other creditors and sundry operations	57,009	50,753	2,003	1,907
	3,819,817	3,152,745	3,222,714	2,824,741

Deferred income - CMEC current and non current includes 381,277 thousand Euros (31 December 2009: 473,724 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) net of the amortisations of initial CMEC of the years 2007 to 2010 and including financial expenses (20,274 thousand Euros in 2010), as referred in note 14.

Subsidies for investment in fixed assets current and non current corresponds to the amount of customer contributions for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12).

In the caption Put options over minority interests liabilities medium / long term at 31 December 2010 the Group books the put options related to interests held by minority interests. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 84,149 thousand Euros (31 December 2009: 100,812 thousand Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 36,494 thousand Euros.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 December 2010 the captions amounts payable for the acquisition of companies - Current and Non current include the amounts of 210,852 thousand Euros and 210,859 thousand Euros, respectively.

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flows models and market assumptions at 190,400 thousand USD, being booked as a non current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts under Other operational income (see note 7).

Amounts payable for concessions refers to the amounts payable, in the medium/long term, related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 168,049 thousand Euros as at 31 December 2010 (31 December 2009: 154,301 thousand Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 97,292 thousand Euros as at 31 December 2010 (31 December 2009: 81,602 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 27,310 thousand Euros and 169,383 thousand Euros, respectively, includes the trading and hedge portfolios (see note 40).

Success fees payable related to companies acquisitions refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás.

The caption Payables - Group companies (EDP Finance B.V.) non current on a company basis, of 3,207,855 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Amounts payable for tariff adjustments - Portugal current and non-current of 173,831 thousand Euros and 61,557 thousand Euros, respectively (2009: 1,056,236 thousand Euros in current and 88,479 thousand Euros in non current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal.

The movement for the period in Amounts payable for tariff adjustments - Portugal (Current and Non-Current) is analysed as follows:

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2009	300,073	-
Payment through the electricity tariff	-315,995	-
Tariff adjustment of 2008	-	34,144
Tariff adjustment of the year	-	1,109,252
Interest expense	15,922	1,319
Transfer from Non-Current to Current	1,056,236	-1,056,236
Balance as at 31 December 2009	1,056,236	88,479
Payments through the electric energy tariff	-1,080,476	-
Tariff adjustment of 2009	14,378	-
Tariff adjustment for the year	69,480	61,557
Interest expense	25,734	-
Transfer from Non-Current to Current	88,479	-88,479
Balance as at 31 December 2010	173,831	61,557

The caption Liability to institutional investors in corporate partnership is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Deferred income related to benefits provided	635,271	433,763
Liabilities arising from institutional partnerships in US wind farms	1,008,777	919,849
	1,644,048	1,353,612

EDPR NA book the receipts of institutional investors associated with wind projects as non-current liabilities under "Liabilities arising from institutional partnerships in US wind farms". This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 14).

During 2010 EDPR Group, through its subsidiary EDPR NA, has secured 141 million of USD (approximately 106 million Euros) institutional equity financing from Wells Fargo Wind Holdings LLC ("Wells Fargo") in exchange for an interest in the Vento III portfolio, 99 million of USD (approximately 75 million Euros) in exchange for an interest in the Vento VIII portfolio and 85 million of USD (approximately 64 million Euros) for an interest in Vento VII portfolio.

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	149,183	599,032	-	483,912
- Withholding tax	59,045	40,186	234	277
- Social Security contributions	10,183	9,982	19	20
- Value added tax (VAT)	62,531	42,344	935	385
- Turnover tax (Brazil)	78,846	57,179	-	-
- Social tax (Brazil)	49,309	41,402	-	-
- Other taxes	143,259	137,881	-	-
	552,356	928,006	1,188	484,594

As at 31 December 2010, Other taxes include foreign taxes regarding HC Energia Group of 51,196 thousand Euros, Naturgas Group of 35,140 thousand Euros (31 December 2009: HC Energia Group 44,225 thousand Euros and Naturgás Group of 31,671 thousand Euros) and Energia do Brazil Group of 51,364 thousand Euros (31 December 2009: 55,347 thousand Euros).

39. Assets and liabilities classified as held for sale

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, is under accounting policies - note 2 u).

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidrocantábrico	30,952	-	-	-
	30,952	-	-	-

In 2010, EDP Group has reclassified to held for sale the electricity lines and substations belonging to Hidrocantabrico which results from the legal obligation to sell these electricity transport assets of Rede Eléctrica de España ("REE"). During 2010, EDP Group celebrated a sell contract related with those assets with REE in the amount of 57,8 million Euros, being the sale recognition pending of the Comission Nacional de la Competencia approvals.

40. Derivative financial instruments

In accordance with IAS 39, the Group classifies the derivative financial instruments as a fair value hedge of an asset or liability recognised, as a cash flow hedge of recorded liabilities and forecast transactions considered highly probable or net investment hedged in foreign operations.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

In 2010 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Net investment hedge						
Cross currency rate swaps	-	-1,074	-	59,627	-	59,627
	-	-1,074	-	59,627	-	59,627
Fair value hedge						
Interest rate swaps	86,470	-	750,000	1,250,000	-	2,000,000
Cross-currency interest rate swaps	-	-64,492	-	-	730,313	730,313
	86,470	-64,492	750,000	1,250,000	730,313	2,730,313
Cash flow hedge						
Commodities swaps	48,337	-7,750	690,479	57,968	-	748,447
Interest rate swaps	328	-26,962	106,102	169,197	288,748	564,047
Foreign exchange forwards	2,143	-36,203	476,597	253,468	-	730,065
	50,808	-70,915	1,273,178	480,633	288,748	2,042,559
Trading						
Commodities swaps	30,431	-4,789	2,261,956	269	-	2,262,225
Interest rate swaps	28,188	-28,411	489,976	-	845,683	1,335,659
Cross-currency interest rate swaps	13,299	-5,335	-	23,450	92,039	115,489
Currency forwards	3,580	-10,787	228,834	48,100	-	276,934
Commodities forwards	9,847	-10,367	735,631	-	-	735,631
OMIP futures	430	-523	77,852	-	-	77,852
	85,775	-60,212	3,794,249	71,819	937,722	4,803,790
	223,053	-196,693	5,817,427	1,862,079	1,956,783	9,636,289

In 2009 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Net investment hedge						
Cross currency rate swaps	663	-94	-	-	75,098	75,098
	663	-94	-	-	75,098	75,098
Fair value hedge						
Interest rate swaps	82,347	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	34,388	-143,821	-	-	730,313	730,313
	116,735	-143,821	-	1,000,000	730,313	1,730,313
Cash flow hedge						
Commodities swaps	85,261	-465	566,141	56,018	-	622,159
Interest rate swaps	96	-23,721	35,355	215,156	216,988	467,499
Currency forwards	1,805	-23,236	319,364	442,444	-	761,808
	87,162	-47,422	920,860	713,618	216,988	1,851,466
Trading						
Commodities swaps	30,317	-1,634	1,009,027	8,372	-	1,017,399
Interest rate swaps	29,495	-23,240	9,082	-	837,532	846,614
Cross-currency interest rate swaps	-	-8,603	-	27,003	-	27,003
Currency forwards	2,672	-27,191	480,337	132,959	-	613,296
Commodities forwards	8,755	-10,989	82,926	-	-	82,926
Options purchased and sold	-	-1,157	-	-	-	-
OMIP futures	512	-3,222	487,695	34,374	-	522,069
	71,751	-76,036	2,069,067	202,708	837,532	3,109,307
	276,311	-267,373	2,989,927	1,916,326	1,859,931	6,766,184

The fair value of the derivative financial instruments is booked in Debtors and other assets (see note 25) and Creditors and other liabilities (see note 37), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use discount cash flows techniques usually accepted and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Hedged risk	2010 Changes in fair value Instrument Euro'000	2010 Changes in fair value Risk Euro'000	2009 Changes in fair value Instrument Euro'000	2009 Changes in fair value Risk Euro'000
- Fair value	Interest rate swap	Interest rate	-17,553	17,553	-2,286	2,286
- Fair value	Cross-currency interest rate swaps	Exchange and interest rate	49,210	-49,210	26,547	-26,547
- Cash flow hedge	Interest rate swap	Interest rate	-3,009	-	-3,242	-
- Cash flow hedge	Currency forwards	Exchange rate	-12,629	-	-29,177	-
- Cash flow hedge	Commodities swaps	Commodity prices	-44,209	-	79,498	-
			-28,190	-31,657	71,340	-24,261

The changes in the fair value reserve related to cash flow hedges in 2010 and 2009 were as follows:

	Group Dec 2010 Euro'000	Group Dec 2009 Euro'000
Balance at the beginning of the year	80,444	-54,653
Fair value changes	-59,847	47,079
Transfers to results	24,583	88,018
Balance at the end of the year	45,180	80,444

The gains and losses on the financial instruments portfolio booked in the income statement in 2010 and 2009 are as follows:

	Group 31 Dec 2010 Euro'000	Group 31 Dec 2009 Euro'000	Company 31 Dec 2010 Euro'000	Company 31 Dec 2009 Euro'000
Derivatives held for trading	-20,614	34,123	113,201	-10,474
Fair value hedges				
- Derivatives	31,657	24,261	-28,596	-2,852
- Hedged liabilities	-31,657	-24,261	28,596	2,852
Cash flow hedges				
- Transfer to results	-24,583	-88,018	27,094	-42,505
- Ineffectiveness	44	977	44	977
	-45,153	-52,918	140,339	-52,002

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2010 are as follows:

	Group Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,054,878	EUR	[5.01% - 0.49%]	[5.88% - 0.49%]
Interest rate swaps	735,658	USD	[5.82% - 2.09%]	0.46%
Interest rate swaps	109,170	PLN	5.41%	1.00%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.88% - 2.53%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	6,069	USD / BRL	[12.66% - 11.14%]	4.68%
CIRS (currency interest rate swaps)	92,039	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR/PLN	[2.96% - 2.86%]	1.01%
Exchange rate contracts				
Currency forwards	244,724	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2009 were as follows:

	Group Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,314,113	EUR	[5.01% - 0.19%]	[5.88% - 0.71%]
Interest rate swaps	246,614	USD	[5.82% - 2.09%]	0.43%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.74% - 2.51%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	27,004	USD / BRL	[10.25% - 9.44%]	4.86%
CIRS (currency interest rate swaps)	75,098	USD / JPY	6.84%	3.11%
Exchange rate contracts				
Currency forwards	226,989	BRL / USD		

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

41. Commitments

Financial and real guarantees granted by the EDP Group, not included in the balance sheet as at 31 December 2010 and 2009, are analysed as follows:

Type	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Guarantees of a financial nature				
EDP, S.A.	381,332	396,175	381,332	396,175
Hidrocantábrico Group	36,271	36,858	-	-
Brazil Group	13,244	46,587	-	-
EDP Renováveis Group	24,999	9,465	-	-
Other	3,711	3,720	-	-
	459,557	492,805	381,332	396,175
Guarantees of an operating nature				
EDP, S.A.	911,218	829,891	911,218	829,891
Hidrocantábrico Group	348,543	324,839	-	-
Brazil Group	120,663	102,732	-	-
EDP Renováveis Group	1,893,862	1,613,885	-	-
Other (Portugal)	32,280	25,191	-	-
	3,306,566	2,896,538	911,218	829,891
Total	3,766,123	3,389,343	1,292,550	1,226,066
Real guarantees	13,335	12,504	-	-

The financial guarantees contracted include, at 31 December 2010 and 2009, 358,631 thousand Euros and 452,063 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 320,287 thousand Euros at 31 December 2010 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 120,404 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2010 and 2009, 553,274 thousand Euros and 439,030 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2010 and 2009 these loans amounted to 862,625 thousand Euros and 716,429 thousand Euros, respectively, and are included in the Group's consolidated debt.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the balance sheet) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 31 December 2010 and 2009, by maturity, as follows:

	Dec 2010				
	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)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	71,793,576	9,514,638	15,957,600	12,852,301	33,469,037

	Dec 2009				
	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)	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
	63,364,193	8,189,965	11,822,475	12,009,136	31,342,617

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the Europe, United States of America and Brazil.

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period-end.

Finance lease commitments relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include capital outstanding and interests.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated balance sheet (note 35).

As at 31 December 2010, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- Put option of Caja Madrid over EDP Renewables Europe, S.A. for 20% of its investment in Genesa. The option can be exercised between 1 January 2010 and 2011, being the price of exercising the option determined by shareholders agreement. This options was exercised during 2010;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over the shares hold by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;
- Soporcel holds a call option over the shares held by EDP, exercisable on 30 September 2015, with an exercise price of 5 Euros, to be paid in proportion to the shares held by Alstom Portugal, S.A. and EDP Produção S.A.;
- Soporcel holds a call option exercisable at any time of the shares held by EDP Produção, S.A. in Soporgen. This option is exercisable at any time until 31 December 2014. The exercise price is fixed depending on the date of exercise of the option;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
  - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
  - When EDP Renewables Italy is able to build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Gant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousand Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remain shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousand Euros. The exercise period is the earlier of (i) two years following the beggining of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2,67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2,67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousand Euros.

42. Share based payments

EDP implemented a stock option program applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote value enhancement.

EDP Group has the following three stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expire eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.

The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2008	1,117,485	2.21
Options exercised	105,088	
Options granted	-	
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 31 December 2010	605,477	2.22

Information regarding stock options as at 31 December 2010:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	2.94	605,477	438,389

During 2010 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the year ended at 31 December 2010, EDP Group granted treasury stocks to employees (744,935 shares) totalling 2,118 thousand Euros.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

43. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2010 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	915,977,598	25.05%	24.09%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	23,365,116	0.64%	0.61%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,340,958	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	123,241,223	3.37%	3.37%
Banco Espírito Santo Group	99,173,971	2.71%	2.71%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	97,247,888	2.66%	2.66%
EDP Group (Treasury stock)	33,324,941	0.91%	
Remaining shareholders	1,526,025,916	41.75%	
	3,656,537,715	100.0%	

The number of shares of EDP S.A. held by company officers in 2010 and 2009 are as follows:

	2010 Nr. of shares	2009 Nr. of shares
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,745	57,745
Executive Board of Directors		
António Luís Guerra Nunes Mexia	31,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	62,497	12,497
Nuno Maria Pestana de Almeida Alves	80,000	50,000
	222,613	112,613

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2010 was as follows:

	EBD Euro'000	GSC Euro'000
President	1,055	639
Members	5,287	870
	6,342	1,509

The remuneration of the members of the Executive Board of Directors includes a variable component of 2,007 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

During 2010 the costs incurred with the fees of the Statutory Auditor was 180,000 Euros.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries, which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

Balances and transactions with subsidiaries and associates

As at 31 December 2010, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Produção Bioeléctrica	-	12,458	90	12,548
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Comercial	32,156	54,551	35,957	122,664
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás.Com	-	-	13,342	13,342
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Inovação	2,662	7,071	844	10,577
EDP Soluções Comerciais	-	-	6,588	6,588
EDP Renováveis	-	-	161,909	161,909
EDP Renewables Europe	-	-	8,162	8,162
EDP Serviço Universal	-	-	3,922	3,922
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Valor	-	-	4,743	4,743
EDP Energias do Brasil	-	-	10,643	10,643
Electrica Ribera del Ebro	-	-	813	813
Sāvida	-	-	715	715
Energin	-	-	911	911
Hidrocantábrico Energia	-	-	1,512	1,512
HDC Gestion de Energia	-	14,433	-	14,433
Hidroeléctrica del Cantábrico	1,841	131,313	7,371	140,525
EDP Internacional	2,295	1,349	749	4,393
Naturgas Comercializadora	-	-	4,226	4,226
Naturgas Energía Servicios	-	-	2,968	2,968
EDP Investimentos	1,137	15,000	538	16,675
Pebble Hydro	-	-	4,793	4,793
Portgás	-	-	1,168	1,168
Other	25	-	7,364	7,389
	325,149	6,242,157	1,394,625	7,961,931

As at 31 December 2009, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	17,741	265,000	1,604	284,345
EDP Produção Bioeléctrica	-	13,045	94	13,139
EDP Gestão da Produção	2,459	3,693,962	213,626	3,910,047
EDP Energias do Brasil	-	-	14,947	14,947
EDP Distribuição	3,960	628,125	120,967	753,052
EDP Comercial	115,409	-	50,365	165,774
EDP Finance BV	-	15,183	1,190	16,373
EDP Gás.Com	-	-	3,902	3,902
EDP Imobiliária e Participações	4,349	206,622	505	211,476
EDP Inovação	3,893	2,545	269	6,707
EDP Soluções Comerciais	-	-	22,828	22,828
EDP Renováveis	-	-	17,016	17,016
EDP Serviço Universal	-	-	254,574	254,574
EDP Gás - SGPS	35,944	47,452	1,115	84,511
EDP Valor	-	-	13,837	13,837
Electrica Ribera del Ebro	-	-	8,443	8,443
Energin	-	-	1,135	1,135
EDP Renováveis Portugal S.A.	-	-	1,177	1,177
HDC Gestion de Energia	-	303,139	-	303,139
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

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

As at 31 December 2010, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Companies	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
EDP Gestão da Produção	-	-	168,342	168,342
EDP Distribuição	-	-	45,341	45,341
EDP Comercial	-	-	1,548	1,548
EDP Estudos e Consultoria	6,624	-	6,220	12,844
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás.Com	-	-	4,286	4,286
EDP Imobiliária e Participações	-	-	2,731	2,731
EDP Inovação	-	-	4,981	4,981
EDP Soluções Comerciais	19,581	-	817	20,398
EDP Renováveis	-	170,387	-	170,387
EDP Renewables Europe	-	55,398	-	55,398
EDP Serviner	1,051	-	231	1,282
EDP Serviço Universal	-	-	230,712	230,712
EDP Valor	18,082	-	1,863	19,945
Electrica Ribera del Ebro	-	-	11,220	11,220
Hidroeléctrica do Guadiana	-	-	4,818	4,818
Hidroeléctrica del Cantábrico	-	5	32,071	32,076
Hidrocantábrico Energia	-	-	2,992	2,992
Labelec	499	-	672	1,171
Naturgás	-	84,492	-	84,492
Naturgas Comercializadora	-	-	2,513	2,513
EDP Gás III SGPS	62,488	-	277	62,765
ENERGIN	-	-	1,030	1,030
Soporgen	-	-	1,074	1,074
OPTEP	-	-	910	910
Sãvida	13,816	-	361	14,177
Other	100	1	1,770	1,871
	122,241	3,585,252	571,238	4,278,731

As at 31 December 2009, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Companies	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
EDP Gestão da Produção	-	-	102,718	102,718
EDP Distribuição	-	-	16,041	16,041
EDP Comercial	-	-	6,354	6,354
EDP Estudos e Consultoria	3,284	-	6,562	9,846
EDP Finance BV	-	3,337,359	36,740	3,374,099
EDP Imobiliária e Participações	-	-	6,402	6,402
EDP Inovação	-	-	4,599	4,599
EDP Soluções Comerciais	38,123	-	-	38,123
EDP Renováveis	-	37,690	-	37,690
EDP Serviner	1,304	-	24	1,328
EDP Valor	31,308	-	792	32,100
Electrica Ribera del Ebro	-	-	28,933	28,933
Energin	-	-	2,446	2,446
Hidrocantábrico Energia	-	-	1,219	1,219
Hidroeléctrica do Guadiana	-	-	1,143	1,143
Hidroeléctrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
EDP Renewables Europe	-	21,554	11,377	32,931
EDP Gás III SGPS	62,147	-	381	62,528
EDP Investimentos	1,919	-	-	1,919
Sãvida	12,163	-	2	12,165
Soporgen	-	-	1,507	1,507
Other	-	-	704	704
	158,559	3,401,239	244,775	3,804,573

Expenses related to intra-Group transactions as at 31 December 2010, **at Company level** , eliminated on consolidation are as follows:

Companies	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
EDP Gestão da Produção	43	-	902,490	902,533
EDP Distribuição	-	-	10,465	10,465
EDP Estudos e Consultoria	22	-	20,248	20,270
EDP Finance BV	-	183,957	12,066	196,023
EDP Gás.Com	-	-	8,476	8,476
EDP Inovação	-	-	4,081	4,081
EDP Renováveis	-	440	3,324	3,764
EDP Renewables Europe	-	-	12,518	12,518
EDP Valor	102	-	4,454	4,556
Electrica Ribera del Ebro	-	-	27,013	27,013
Hidrocantábrico Energia	-	-	7,124	7,124
Hidrocantábrico Serviços	-	-	1,021	1,021
Hidroeléctrica do Guadiana	-	-	32,360	32,360
Hidroeléctrica del Cantábrico	-	-	62,375	62,375
Naturgas Comercializadora, S.A.	-	-	2,513	2,513
Other	236	552	2,669	3,457
	403	184,949	1,113,197	1,298,549

Expenses related to intra-Group transactions as at 31 December 2009, **at Company level** , eliminated on consolidation are as follows:

Companies	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
EDP Gestão da Produção	52	-	924,086	924,138
EDP Distribuição	1,398	-	8,642	10,040
EDP Estudos e Consultoria	22	-	20,098	20,120
EDP Finance BV	-	168,347	99,216	267,563
EDP Gás.Com	-	-	1,700	1,700
EDP Imobiliária e Participações	-	-	922	922
EDP Inovação	19	-	3,447	3,466
EDP Soluções Comerciais	781	-	180	961
EDP Renováveis	-	257	77,813	78,070
EDP Valor	217	-	5,405	5,622
Electrica Ribera del Ebro	-	-	44,890	44,890
Hidrocantábrico Energia	-	-	13,806	13,806
Hidroeléctrica do Guadiana	-	-	7,130	7,130
Hidroeléctrica del Cantábrico	-	-	47,934	47,934
Naturgás	-	850	-	850
EDP Renewables Europe	-	-	24,857	24,857
Other	109	131	1,446	1,686
	2,598	169,585	1,281,572	1,453,755

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Income related to intra-Group transactions as at 31 December 2010, **at Company level** , eliminated on consolidation are as follows:

Companies	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Balwerk	135	7,375	71	7,581
EDP Gestão da Produção	2,007	206,868	44,975	253,850
EDP Energias do Brasil	-	-	5,595	5,595
EDP Distribuição	7,245	39,861	37,810	84,916
EDP Comercial	677	1,410	390,304	392,391
EDP Gás.Com	-	-	63,070	63,070
EDP Imobiliária e Participações	21	4,950	323	5,294
EDP Inovação	17	312	392	721
EDP Soluções Comerciais	134	-	26,588	26,722
EDP Renováveis	-	-	155,083	155,083
EDP Renewables Europe	-	-	18,233	18,233
EDP Serviço Universal	-	-	11,165	11,165
EDP Gás - SGPS	295	3,840	1,887	6,022
EDP Valor	-	-	8,167	8,167
EDP Finance BV	-	149	643	792
Electrica Ribera del Ebro	-	-	19,946	19,946
Hidrocantábrico Distribuición Eléctrica S.A.U.	-	-	2,123	2,123
Hidrocantábrico Energia	-	-	2,395	2,395
HC Soluciones Comerciales	-	-	2,000	2,000
HDC Gestión de Energia	-	3,317	291	3,608
Hidroeléctrica do Guadiana	-	-	1,060	1,060
Hidroeléctrica del Cantábrico	-	-	43,429	43,429
Naturgas Energía Servicios	-	-	3,344	3,344
Naturgas Comercializadora	-	-	4,221	4,221
Other	43	861	8,359	9,263
	10,574	268,943	851,474	1,130,991

Income related to intra-Group transactions as at 31 December 2009, **at Company level** , eliminated on consolidation are as follows:

Companies	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
2007 Vento I LLC	-	-	743	743
Balwerk	54	9,646	144	9,844
EDP Produção Bioeléctrica	-	466	1	467
EDP Gestão da Produção	1,863	194,523	128,129	324,515
EDP Distribuição	6,097	70,299	39,554	115,950
EDP Comercial	682	-	253,211	253,893
EDP Finance BV	-	113	91,265	91,378
EDP Imobiliária e Participações	161	11,657	489	12,307
EDP Ásia - Investimento e Consultadoria	-	-	712	712
EDP Soluções Comerciais	1,106	-	29,757	30,863
EDP Renováveis	-	34,311	13,827	48,138
EDP Serviço Universal	-	-	16,049	16,049
EDP Gás SGPS	284	1,712	1,786	3,782
EDP Valor	-	-	9,298	9,298
Electrica Ribera del Ebro	-	-	16,602	16,602
Hidrocantábrico Distribuição Eléctrica S.A.U.	-	-	1,000	1,000
Hidroeléctrica do Guadiana	-	-	1,577	1,577
Hidroeléctrica del Cantábrico	-	17	66,031	66,048
EDP Investimentos	-	797	-	797
Sãvida	-	-	721	721
Other	75	577	4,632	5,284
	10,322	324,118	675,528	1,009,968

Assets and Liabilities with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	175,490	16,422	159,068

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
	172,588	14,149	158,439

Transactions with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	9,502	3,334	-887	-9
Jointly controlled entities	53,821	5,432	-23,638	-7,835
	63,323	8,766	-24,525	-7,844

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
	38,013	3,493	-21,873	-560

44. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2010 and 2009, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December2010			31 December 2009		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.01%	0.30%	10.90%	0.70%	0.25%	8.74%
6 months	1.23%	0.46%	11.61%	0.99%	0.43%	9.22%
1 year	1.51%	0.78%	12.04%	1.25%	0.98%	10.50%
2 years	1.56%	0.79%	12.27%	1.89%	1.42%	11.86%
3 years	1.89%	1.26%	12.15%	2.25%	2.06%	12.43%
4 years	2.20%	1.74%	12.04%	2.56%	2.58%	12.65%
5 years	2.49%	2.17%	11.95%	2.80%	2.98%	12.79%
6 years	2.74%	2.53%	11.89%	3.03%	3.29%	12.90%
7 years	2.93%	2.83%	11.85%	3.22%	3.54%	13.10%
8 years	3.09%	3.06%	11.87%	3.36%	3.70%	13.30%
9 years	3.21%	3.25%	11.88%	3.49%	3.85%	13.31%
10 years	3.32%	3.41%	11.90%	3.58%	3.97%	13.31%

Fair value of assets and liabilities as at 31 December 2010 and 2009 is analysed as follows:

	Group Dec 2010			Group Dec 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	443,965	443,965	-	443,117	443,117	-
Trade receivables	2,187,118	2,187,118	-	2,007,626	2,007,626	-
Derivative financial instruments	223,053	223,053	-	276,311	276,311	-
Financial assets at fair value through profit or loss	35,745	35,745	-	84,852	84,852	-
Cash and cash equivalents (assets)	1,511,224	1,511,224	-	2,189,560	2,189,560	-
	4,401,105	4,401,105	-	5,001,466	5,001,466	-
Financial liabilities						
Loans	17,891,646	17,398,777	-492,869	16,280,980	16,658,072	377,092
Trade payables	1,988,039	1,988,039	-	1,706,135	1,706,135	-
Derivative financial instruments	196,693	196,693	-	267,373	267,373	-
	20,076,378	19,583,509	-492,869	18,254,488	18,631,580	377,092

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates. The remaining financial assets and liabilities are already stated at fair value.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

	31 December 2010			31 December 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	302,342	49,725	91,898	323,645	47,570	71,902
Derivative financial instruments	-	223,053	-	-	276,311	-
Financial assets at fair value through profit or loss	35,745	-	-	84,852	-	-
	338,087	272,778	91,898	408,497	323,881	71,902
Financial liabilities						
Derivative financial instruments	-	196,693	-	-	267,373	-
	-	196,693	-	-	267,373	-

As at 31 December 2010 and 2009, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2010	Dec 2009
Balance at beginning of year	71,902	55,584
Change in fair value reserve	7,964	17,277
Disposals	-	-1,168
Transfers and other changes	12,032	209
Balance at year end	91,898	71,902

45. Adoption of IFRIC 12 - Service concession arrangements

IFRIC 12 is designated to provide an accounting framework to businesses developed by operators in public-private infrastructure concessions with underlying services of public interest.

IFRIC 12 was adopted by the EU Commission on 25 March 2009 and applies to annual periods that begin after that date. In EDP, the application of this interpretation is mandatory from January 1, 2010, being mandatory the presentation of comparative information for the year of 2009.

IFRIC 12 applies to contracts of public-private concessions in which the grantor:

- Controls or regulates the type of services that can be provided using the underlying infrastructure;
- Controls or regulates the price at which services are provided;
- Controls / holds a significant interest in the infrastructure at the end of the concession.

Under IFRIC 12, a public-private concession will present, typically, the following characteristics:

- An infrastructure underlying the grant which is used to provide services;
- An agreement / contract between the grantor and operator;
- The operator provides a range of services during the concession;
- The operator receives a fee throughout the concession contract, either directly from the grantor or the users of the infrastructure, or both;
- Infrastructures are transferred to the grantor at the end of the concession, typically for free or even for reward.

In the business of **Generation of electricity**, IFRIC 12 applies to the operation of mini-hydroelectric generation plants (with regulated electricity prices), being applicable the Intangible Assets Model, as described in accounting policy 2 aa).

In the business of **Distribution of electricity**, IFRIC 12 applies to the High / Medium Voltage (RND) and Low Voltage (Municipalities - Local Authorities) concessions of EDP Distribuição and also to the electricity distribution concessions granted to the Brazilian subsidiaries Bandeirante and Escelsa, being for all cases applied the mixed model, as described in accounting policy 2 aa).

In the business of **Gas distribution**, IFRIC 12 applies to the concession attributed to EDP Gás in Portugal being applicable the mixed model, as described in accounting policy 2 aa).

In the business of **Electricity transportation**, IFRIC 12 applies to the Brazilian subsidiary Évrecy - Transmission, applying the Financial Model, as described in accounting policy 2 aa).

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 2aa) and 6).

The impacts of the adoption of IFRIC 12 are presented as follows:

Balance Sheet	31.12.2009 *	Adjustments IFRIC 12	31.12.2009 Adjusted	01.01.2009	Adjustments IFRIC 12	01.01.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Assets						
Property, plant and equipment	24,118,996	-5,684,190	18,434,806	21,249,965	-5,359,898	15,890,067
Intangible assets	2,829,256	3,660,793	6,490,049	2,648,792	3,501,674	6,150,466
Goodwill	3,136,566	-	3,136,566	3,104,979	-	3,104,979
Investments in associates	175,272	-	175,272	172,754	-	172,754
Available for sale investments	443,117	-	443,117	350,887	-	350,887
Deferred tax assets	661,335	-	661,335	539,878	-	539,878
Trade receivables	114,821	-	114,821	112,044	-	112,044
Debtors and other assets	1,942,970	370,257	2,313,227	2,637,703	273,420	2,911,123
Total Non-Current Assets	33,422,333	-1,653,140	31,769,193	30,817,002	-1,584,804	29,232,198
Inventories	273,376	-	273,376	276,800	-	276,800
Trade receivables	1,892,805	-	1,892,805	1,646,613	-	1,646,613
Debtors and other assets	1,866,477	-	1,866,477	1,632,172	-	1,632,172
Tax receivable	557,641	-	557,641	544,740	-	544,740
Financial assets at fair value through profit or loss	84,852	-	84,852	83,227	-	83,227
Cash and cash equivalents	2,189,560	-	2,189,560	713,587	-	713,587
Assets classified as held for sale	-	-	-	30,828	-	30,828
Total Current Assets	6,864,711	-	6,864,711	4,927,967	-	4,927,967
Total Assets	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165

Equity	31.12.2009 *	Adjustments IFRIC 12	31.12.2009 Adjusted	01.01.2009	Adjustments IFRIC 12	01.01.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-119,784	-	-119,784	-126,532	-	-126,532
Share premium	501,992	-	501,992	501,992	-	501,992
Reserves and retained earnings	2,230,981	-	2,230,981	1,243,293	-	1,243,293
Consolidated net profit attributable to equity holders of EDP	1,023,845	-	1,023,845	1,091,529	-	1,091,529
Total Equity attributable to equity holders of EDP	7,293,572	-	7,293,572	6,366,820	-	6,366,820
Minority interests	2,684,441	-	2,684,441	2,200,605	-	2,200,605
Total Equity	9,978,013	-	9,978,013	8,567,425	-	8,567,425

	31.12.2009 *	Adjustments IFRIC 12	31.12.2009 Adjusted	01.01.2009	Adjustments IFRIC 12	01.01.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Liabilities						
Financial debt	13,486,499	-	13,486,499	10,874,311	-	10,874,311
Employee benefits	1,879,704	-	1,879,704	1,833,887	-	1,833,887
Provisions	344,383	-	344,383	323,719	-	323,719
Hydrological correction account	112,631	-	112,631	237,822	-	237,822
Deferred tax liabilities	771,896	-	771,896	675,737	-	675,737
Trade and other payables	4,671,761	-1,519,016	3,152,745	4,862,651	-1,493,431	3,369,220
Total Non-Current Liabilities	21,266,874	-1,519,016	19,747,858	18,808,127	-1,493,431	17,314,696
Financial debt	2,794,481	-	2,794,481	3,812,014	-	3,812,014
Trade and other payables	5,319,670	-134,124	5,185,546	4,153,100	-91,373	4,061,727
Tax payable	928,006	-	928,006	388,462	-	388,462
Liabilities classified as held for sale	-	-	-	15,841	-	15,841
Total Current Liabilities	9,042,157	-134,124	8,908,033	8,369,417	-91,373	8,278,044
Total Liabilities	30,309,031	-1,653,140	28,655,891	27,177,544	-1,584,804	25,592,740
Total Equity and Liabilities	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165

* This column includes, under the terms of IFRS 3, the effect of the adjustments resulting from the final purchase price allocation of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L., which led to a reclassification of comparative financial information as of 31 December 2009, increasing the value of property plant and equipment by 25,258 thousand Euros, increasing the value of intangible assets of 22,542 thousand Euros, decreasing the goodwill by 23,266 thousand Euros, decreasing the value of trade and receivables (current) of 508 thousand Euros, increasing the value of trade and other payables of 1,461 thousand Euros, increasing reserves and retained earnings by 2,421 thousand Euros, decreasing noncontrolling interests by 3,096 thousand Euros, increasing provisions for liabilities and charges of 1,628 thousand Euros, increasing deferred tax liabilities by 13,003 thousand Euros, decreasing Trade and other payables (current) by 2,508 thousand Euros and increasing Trade and other payables (non current) by 14,039 thousand Euros.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The impact of the adoption of IFRIC 12 in EDP Group's income statement is presented as follows:

Income Statement	31.12.2009 (Thousand Euros)	Adjustments IFRIC 12 (Thousand Euros)	31.12.2009 Adjusted (Thousand Euros)
Turnover	12,198,183	-174	12,198,009
Cost of consumed electricity	-5,340,458	-	-5,340,458
Cost of consumed gas	-641,183	-	-641,183
Changes in inventories and cost of raw materials and consumables used	-1,111,229	-	-1,111,229
	5,105,313	-174	5,105,139
Other operating income / (expenses)			
Other operating income	224,790	-	224,790
Supplies and services	-768,202	-	-768,202
Personnel costs	-540,036	-	-540,036
Employee benefits	-158,353	-	-158,353
Other operating expenses	-500,564	-	-500,564
	-1,742,365	-	-1,742,365
Provisions	-74,685	-	-74,685
Depreciation and amortisation expense	-1,429,711	95,658	-1,334,053
Compensation of amortisation and depreciation	111,015	-95,484	15,531
	-1,393,381	174	-1,393,207
	1,969,567	-	1,969,567
Gains / (losses) on the sale of financial assets	59,703	-	59,703
Other financial income	1,036,374	-	1,036,374
Other financial expenses	-1,523,083	-	-1,523,083
Share of profit in associates	25,151	-	25,151
Profit before income tax	1,567,712	-	1,567,712
Income tax expense	-399,765	-	-399,765
Net profit for the period	1,167,947	-	1,167,947
Attributable to:			
Equity holders of EDP	1,023,845	-	1,023,845
Minority interests	144,102	-	144,102
Net profit for the period	1,167,947	-	1,167,947
Earnings per share (Basic and Diluted) - Euros	0.28	-	0.28

The impacts of the adoption of IFRIC 12 per business are presented as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Intangible assets		
Concession rights		
Portugal		
Electricity		
Distribution	2,397,876	2,424,483
Generation	121,911	122,970
Gas	287,423	263,979
Brazil		
Electricity		
Distribution and transport	1,060,151	849,361
Tangible and intangible fixed assets not related to concessions	-6,067,419	-5,684,190
Receivables from concessions - IFRIC 12 - Non current	468,071	370,257
Total impact on assets	-1,731,987	-1,653,140
Allowances and asset investment - non current	-2,855,676	-2,672,251
Allowances and investment assets - current	1,123,689	1,019,111
Total impact on liabilities	-1,731,987	-1,653,140

The value of grants and contributions obtained related to investment assets was considered in the gross value of intangible fixed assets allocated to concessions - IFRIC 12 and the amortisation of these grants and contributions was considered in the accumulated amortisation of intangible fixed assets allocated to concessions - IFRIC 12.

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Amortisation of concession rights	353,706	309,977
Depreciation of tangible fixed assets	-458,637	-405,635
Compensation for depreciation	104,578	95,484
Other	353	174
Total impact on results	-	-

46. CO2 licenses

The movements in the portfolio of CO_2 licenses are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO_2 (Ton)	CO2 (Ton)
CO_2 licenses as at 1 January	415,685	1,373,457
Licenses granted free of charge	15,877,527	15,713,069
Licenses purchased	6,740,686	6,390,760
Licenses transferred (from own consumption to trading)	-8,094,155	-3,105,000
	14,939,743	20,372,286
Licenses to be returned (consumed)	14,699,504	19,956,601
Excess/(Lack) of licenses	240,239	415,685

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).

The movements in the portfolio of CO_2 licenses held for trading and classified as inventories are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO_2 (Ton)	CO_2 (Ton)
CO_2 licenses held for trading on 1 January	954,739	1,830,009
Licenses acquired in the market	6,280,700	5,860,583
Emission licenses transferred to the trading portfolio	8,094,155	3,105,000
Licenses sold	-11,398,266	-9,840,853
CO_2 licenses held for trading on 31 December	3,931,328	954,739
CO_2 Licenses for trading on 31 December 2010 (in thousand Euros)	51,745	11,351

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 l).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

47. Subsequent events

EDP receives the first part of Spanish tariff adjustments

On 13 January 2011, EDP Group announced that should receive through subsidiary Hidroeleéctrica del Cantábrico, S.A, 102,5 million euros related with the first part of the amounts payable for tariff adjustments of Spain.

EDP issues a 5 years bond of 750.000.000 Euros

On 25 January 2011, EDP Finance BV issued and priced a Eurobond in the total amount of 750 million euros maturing in January 2016 with a coupon of 5,875%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

EDP contracts a 15 years loan of 300.000.000 Euros

On 10 February 2011, the EDP Group has contracted a loan of 300.000.000 Euros for a period of 15 years with the European Bank of Investment.

EDP issues a 3 years bond of 230.000.000 CHF

On 4 February 2011, EDP Finance BV issued and priced a Swiss Franc bond in the total amount of 230 million swiss franc maturing in Februrary 2014 with a coupon of 3,5%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of reinforcing its financial flexibility.

48. Recent accounting standards and interpretations issued

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements can be analysed as follows:

IAS 39 (Amended) — Financial Instruments: Recognition and measurement — Eligible hedged items

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 - Financial Instruments: Recognition and measurement — Eligible hedged items, which is of mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on a hedged operation.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 1 (Amended) — First time adoption of the International Financial Reporting Standards and IAS 27 — Consolidated and Separate Financial Statements

The changes to IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective for periods beginning on or after 1 July 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

No significant impact in the Group resulted from the adoption of this amendment.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards

The changes to IFRS 1 — First time adoption of the International Financial Reporting Standards are as follows:

- According to the amendments issued on 23 July 2009, entities with oil and gas activities transitioning to IFRSs are allowed to use carrying amounts for oil and gas assets determined under their previous accounting rules. Those entities that decide to use that exception should measure decommissioning, restoration and similar liabilities relating to oil and gas assets in accordance with IAS 37 — Provisions , contingent liabilities and contingent assets against retained earnings, with effective date of mandatory application of annual periods beginning on or after 1 January 2010,being allowed its early adoption.

- Realising that the relief regarding restatement of comparative disclosures in IFRS 7 concerning fair value measurements and liquidity risk if those comparative periods end before 31 December 2009 is not available to entities that apply IFRS for the first time, the aim of the amendment to IFRS 1 is to provide for an optional relief for those entities. Thus, to avoid the potential use of hindsight and to ensure that the first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRS that are included in Improving Disclosures about financial Instruments. This amendment occurred in January 2010 with effective date of mandatory application on the first financial year starting after 30 June 2010.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 2 (Amended) - Group Cash-settled Share-based Payment Transactions

The International Accounting Standards Board (IASB) issued in March 2010, the amended IFRS 2 . Group Cash. Settled Share-based Payment Transactions, with effective date of mandatory application of 31 December 2009.

This change to IFRS 2 clarifies how an individual subsidiary in a group should account the share-based payments in its financial statements.

The amendments make clear that:

- An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash;
- The expression "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 3 (Revised) - Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial statements

The International Accounting Standards Board (IASB) issued in January 2008 the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its early adoption.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as minority interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as component attributable to non controlling interest on the fair value of the net assets acquired (as currently required); (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition; (iii) the costs directly related with the acquisition of a subsidiary will be directly accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, following the changes to IAS 27, the accumulated losses of a subsidiary will be attributed to the non-controlling interests (recognition of negative non-controlling interests) and when a subsidiary is sold with a subsequent loss of control, the remaining non-controlling interests are measured at the fair value determined at the date of the transaction.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 12 — Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 IFRIC 12 — Service Concession Arrangement. The EU endorsement of this interpretation was on 25 March 2009, which is mandatory for annual periods beginning on or after 29 March 2009. The IFRIC 12 applies to public-to-private service concession arrangements. Therefore IFRIC 12 shall be applied to EDP Group consolidated financial statements, from 1 January 2010, including the comparative amounts disclosed for 2009.

The IFRIC 12 applies to public-to-private service concession arrangements and establishes the accounting framework to the activity made by infrastructure operators under service concession arrangements, whose objective is to render a public service.

This interpretation is applicable when the grantor maintains the control of the services rendered by the operator, in what concerns its nature and type, maintains the control over the prices and controls any significant residual interest in the infrastructure comprised by the arrangement.

The Group EDP is evaluating the impact in its subsidiaries in Portugal and in other locations of adopting this interpretation. Following this assessment, the main activities which fall under the scope of IFRIC 12 are analysed as follows:

Portugal

In the distribution activity in Portugal, the concessions with the municipalities for the low-tension electricity, the State concession for the distribution of high and medium tension (EDP Distribuição), as well as the State concession for the distribution of low and medium pressure gas (EDP Gás) were identified. In the production of electricity were also identified exploration licenses of mini-hydric in EDP Produção and in Pebble Hydro Group, where the IFRIC 12 is applicable, and that will be reclassified under the application of this standard.

Brazil

It was identified that the distribution activity rendered under concessions falls under IFRIC 12, namely the concessions of Bandeirante and Escelsa.

The group presents the impact from the adoption of this interpretation in note 45.

IFRIC 17 — Distributions of Non-cash Assets to Owners

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 17 — Distributions of Non-cash Assets to Owners, with effective application date to years started after 1 July 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognised in profit and loss in the period of the distribution.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 18 — Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early adoption being allowed.

As such, IFRIC 18 shall be applied to the Group's financial statements starting after 1 January 2010.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The assets recognition and initial measurement;
- The identification of the identifiable services (one or more services in exchange for the transferred asset);
- Revenue recognition and;
- Accounting of money transfers from customers.

The Group presents the impact from the adoption of this interpretation in note 7.

Annual Improvement Project

In May, 2008, as referred previously IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 5 — Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

This standard will be adopted prospectively by the Group.

In May, 2009, the IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 2 - Share-based Payment, which is applicable from 1 Janeiro de 2010. The change clarified that an entity shall not apply this IFRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (Revised) - Business Combinations.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 5 - Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2010. This change clarifies (I) the specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; (ii) disclosures about measurement of assets and liabilities within a disposal groups that are not within the scope of the measurement requirement of the IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 8 - Operating Segments, which is applicable from 1 January 2010. The change established that the revenues from external customers should be reportable by segment. Segment information for prior years that is reported as comparative information for the initial year of application shall be restated to confront to the requirements if this IFRS, unless the necessary information is no available and the cost to develop it would be excessive.

No significant impact in the Group resulted from the adoption of this change.

- Change to IAS 1 - Presentation of Financial Statements, which is effective from 1 January 2010. The change establishes the conditions to account a current liability.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 7 - Statement of Cash Flows, which is effective from 1 January 2010. The change establishes that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 17 - Leases, which is effective from 1 January 2010. The change establish when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease. Regarding the transitional provisions an entity shall reassess the classification of land elements of unexpired leases at the date it adopts this amendments. Additionally, shall be recognised a lease newly classified as a finance lease retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 36 - Impairment of Assets, which is applicable from 1 January 2010. The change clarifies that each unit or group of units to which the goodwill is so allocated shall (i) represent the lowest level within the entity at which the goodwill is monitored for internal management purpose and (ii) not be larger than an operating segment as defined by paragraph 5 of IFRS 8-Operating Segments before aggregation.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 38 - Intangible Assets, which is applicable from 1 January 2010. The changes clarifies that can be developed techniques for estimating their initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs.

No significant impact in the Group resulted from the adoption of this change.

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

- Changes to IAS 39 - Financial Instruments : Recognition and Measurement, which is effective from January 2010. The change establishes that this standard is not applicable to a forward contract between an acquirer and a selling shareholder to buy or sell an acquire that will result is a business combination at a future acquisition date and the term of the forward contract should nor exceed a reasonable period normally necessary to obtain any requires approvals to complete the transaction. The changes also clarifies that a call, put, or prepayment option embedded in a host debt contract insurance is not closely related to the host contract unless (i) the option's exercise. price is approximately equal on each exercise date to the amortised cost of the host debt instrument or the carrying amount of the host insurance contract or (ii) the exercise price of a prepayment option reimburses the lender for an amount up to approximate present value of lost interest for the remaining term of host contract.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 9 - Reassessment of Embedded Derivatives, which is effective from 1 January 2010. The change establishes that this interpretation does not apply to embedded derivatives in contracts acquired in (i) a business combination, (ii) a combination of entities or businesses under common control as described in paragraphs B1-B4 of IFRS 3 (revised in 2008), or (iii) the formation of a joint venture as defined in IAS 31 — Interests in Joint Venture.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 16 - Hedges of a Net Investment in a Foreign Operation , which is effective from 1 January 2010. The changes establish that an hedging instrument(s) may be held by any entity or entities within the group, as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 relate to a net investment hedge are satisfied.

No significant impact in the Group resulted from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IAS 24 (Revised) - Related Party Disclosures

The International Accounting Standards Board (IASB) issued in November 2009, the IAS 24 (Revised) - Related Party Disclosures, with effective date of mandatory application of 1 January 2011, being allowed its early adoption.

This revised version simplifies the disclosure requirements for government related parties and clarifies the definition of a related party. Therefore, this standard establishes that the companies disclose in its financial statements the information regarding the transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The principal changes are the following:

- Partial exemption of the requirements on the paragraph 18 for transactions with government related entities ;
- Simplification of "Related Party" definition.

No significant impact in the Group resulted from the adoption of this change is expected.

IFRS 9 - Financial instruments

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

- Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value; and

- Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

The Group is evaluating the impact of adopting this standard.

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

The International Accounting Standards Board (IASB), issued in November 2009, amendments to IFRIC 14 — Prepayments of a Minimum Funding Requirement, with effective date of mandatory application of 1 January 2011, being early adoption allowed. These ammendments were adopted by European Union in July 2010.

The amendment to IFRIC 14, is it self an interpretation of IASB 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The Group is evaluating the impact of adopting this standard.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

This interpretation cannot be applied if:
- the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder;
- the creditor and the entity are controlled by the same party or parties before and after the transaction, and the substance of the transaction includes an equity distribution from, or contribution to the entity;
- extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

This interpretation clarifies:
- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished ;
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the equity's profit or losses for the year.

The Group is evaluating the impact of adopting this standard.

IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, the IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets, with effective application date to years started after 1 July 2011, early adoption being allowed. This amendment was not adopted by the European Europe.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets.

The adoption of this amendment will only have impact on the financial statements disclosures.

49. EDP Branch in Spain

The aim of "EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España" is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and a Coordination Committee.

The Executive Committee of EDP is composed of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Shared Services ("Direcção de Serviços Partilhados") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Generation, Distribution, Trading and Gas Coordination Committees are composed and chaired by the respective Directors from the Board of Executive Directors of EDP in order to ensure synergies with Spain and eliminate inefficiencies and redundancies.

The balance sheet of the Branch as at 31 December 2010 and 2009 is analysed as follows:

	EDP Branch	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets		
Property, plant and equipment	104	-
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Other debtors	144,462	1,478
Total Non-Current Assets	5,066,313	4,923,225
Trade receivables	15,253	16,157
Debtors and other assets	343,553	376,013
Tax receivable	20,211	10,442
Cash and cash equivalents	15,661	10,885
Total Current Assets	394,678	413,497
Total Assets	5,460,991	5,336,722

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

	EDP Branch	Euro'000
	Dec 2010 Euro'000	Dec 2009 Euro'000
Equity	1,797,905	1,852,407
Financial debt	3,207,855	2,809,277
Total Non-Current Liabilities	3,207,855	2,809,277
Financial debt	33	22,771
Trade and other payables	454,192	651,760
Tax payable	1,006	507
Total Current Liabilities	455,231	675,038
Total Liabilities	3,663,086	3,484,315
Total Equity and Liabilities	5,460,991	5,336,722

50. Environmental matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2010 and 2009 are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	47,108	59,062
Biodiversity and landscape protection	16,831	16,150
Waste management	2,250	1,485
Research and development in the environmental area	508	-
Soil, subterranean and superficial water protection	866	1,104
Residual water management	349	1,403
Noise and radiation reduction	107	27
Other environmental management and protection activities	6,923	7,439
	74,942	86,670

Investments recognised in Air and climate protection as Property, plant and equipment in 2010 include costs incurred by EDP Produção of 42,152 thousand Euros. The main assets correspond to gas desulphurisation and denitrification equipment of the Sines thermoelectric plant, which at 31 December 2010, had a net book value of 283 million Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	8,624	9,582
Biodiversity and landscape protection	2,992	3,635
Waste management	2,433	3,477
Research and development in the environmental area	352	2,765
Soil, subterranean and superficial water protection	2,957	1,577
Residual water management	1,487	106
Noise and radiation reduction	138	296
Other environmental management and protection activities	4,452	10,747
Other expenses	99	43
	23,534	32,228

Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of land where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to the accounting policy referred in note 2 o), these provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2010, the provisions amount to 53,156 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 22,136 thousand Euros (see note 36).

During the year 2010, EDP Group incurred in fines and other penalties for breaching environmental regulations of 36 thousand Euros.

Environmental income recognised in 2010 relates to the sale of environmental subproducts of 3,477 thousand Euros, the sale of environmental waste of 2,238 thousand Euros and public environmental protection incentives of 1,854 thousand Euros.

51. Segmental reporting

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

A geographical segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services within a particular economic environment which is subject to risks and returns that are different from those of components operating in other economic environments.

The Group develops a set of activities in the energy sector in Portugal and abroad, with special emphasis in generation, distribution and supply of electricity and distribution and supply of gas.

The Group internal reporting system produces reports with business segments organised by geography and responsibility area for each member of the Board of Directors.

Based on these reports, the Board of Directors assumes the function of Chief Operating Decision Maker ("CODM"), evaluating the performance of the various segments and deciding on resource allocations to each identified segment.

The Group manages its activities based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other Operations.

The segments defined by the Group are the following:

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP - Energias do Brasil
- Iberian Gas
- Other Operations

The EDP Group makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

The **Iberian Generation** segment corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.
- Electrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Grupo 4, S.A.
- Patrimonial de La Ribera del Ebro, S.L.

The **Iberian Distribution** segment corresponds to the activities of electricity distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotacion Redes
- Hidrocantábrico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the iberian distribution activity. This segment includes, namely, the following companies:

- EDP Comercial - Comercialização de Energia, S.A.
- Hidrocantábrico Energia, S.A.U.
- EDP Soluções Comerciais, S.A.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDP Renewables Europe and EDPR NA subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Energias do Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

The **Gas** segment includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

- EDP Gás, SGPS
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Gas de Euskadi Transporte de Gas, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Grupo, S.A.

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The balance sheet captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement captions for each business segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

notes to the consolidated and company financial statements
for the years ended 31 December 2010 and 2009

52. Companies in the Consolidation perimeter

The companies included in the consolidation perimeter are presented in the Appendix I.

53. Explanation added for translation

These financial statements are a translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

52. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2010 are as follows:

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Portugal										
Group Parent Company and Related Activities:										
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000	EUR	289,251	279,805	9,446	18,327	7,404	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435	EUR	3,338	3,047	291	-	-679	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000	EUR	15,625	10,920	4,705	37,972	1,683	100.00%	100.00%
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715	EUR	14,984,228	7,971,649	7,012,578	3,485,356	783,989	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000	EUR	201,759	204,027	-2,268	7,069	-5,439	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000	EUR	13,941	12,368	1,573	4,427	-718	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006	EUR	263,205	168,786	94,419	28,098	22,853	100.00%	-
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000	EUR	309,988	112,217	197,771	20,074	8,425	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000	EUR	58,129	46,027	12,102	59,232	1,721	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000	EUR	4,327	3,421	906	-	-167	100.00%	-
EDP Internacional S.A.	Lisbon	50,000	EUR	11,315	8,736	2,579	6,130	1,574	100.00%	100.00%
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000	EUR	13,910	9,636	4,275	11,587	-304	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100	EUR	162,512	145,009	17,503	31,978	14,252	100.00%	-
Sãvida - Medicina Apoiada, S.A.	Lisbon	450,000	EUR	19,397	14,369	5,028	34,680	1,172	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000	EUR	168	107	61	337	-3	100.00%	-
Electricity - Portugal:										
Electricity Generation:										
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505	EUR	7,534,253	5,369,147	2,165,106	1,604,530	375,614	100.00%	100.00%
Energin, S.A.	Lisbon	50,000	EUR	40,972	40,718	254	4,753	513	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000	EUR	42,634	42,295	339	23,626	301	51.00%	-
Greenvouga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeiradio-Ermida,S.A.	Oliveira de Frades	1,000,000	EUR	17,642	15,059	2,583	-	-116	100.00%	-
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000	EUR	473,731	453,555	20,176	44,324	2,377	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000	EUR	6,145	4,904	1,241	11,754	17	100.00%	-
Soporgen, S.A.	Lisbon	50,000	EUR	28,804	21,075	7,729	38,783	1,277	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000	EUR	2,714	1,504	1,210	3,534	115	100.00%	-
Renewable Energies:										
EDP Renováveis Portugal, S.A.	Oporto	7,500,000	EUR	755,714	683,702	72,013	135,201	33,908	77.53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50,000	EUR	11,885	9,080	2,805	3,195	1,026	46.51%	-
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	50,000	EUR	25,844	20,749	5,095	4,889	1,513	38.84%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000	EUR	14,566	12,008	2,558	2,556	664	38.84%	-
Malhadizes, S.A	Oporto	50,000	EUR	24,727	24,178	549	4,883	399	77.53%	-
Electricity Distribution:										
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000	EUR	4,182,977	3,696,619	486,357	3,422,051	242,384	100.00%	100.00%
Electricity Supply:										
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695	EUR	220,031	204,914	15,118	750,694	-8,246	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000	EUR	132	98	35	-	-15	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Massama	50,000	EUR	6,456	8,452	-1,997	2,332	-2,337	100.00%	-
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000	EUR	2,539	2,077	462	4,894	43	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000	EUR	1,446,518	1,412,613	33,905	4,142,670	931	100.00%	-
Gas Supply and Distribution:										
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000	EUR	92,444	73,651	18,793	441,039	16,706	100.00%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998	EUR	7,046	3,921	3,125	3,741	730	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996	EUR	27,522	21,901	5,621	101,166	2,072	71.97%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400	EUR	14,537	13,790	748	372	86	60.00%	-
EDP Gás III S.G.P.S, S.A.	Lisbon	5,500,000	EUR	63,286	34,877	28,409	2	-738	100.00%	-
EDP Gás II S.G.P.S, S.A.	Lisbon	5,000,000	EUR	53,635	18,940	34,695	893	154	100.00%	-
EDP Investimentos, S.G.P.S, S.A.	Lisbon	5,489,000	EUR	62,311	16,683	45,628	938	344	100.00%	100.00%
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150	EUR	348,437	260,650	87,787	72,179	20,913	71.97%	-
Related Activities:										
EDP Soluções Comerciais, S.A.	Lisbon	50,000	EUR	93,386	93,389	-3	166,688	5,603	100.00%	100.00%
Other Activities:										
EDP - Projectos S.G.P.S., S.A.	Lisbon	50,000	EUR	257	784	-527	-	-577	100.00%	100.00%
FCTE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000	EUR	7	516	-509	1	-8	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000	EUR	1,858	64,654	-62,797	16	-104	100.00%	-
OPTEP S.G.P.S., S.A.	Lisbon	5,500,000	EUR	22,428	880	21,547	1,831	-137	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	50,000	EUR	81	180	-100	-	-150	100.00%	-
Spain										
Parent Company and Related Activities:										
EDP Renováveis, S.A.	Oviedo	4,361,540,810	EUR	8,173,091	3,072,575	5,100,517	518,282	44,091	77.53%	62.02%
EDP Renewables Europe, S.L.	Oviedo	30,000,000	EUR	4,704,748	4,550,885	153,863	240,783	-20,674	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790	EUR	6,165,312	4,047,273	2,118,039	1,652,717	47,783	100.00%	96.60%
Electricity - Spain:										
Electricity Generation:										
Ceprastur, AIE	Oviedo	360,607	EUR	417	6	411	-	-4	44.01%	-
Cogeración Bergara, A.I.E.	Bergara	450,000	EUR	1,349	442	907	1,807	144	50.00%	-
Cogeración Montjuic, S.L.U.	Bilbao	1,250,000	EUR	4,311	1,701	2,609	544	340	100.00%	-
Cogeración Serantes, S.L.U.	Bilbao	2,750,000	EUR	12,084	7,390	4,694	360	117	70.00%	-
Electrica de la Ribera del Ebro, S.A.	Pamplona	5,000,000	EUR	351,802	313,269	38,532	177,814	-15,196	100.00%	-
Energia e Industria de Toledo, S.A.	Madrid	2,139,603	EUR	2,998	6,407	-3,410	5,239	340	90.00%	-
Fuerzas Eléctricas de Valencia, SA	Sagunto	1,021,700	EUR	9,302	10,959	-1,657	526	-936	100.00%	-
Central Termica Ciclo Combinado Grupo 4	Oviedo	2,117,000	EUR	195,996	222,897	-26,902	86,993	-22,069	75.00%	-
HC Soluciones Comerciales, S.A.	Oviedo	60,300	EUR	20,296	13,764	6,532	46,024	6,460	100.00%	-
HDC Explotacion Centrales, S.A.U.	Oviedo	60,150	EUR	36,789	55,534	-18,745	1,184	-1,423	100.00%	-
HDC Explotacion Redes, S.A.U.	Oviedo	70,000	EUR	2,432	1,985	448	6,382	158	100.00%	-
HDC Gestion de Energia, S.A.U.	Oviedo	5,078,029	EUR	709,320	222,710	486,611	17,073	7,542	100.00%	-
Hidrocantábrico Servicios, S.A.	Oviedo	60,150	EUR	3,642	2,515	1,127	9,050	107	100.00%	-
Instalaciones Electricas Rio Isabena, S.L.	Zaragoza	3,006	EUR	5,172	4,712	461	605	172	90.02%	-
Millenium Energy, S.L.	Bilbao	2,830,247	EUR	202,523	201,545	978	280	-367	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150,000,000	EUR	704,009	47,147	656,862	30,691	20,527	100.00%	-
Rasacal Cogeneración, S.A.	Madrid	60,200	EUR	7	423	-416	-	-	46.52%	-
Ciclo Combinado Soto 5, S.L.	Oviedo	1,000,000	EUR	321,067	325,278	-4,211	15,433	-5,153	100.00%	-
HC Tudela Cogeneración, S.L.	Carreno	306,030	EUR	7,838	7,538	300	42	4	50.10%	-
Renewable Energies:										
Acampo Arias,S.L.	Zaragoza	3,314,300	EUR	23,278	20,559	2,719	2,637	-270	76.12%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350	EUR	22,622	21,406	1,216	692	-232	37.75%	-
Agrupación Eólica, S.L.U.	Zaragoza	649,836	EUR	81,002	46,417	34,585	2,351	1,209	77.53%	-
Parque Eólico Plana de Artajona, S.L.U.	Zaragoza	12,024	EUR	67	58	9	-	-	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945	EUR	1,532	369	1,163	514	162	58.79%	-
Cia. Eléctrica de Energías Renovables Alternativas, S.A.U.	Zaragoza	69,116	EUR	74	20	55	-	-	77.53%	-
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza	86,480	EUR	85	1	84	-	-	77.53%	-
Hidrocantábrico Congeneracion, S.L.	Oviedo	2,914,650	EUR	43,666	18,582	25,084	29,733	769	100.00%	-
Parc Eòlic de Coll de Moro, S.L.	Barcelona	3,005	EUR	48,986	48,978	8	1,633	-	46.52%	-
Parc Eòlic Coll de la Garganta, S.L.	Barcelona	1,693,010	EUR	42,415	40,722	1,693	1,008	-	77.53%	-
Eólica Curiscao Purmar, S.A.	Madrid	60,200	EUR	84,301	83,509	792	11,151	718	77.53%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Spain										
Electricity - Spain:										
Renewable Energies:										
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190	EUR	19,481	15,465	4,015	3,444	686	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369	EUR	11,253	7,211	4,042	2,615	803	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600	EUR	46,162	24,396	21,766	1,614	256	46.52%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100	EUR	9,826	1,048	8,779	3,871	1,329	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000	EUR	79,667	64,975	14,692	16,709	4,257	77.53%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200	EUR	13,374	2,592	10,782	4,161	1,044	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000	EUR	67,646	51,275	16,371	15,641	4,834	77.53%	-
Desarrollos Eólicos Promocion, S.A.	Seville	8,061,000	EUR	69,064	2,422	66,643	11,895	11,688	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950	EUR	35,042	23,424	11,618	7,632	2,569	73.65%	-
Desarrollos Eolicos, S.A.	Seville	1,056,225	EUR	60,154	43,181	16,973	5,969	-1,152	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650	EUR	11,367	1,414	9,954	5,240	1,953	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100	EUR	268	208	60	58	79	39.54%	-
Eólica Don Quijote, S.L.	Albacete	3,006	EUR	51,803	49,998	1,805	9,321	1,802	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000	EUR	32,077	31,204	873	5,510	691	77.53%	-
Eólica Alfoz, S.L.	Madrid	10,000	EUR	181,015	182,190	-1,175	13,512	-1,185	65.88%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980	EUR	29,573	20,078	9,495	6,540	1,878	60.08%	-
Eolica Campollano S.A.	Madrid	6,559,994	EUR	103,067	77,670	25,397	21,062	4,737	58.15%	-
Eneroliva, S.A.	Seville	75,120	EUR	209	141	68	-	-	77.53%	-
Fontesilva	La Coruna	470,000	EUR	51,666	52,841	-1,174	3,292	-1,643	77.53%	-
Hidroeléctrica Fuentermosa, S.L.	Oviedo	77,036	EUR	310	36	274	89	13	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	10,000	EUR	362	352	10	3	-	77.53%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000	EUR	37,055	34,066	2,989	5,365	457	46.52%	-
Genesa I, S.L.	Madrid	28,562,170	EUR	529,320	331,494	197,826	60,901	740	77.53%	-
Ceasa Promociones Eólicas, S.L.U.	Zaragoza	1,205,029	EUR	103,330	97,448	5,882	68,583	812	77.53%	-
Subgrupo Veinco	Zaragoza	188,047	EUR	5,580	19	5,561	899	740	77.53%	-
Guadalteba	Seville	1,460,000	EUR	201,056	193,644	7,412	31,477	5,162	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701	EUR	456	542	-86	27	-30	58.15%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728	EUR	27,577	25,484	2,093	4,640	153	77.53%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	15,717,845	EUR	161,237	152,932	8,305	15,962	-2,424	46.20%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124	EUR	7	602	-595	-	-	69.78%	-
Eolica La Janda, S.L.	Madrid	2,050,000	EUR	169,199	164,601	4,599	25,747	1,441	77.53%	-
Eolica La Navica, S.L.	Madrid	10,000	EUR	37,852	35,535	2,318	6,616	996	77.53%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050	EUR	25,095	20,417	4,678	6,082	1,585	77.53%	-
Energía Eólica La Manchuela, S.L.U.	Madrid	1,141,900	EUR	20,139	16,878	3,260	4,298	958	77.53%	-
Parc Eolic Molinars, S.L.	Girona	3,006	EUR	217	214	3	2	-	41.87%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300	EUR	567	344	223	181	47	62.02%	-
Parque Eólico Montes de Castejón, S.L.	Zaragoza	12,024	EUR	49	40	9	-	-	77.53%	-
Muxia I e II	La Coruna	10,000	EUR	71,100	71,093	7	4,506	-2	77.53%	-
Naturneo Energía, S.L.	Bilbao	3,020	EUR	4	2	2	-	-	86.44%	-
NEO Energia Aragon, S.L.	Madrid	10,000	EUR	10	2	8	-	-	77.53%	-
NEO Catalunya, S.L.	Barcelona	10,000	EUR	73,975	75,281	-1,305	1,380	-406	77.53%	-
Neomai Inversiones SICAV, S.A.	Madrid	33,358,370	EUR	40,485	37	40,448	674	591	77.53%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006	EUR	27,230	13,630	13,601	7,245	2,567	45.22%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000	EUR	42,694	33,646	9,048	8,910	2,228	77.53%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680	EUR	52,376	26,842	25,534	10,802	1,352	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000	EUR	19,704	14,476	5,228	4,629	1,503	50.27%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,444,956	EUR	37,640	25,079	12,561	10,279	2,114	47.29%	-
Santa Quiteria Energia, S.L.U.	Zaragoza	3,043	EUR	4,954	4,298	656	163	91	77.53%	-
Eolica de Radona, S.L.	Madrid	6,888,000	EUR	64,923	59,253	5,670	7,119	-1,114	77.53%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006	EUR	1	1	-	-	-	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102	EUR	34,887	32,937	1,949	5,959	726	69.78%	-
Hidroeléctrica del Rumblar, S.L.	Madrid	276,460	EUR	1,402	1,157	245	411	170	62.02%	-
Eólica Sierrra de Avila, S.L.	Madrid	10,000	EUR	117,223	118,869	-1,646	7,296	-1,656	69.77%	-
Sierra de la Peña, S.A.	Madrid	3,294,000	EUR	65,188	57,406	7,782	11,057	1,726	65.82%	-
Sinae Inversiones Eólicas S.A.	Madrid	6,010,000	EUR	130,646	88,902	41,744	12,401	10,193	77.53%	-
Sotromal, S.A.	Soria	112,880	EUR	30	206	-176	-	-	69.78%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	3,005	EUR	70,404	70,397	7	2,269	-	46.52%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200	EUR	67	51	16	-	-1	62.02%	-
Bon Vent de Corbera, S.L.	Barcelona	3,330,000	EUR	74,486	73,776	710	4,847	-2,617	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90,000	EUR	51,004	50,949	55	113	-	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000	EUR	69,944	67,287	2,657	10,083	-224	77.53%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	3,006	EUR	44,430	43,745	685	3,837	682	46.52%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	1,283,010	EUR	34,393	33,644	749	2,960	-534	77.53%	-
Electricity Distribution:										
Electra de Llobregat Energía, S.L.	Llobregat	150,000	EUR	5,760	7,440	-1,681	219	-120	75.00%	-
Solanar Distribución Electrica, S.L.	Zaragoza	421,000	EUR	7,196	6,697	499	574	72	90.00%	-
Gas Supply and Distribution:										
Naturgas Energía Distribución Cantabria, S.A.	Santander	2,857,388	EUR	100,476	68,579	31,897	29,036	7,925	95.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185	EUR	150,998	99,394	51,604	21,954	1,541	94.98%	-
Naturgas Energia Transporte, S.A.U.	Bilbao	12,880,200	EUR	174,816	108,981	65,835	25,475	8,629	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400	EUR	972,152	22,224	949,928	264	-	100.00%	-
HC Naturgas Ultimo Recurso, S.A.	Oviedo	3,000,000	EUR	36,978	35,954	1,024	39,500	-1,970	97.50%	-
HC Naturgas Servicios Energeticos S.L.	Oviedo	60,000	EUR	71	22	49	-	-11	97.50%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200	EUR	17,990	17,234	756	23,162	684	95.00%	-
Naturgas Energia Grupo, S.A.	Bilbao	316,516,400	EUR	1,390,646	297,334	1,093,312	270,843	36,606	95.00%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000	EUR	1,655,390	280,873	1,374,517	188,289	76,931	95.00%	-
Naturgas Energia Comercializadora, S.A.	Bilbao	8,255,306	EUR	428,661	452,969	-24,309	1,057,076	-34,425	95.00%	-
Naturgas Energia Participaciones, S.A.U.	Bilbao	300,500	EUR	9,200	8,177	1,024	1,155	663	95.00%	-
Naturgas Energía Comercializadoras Ultimo Recurso,S.A.	Bilbao	2,000,000	EUR	2,033	21	2,012	14	8	95.00%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191,010	EUR	8,902	8,594	309	7,532	123	95.00%	-
Electricity Supply:										
EDP Energia Ibérica, S.A.	Madrid	60,200	EUR	17	13,376	-13,359	-	-	100.00%	-
Hidrocantabrico Energia, S.A.U.	Oviedo	500,000	EUR	499,451	645,616	-146,165	1,533,315	20,151	100.00%	-
Other Activities:										
Cerámica Técnica de Illescas Cogeneración S.A.	Madrid	62,247	EUR	763	1,978	-1,214	1,203	-150	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Madrid	2,996,022	EUR	11,298	9,233	2,065	14,796	2,035	100.00%	-
Renovamed, S.A.	Madrid	60,200	EUR	318	1,351	-1,033	864	62	75.00%	-
Sinova Medoambiental, SA	Soria	2,687,364	EUR	17,092	12,567	4,525	15,497	1,642	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Madrid	3,731,202	EUR	16,286	5,256	11,030	16,480	1,989	88.00%	-
Brazil										
Parent Company and Related Activities:										
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954	BRL	2,238,650	111,236	2,127,415	318,332	244,595	64.91%	25.02%
Elebras Projetos, Ltda	Sao Paulo	1,626,013	BRL	74,015	74,114	-99	2,544	-292	71.85%	-
Energest, S.A.	Sao Paulo	226,911,842	BRL	256,735	53,006	203,729	77,444	43,079	64.91%	-
Escelsapar	Espirito Santo	2,800,000	BRL	2,407	2,761	-354	1,073	720	64.91%	-
Evrecy Participações Ltda	Sao Paulo	21,512,267	BRL	13,274	825	12,449	2,731	2,050	64.91%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000	BRL	80,977	37,516	43,461	9,907	4,788	64.91%	-
Electricity - Brazil:										
Electricity Generation:										
CESA - Castelo Energética, S.A.	Sao Paulo	37,308,269	BRL	105,486	69,004	36,482	21,441	7,096	64.91%	-
Costa Rica Energética, Lda.	Mato Grosso Sul	14,318,185	BRL	11,544	1,084	10,460	7,452	6,094	33.11%	-
Enercouto, S.A.	Sao Paulo	5,316,118	BRL	2,405	265	2,140	-	-46	64.91%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Brazil										
Electricity - Brazil:										
Electricity Generation:										
Enerpeixe, S.A.	Sao Paulo	882,627,748	BRL	938,523	396,272	542,251	147,363	51,863	38.95%	-
Investco, S.A.	Sao Paulo	804,458,842	BRL	636,137	179,294	456,843	84,973	31,190	26.47%	-
Ipueiras Energia S.A.	Sao Paulo	14,721,836	BRL	2	23	-21	-	-22	64.91%	-
Omega Engenharia e Assessoria, Ltda	Porto Alegre	131,000	BRL	282	235	47	-	-4	64.91%	-
Pantanal	Sao Paulo	23,390,369	BRL	35,360	9,106	26,254	18,662	10,783	64.91%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541	BRL	734,715	104,714	630,002	208,468	88,323	36.26%	-
Renewable Energies:										
Central Nacional de Energia Eólica, S.A.	Sao Paulo	14,035,000	BRL	16,532	9,464	7,068	3,633	803	71.85%	-
EDP Renovaveis Brasil, SA	Sao Paulo	62,219,027	BRL	30,824	5,576	25,248	222	-2,569	71.85%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100	BRL	4,728	7,058	-2,330	1	-1,641	59.72%	-
Electricity Distribution:										
Bandeirante Energia, S.A.	Sao Paulo	254,628,684	BRL	1,234,597	848,407	386,191	1,041,079	133,327	64.91%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630	BRL	1,058,042	686,867	371,176	706,586	72,887	64.91%	-
Electricity Supply:										
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758	BRL	60,841	40,790	20,051	316,483	7,546	64.91%	-
France										
Electricity - France:										
Renewable Energies:										
Parc Eolien D'Ardennes, S.A.S.	Elbeuf	1,000	EUR	34	174	-141	-	-19	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001	EUR	11,557	12,843	-1,286	1,564	-92	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	17	44	-27	-	-	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004	EUR	34	22	12	-	-5	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000	EUR	16,047	16,256	-208	2,286	317	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000	EUR	81	151	-70	1	-2	77.53%	-
EDP Renewables France, S.A.S.	Paris	48,526,642	EUR	271,722	233,764	37,958	21,097	-4,507	77.53%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000	EUR	17	47	-31	-	-4	77.53%	-
C.E. Guéltas Noyal-Pontivy, S.A.S.	Paris	2,261,000	EUR	8,818	4,694	4,123	1,465	494	77.53%	-
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004	EUR	15	10	5	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000	EUR	15,447	15,466	-19	870	23	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000	EUR	17	58	-41	-	-2	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000	EUR	9,232	9,435	-203	778	-199	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000	EUR	16,099	12,731	3,368	2,708	770	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	140	301	-161	7	-	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000	EUR	4,120	4,228	-108	116	-33	77.53%	-
Plouvien Breiz, S.A.S.	Carhaix	40,000	EUR	11,979	13,739	-1,761	1,345	-188	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000	EUR	19,491	19,838	-347	1,742	-330	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000	EUR	10,036	10,150	-114	114	-13	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000	EUR	15,343	13,149	2,194	2,359	534	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000	EUR	11	44	-33	-	-7	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	EUR	10,094	10,134	-40	1,143	-9	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000	EUR	15,058	12,660	2,398	2,507	658	77.53%	-
C.E. NEO Truc L'homme, S.A.S.	Paris	37,500	EUR	34	7	27	-	-1	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000	EUR	18,864	19,148	-284	1,832	-269	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003	EUR	14,197	15,775	-1,578	2,169	45	77.53%	-
Parc Eolien des Vatines, S.A.S.	Elbeuf	37,004	EUR	13,799	15,579	-1,781	1,973	-36	77.53%	-
United Kingdom										
Electricity - United Kingdom:										
Renewable Energies:										
EDPR UK Limited	Cardiff	100,000	GBP	2,137	2,763	-627	1,822	-743	77.53%	-
Moray Offshore Renewables Limited	Cardiff	-	GBP	6,081	5,923	158	1,316	158	58.15%	-
MacColl Offshore Windfarm Limited	Cardiff	-	GBP	-	-	-	-	-	58.15%	-
Stevenson Offshore Windfarm Limited	Cardiff	-	GBP	-	-	-	-	-	58.15%	-
Telford Offshore Windfarm Limited	Cardiff	-	GBP	-	-	-	-	-	58.15%	-
Poland										
Electricity - Poland:										
Renewable Energies:										
Farma Wiatrowa Bodzanow SP ZOO	Warsaw	64,780	EUR	809	788	21	26	-40	77.53%	-
EDP Renewables Polska SP.ZOO	Warsaw	109,394,969	EUR	282,810	175,675	107,135	75,364	-4,168	77.53%	-
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	17,610	EUR	5,767	5,813	-46	339	-52	77.53%	-
Relax Wind Park I, SP. ZOO	Warsaw	538,365	EUR	249,144	244,274	4,870	23,275	4,786	74.76%	-
Relax Wind Park II, SP. ZOO	Warsaw	110,692	EUR	505	451	54	32	-17	39.54%	-
Relax Wind Park III, SP. ZOO	Warsaw	105,660	EUR	56,114	56,152	-38	185	-66	77.53%	-
Relax Wind Park IV, SP. ZOO	Warsaw	98,113	EUR	718	734	-16	62	2	39.54%	-
Karpacka Mala Energetyka SP ZOO	Warsaw	12,579	EUR	184	186	-2	-	-7	77.53%	-
Farma Wiatrowa Starozreby SP ZOO	Warsaw	117,107	EUR	825	728	97	24	-15	77.53%	-
Farma Wiatrowa Wyszogrod SP ZOO	Warsaw	165,409	EUR	820	675	145	21	-16	77.53%	-
United States of America										
Parent Company:										
Horizon Wind Energy LLC	Houston, Texas	4,135,453,714	USD	3,023,081	51,024	2,972,057	34,138	-22,350	77.53%	-
Electricity - United States of America:										
Renewable Energies:										
Headwaters Wind Farm LLC	Indiana	-	USD	-	-	-	-	-	77.53%	-
17th Star Wind Farm LLC	Ohio	-	USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Stone Wind Power LLC	New York	-	USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm LLC	New York	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Five-Spot, LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Texas	-	USD	-	-	-	-	-	77.53%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
United States of America									
Electricity - United States of America:									
Renewable Energies:									
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind, Freeport Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pacific Southwest Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection LLC	Texas	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
WTP Management Company LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm III LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, LLC	New York	61,015,975 USD	45,658	-	45,658	-	-	77.53%	-
Wind Turbine Prometheus, LP	California	5,990 USD	-	-	-	-	-	77.53%	-
Lost Lakes Wind Farm, LLC	Minnesota	202,189,348 USD	148,131	3,542	144,589	4,652	-6,579	77.53%	-
Quilt Block Wind Farm, LLC	Minnesota	4,122,745 USD	3,077	6	3,072	-	-	77.53%	-
Whitestone Wind Purchasing, LLC	Texas	2,437,781 USD	1,357	348	1,008	-	-41	77.53%	-
Blue Canyon Windpower V, LLC	Oklahoma	185,153,528 USD	144,392	1,602	142,789	14,094	3,671	77.53%	-
Horizon Wind Energy International	Texas	5,966,523 USD	4,661	-	4,661	4	4	77.53%	-
Sagebrush Power Partners, LLC	Washington	203,868,999 USD	222,093	70,326	151,767	142	-779	77.53%	-
Marble River, LLC	New York	60,958,843 USD	46,166	679	45,487	-	-11	77.53%	-
Blackstone Wind Farm, LLC	Illinois	156,018,857 USD	156,932	44,241	112,691	9,295	-3,047	77.53%	-
Aroostook Wind Energy LLC	Maine	11,990,587 USD	9,029	138	8,891	-	-3	77.53%	-
Jericho Rise Wind Farm LLC	New York	5,422,195 USD	4,027	3	4,024	-	-2	77.53%	-
Martinsdale Wind Farm LLC	Colorado	4,351,425 USD	3,254	4	3,250	5	-2	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	4,452 USD	2	-	2	-	-	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	3,953 USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, LLC	Colorado	3,061,885 USD	2,220	3	2,216	-	-2	77.53%	-
OPG Property LLC	Illinois	- USD	104	-	104	7	5	77.53%	-
Meadow Lake Wind Farm, LLC	Indiana	295,414,573 USD	301,079	85,543	215,536	18,033	-4,072	77.53%	-
Wheatfield Wind Power Project, LLC	Oregon	101,881,926 USD	118,176	34,529	83,647	13,472	4,142	77.53%	-
High Trail Wind Farm, LLC	Illinois	390,988,575 USD	302,924	6,782	296,143	23,999	-2,602	77.53%	-
Madison Windpower LLC	New York	10,633,581 USD	6,211	498	5,713	646	-1,049	77.53%	-
Mesquite Wind, LLC	Texas	259,390,109 USD	238,070	26,737	211,333	24,270	2,298	77.53%	-
BC2 Maple Ridge Wind LLC	Texas	394,343,621 USD	305,882	5	305,877	4,041	1,024	77.53%	-
Blue Canyon Windpower II LLC	Oklahoma	167,170,955 USD	145,875	12,129	133,746	14,615	708	77.53%	-
Telocaset Wind Power Partners, LLC	Oregon	135,804,747 USD	133,314	17,861	115,453	16,226	4,188	77.53%	-
Post Oak Wind, LLC	Texas	293,550,188 USD	265,676	18,516	247,160	39,139	16,234	77.53%	-
High Prairie Wind Farm II, LLC	Minnesota	153,690,294 USD	123,778	9,518	114,261	9,896	-1,154	77.53%	-
Old Trail Wind Farm, LLC	Illinois	411,687,570 USD	305,997	4,092	301,905	22,949	-3,101	77.53%	-
Cloud County Wind Farm	Kansas	324,444,400 USD	246,405	2,703	243,702	18,767	-1,208	77.53%	-
Pioneer Prairie Wind Farm I, LLC	Iowa	597,578,067 USD	443,653	4,486	439,167	30,866	-5,133	77.53%	-
Arlington Wind Power Project LLC	Oregon	182,605,602 USD	140,680	1,804	138,876	11,912	-235	77.53%	-
Rail Splitter	Illinois	237,809,344 USD	174,735	4,401	170,333	7,839	-6,036	77.53%	-
Meadow Lake Wind Farm II LLC	Texas	203,587,242 USD	159,350	8,242	151,108	3,436	-1,254	77.53%	-
Black Prairie Wind Farm LLC	Texas	5,081,947 USD	3,803	-	3,803	-	-1	77.53%	-
Meadow Lake Wind Farm IV LLC	Indiana	53,368,850 USD	135,406	95,387	40,019	2,198	78	77.53%	-
Blackstone Wind Farm II LLC	Texas	116,789,390 USD	325,932	238,790	87,142	4,082	-261	77.53%	-
Saddleback Wind Power Project LLC	Texas	1,362,468 USD	1,017	1	1,016	-	-	77.53%	-
Meadow Lake Windfarm III LLC	Indiana	65,889,309 USD	160,967	111,696	49,271	2,909	-40	77.53%	-
Lexington Chenoa Wind Farm LLC	Texas	7,356,840 USD	5,631	125	5,506	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	280,355 USD	253	44	210	-	-	77.53%	-
Paulding Wind Farm LLC	Ohio	5,427,120 USD	4,073	11	4,061	-	-	77.53%	-
Paulding Wind Farm II LLC	Ohio	11,013,472 USD	10,843	2,605	8,237	-	-5	77.53%	-
Antelope Ridge Wind Power Project LLC	Texas	10,557,923 USD	8,158	258	7,901	-	-1	77.53%	-
Blackstone Wind Farm III LLC	Texas	3,682,918 USD	2,808	60	2,749	-	-7	77.53%	-
Meadow Lake Wind Farm V, LLC	Indiana	929,813 USD	696	-	696	-	-	77.53%	-
Waverly Wind Farm LLC	Kansas	1,690,746 USD	1,291	26	1,265	-	-	77.53%	-
Blue Canyon Windpower VI LLC	Texas	2,314,139 USD	1,955	223	1,732	-	-	77.53%	-
2007 Vento I LLC	Texas	1,147,652,609 USD	865,027	3,427	861,600	3,386	134	77.53%	-
2007 Vento II	Texas	1,008,427,726 USD	753,232	808	752,424	4	-806	77.53%	-
2008 Vento III	Texas	1,115,816,765 USD	834,271	444	833,827	5	-570	77.53%	-
2009 Vento IV, LLC	Texas	238,057,776 USD	178,006	-	178,006	-	-80	77.53%	-
2009 Vento V, LLC	Texas	185,267,562 USD	138,570	36	138,534	-	-113	77.53%	-
2009 Vento VI, LLC	Texas	202,302,814 USD	151,320	146	151,174	-	-152	77.53%	-
2010 Vento VII, LLC	Texas	203,615,853 USD	152,364	136	152,228	-	-156	77.53%	-

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
United States of America										
Electricity - United States of America:										
Renewable Energies:										
2010 Vento VIII, LLC	Texas	204,868,999	USD	153,322	12	153,311	-	-12	77.53%	-
2010 Vento IX, LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I LLC	Texas	1,459,281,035	USD	2,465,035	1,327,506	1,137,530	37,869	18,113	77.53%	-
Horizon Wind Ventures IB, LLC	Texas	12,829,982	USD	451,749	406,598	45,152	32,122	15,798	77.53%	-
Horizon Wind Ventures IC, LLC	Texas	6,702,543	USD	384,019	373,073	10,946	26,092	6,385	77.53%	-
Horizon Wind Ventures II LLC	Texas	141,509,304	USD	179,039	72,254	106,785	2,471	1,490	77.53%	-
Horizon Wind Ventures III, LLC	Texas	78,415,590	USD	140,611	82,492	58,119	5,926	-556	77.53%	-
Horizon Wind Ventures VI, LLC	Texas	113,432,330	USD	152,836	69,662	83,174	409	-1,716	77.53%	-
Horizon Wind Ventures VII, LLC	Texas	120,001,219	USD	153,792	64,545	89,247	144	-561	77.53%	-
Horizon Wind Ventures VIII, LLC	Texas	111,591,410	USD	157,821	74,681	83,141	-5	-373	77.53%	-
Horizon Wind Ventures IX, LLC	Texas	-	USD	-	-	-	-	-	77.53%	-
Other Countries										
Related Activities:										
EDP Finance BV	Amsterdam	2,000,000	EUR	13,876,267	13,811,226	65,041	655,237	64,418	100.00%	100.00%
EDP Finance Company (Ireland), Ltd	Dublin	1,000,001	EUR	634	355	280	1	-42	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	2,000,000	EUR	58,196	40,137	18,059	13,643	2,430	100.00%	100.00%
EDP - Ásia Soluções Energéticas, Lda	Macao	1,500,000	MOP	140	-	140	-	-	60.00%	-
EDP ASIA - Investimento e Consultadoria , Lda	Macao	200,000	MOP	63,285	239	63,046	7,935	7,468	100.00%	100.00%
Electricity - Other Countries:										
Renewable Energies:										
EDP Renewables Canada	Ontario	-	CAD	3,777	3,879	-101	-	-101	77.53%	-
EDP Renewables Italia, S.R.L.	Varese	19,555,320	EUR	25,576	7,201	18,375	3,463	-1,180	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000	EUR	85,267	58,478	26,790	12,942	1,947	54.27%	-
Repano Wind S.R.L.	Varese	161,675	EUR	296	151	144	-	-9	77.53%	-
Re Plus - S.R.L	Varese	100,000	EUR	2,488	1,375	1,113	-	-60	62.02%	-
Tarcan, BV	Amsterdam	20,000	EUR	19,480	12,822	6,658	2,668	2,008	77.53%	-
Cernavoda Power SRL	Bucharest	40,317,400	LEI	186,404	179,936	6,468	11,642	-2,193	65.90%	-
EDP Renewables Romania, S.R.L.	Bucharest	28,650,270	LEI	143,069	138,339	4,730	11,810	-1,088	65.90%	-

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

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

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2010 are as follows:

Jointly controled entities	Head Office	Share Capital / Currency		Non-current Assets 31-Dec-10 Euro'000	Current Assets 31-Dec-10 Euro'000	Non-current Liabilities 31-Dec-10 Euro'000	Current Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Total Costs 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Arquiled - Proj. Iluminação, S.A.	Lisbon	166,700	EUR	217	965	85	608	488	788	-908	-120	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	159	71	167	72	-9	34	-45	-11	35.21%	-
Bioastur, AIE	Gijon	60,101	EUR	43	896	-	730	209	1,829	-1,898	-69	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	211	3,856	-	2,353	1,713	3,642	-3,575	67	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	49,736	8,604	26,168	6,993	25,180	16,808	-10,103	6,705	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	82,759	7,210	81,804	4,777	3,387	18,107	-17,005	1,102	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994	EUR	24,435	7,102	20,293	4,073	7,172	4,988	-3,490	1,498	38.11%	-
Futurcompact, Lda	Lisbon	5,000	EUR	9	1	-	-	11	-	-	-	40.01%	-
Infrastructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006	EUR	2,241	2,164	168	1,743	2,494	836	-467	369	47.50%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	16,135	5,398	14,611	1,900	5,022	4,044	-3,433	611	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	3,201	-	3,201	-	1,392	-1,392	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	8,027	1,722	22	9,538	190	4,134	-3,906	228	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	610,473,962	BRL	561,039	31,334	438,098	47,802	106,473	12,935	-30,748	-17,813	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187	USD	64,868	1,026	437	55	65,402	2,908	-5,132	-2,224	38.76%	-
Flat Rock Windpower LLC	Portland	522,818,885	USD	162,186	3,686	1,146	43	164,682	11,813	-15,578	-3,765	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000	EUR	144	21,480	-	21,349	275	119,135	-119,224	-89	50.00%	-
InovGrid, A.C.E.	Lisbon	-	EUR	-	2,635	-	2,635	-	853	-853	-	55.00%	-
WINDPLUS, S.A.	Lisbon	85,750	EUR	2,332	261	1,418	1,061	114	-	-10	-10	41.63%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2009 are as follows:

Jointly controled 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	Gijon	60,101	EUR	23	997	-	572	447	1,652	-1,376	276	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	50	2,463	-	1,106	1,407	3,647	-3,050	597	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	105,014	9,088	44,313	13,357	56,433	14,805	-11,946	2,859	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-8	4	-	9	-13	-	-	-	38.69%	-
EDP Produção Bioeléctrica, 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%	-
Infrastructuras 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.	Almeria	3,340	EUR	84	16	-	100	-	-	-	-	38.76%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	15,436	4,992	14,981	2,845	2,601	4,054	-3,449	606	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,082	-	1,082	-	645	-645	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	8,219	376	2	9,359	-766	6,572	-7,084	-512	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	507,594,744	BRL	183,315	81,966	242,064	36,049	-12,832	24,828	-28,264	-3,436	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187	USD	-7,899	849	387	43	-7,479	2,743	-4,387	-1,644	38.76%	-
Flat Rock Windpower LLC	Portland	525,479,601	USD	-19,659	3,694	1,049	66	-17,081	11,353	-13,386	-2,033	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000	EUR	-166	37,002	-	36,722	114	52,664	-52,550	114	50.00%	-
InovGrid, A.C.E.	Lisbon	-	EUR	-	266	-	266	-	362	-362	-	55.00%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

The associated companies included in the consolidation under the equity method as at 31 December 2010 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	26,420	22,917	3,503	-	-	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	15,932	14,199	1,733	22,786	-1,416	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	475,796	215,486	260,310	421,066	48,216	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140	EUR	12,190	820	11,369	4,041	1,242	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	917	-	917	-	-34	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525	EUR	917,038	881,252	35,786	43,998	5,917	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	28,797	24,344	4,454	1,413	1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000	EUR	6,899	-	6,899	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101	EUR	298	138	160	472	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	8,680	5,235	3,445	9,490	907	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	31,893	27,520	4,373	5,174	-69	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	27,089	10,926	16,163	10,989	-	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000	EUR	18,988	3,241	15,747	14,908	3,535	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	177,690	132,899	44,791	27,953	8,712	19.83%	-
Sodecoan, S.L.	Seville	6,010	EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700	EUR	2,706	409	2,297	1,460	699	38.00%	-

The associated companies included in the consolidation under the equity method as at 31 December 2009 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
Biomasas del Pirineo, S.A.S.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Vila Rei	50,000	EUR	17,308	14,158	3,149	23,763	2,113	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	429,127	199,585	229,543	388,150	46,918	21.19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227,275	EUR	879	315	564	971	-14	34.00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	252	-	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140	EUR	11,435	807	10,628	4,108	1,115	34.69%	-
DECA - Distribuicion Eléctrica Centroamericana Dos (II), S.A.	Guatemala	1,141,092,000	GTQ	476,890	275,631	201,259	450,449	24,794	21.00%	21.00%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	951	-	951	-	-19	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5,000,000	EUR	440,141	404,900	35,241	12,462	2,151	15.20%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	27,598	26,605	992	2,002	-1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000	EUR	7,749	-	7,749	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101	EUR	247	133	114	372	-	41.13%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
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 Voltoya, 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 other companies with interests in share capital equal to or greater than 10% as at 31 December 2010, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-
Sociedad Eólica de Andalucia, S.A.	Sevilla - Spain	16.67%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2010

(Amounts in thousand Euros)

	Iberian Generation				Iberian Distribution *			Iberian Supply			Electricity			
													EDP Renováveis	
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	
Turnover	2,378,934	1,765,913	-13,166	4,131,681	5,099,338	183,595	5,282,933	887,766	1,887,596	2,775,362	565,203	276,494	4,222	-863
Revenues form external customers	1,776,377	565,893	4,965	2,347,235	4,806,553	-	4,806,553	737,579	1,771,488	2,509,067	476,529	276,494	3,359	-
Revenues from transactions with other operating segments	602,557	1,200,020	-18,131	1,784,446	292,785	183,595	476,380	150,187	116,108	266,295	88,674	-	863	
Cost of consumed electricity	-519,041	-1,037,238	-	-1,556,279	-3,751,449	115	-3,751,334	-694,126	-1,770,244	-2,464,370	-1,262	-1,525	-130	-
Cost of consumed gas	-	-255	-	-255	-	-	-	-752	-5,776	-6,528	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-641,252	-405,864	22,454	-1,024,662	-6,833	91	-6,742	-5,051	-26,229	-31,280	-1,709	-	-	212
	1,218,641	322,556	9,288	1,550,485	1,341,056	183,801	1,524,857	187,837	85,347	273,184	562,232	274,969	4,092	-651
Other operating income / (expenses)														
Other operating income	8,937	3,504	-	12,441	61,719	33,312	95,031	7,755	32,201	39,956	26,882	153,027	1,197	-1,076
Supplies and services	-97,355	-58,618	1,902	-154,071	-322,136	-53,820	-375,956	-118,215	-43,899	-162,114	-87,409	-93,026	-17,684	1,908
Personnel costs	-74,418	-31,669	1,582	-104,505	-128,705	-19,646	-148,351	-35,917	-8,907	-44,824	-19,824	-22,735	-10,047	-
Employee benefits	-26,433	-1,599	-	-28,032	-102,406	-3,567	-105,973	-5,309	-440	-5,749	-302	-1,598	-340	-
Other operating expenses	-18,126	-23,314	220	-41,220	-286,800	-5,050	-291,850	-10,748	-31,525	-42,273	-19,913	-22,303	-14,681	31
	-207,395	-111,696	3,704	-315,387	-778,328	-48,771	-827,099	-162,434	-52,570	-215,004	-100,566	13,365	-41,555	863
	1,011,246	210,860	12,992	1,235,098	562,728	135,030	697,758	25,403	32,777	58,180	461,666	288,334	-37,463	212
Provisions	-433	-29,132	-	-29,565	-4,804	-1,004	-5,808	-11,549	-12,961	-24,510	155	-	-	-
Depreciation and amortisation expense	-295,030	-134,132	-	-429,162	-243,217	-34,329	-277,546	-16,898	-3,731	-20,629	-209,185	-222,146	-1,883	
Tangible and intangible assets impairment	416	26	-	442	-	-	-	-	-	-	-	-117	-	-
Compensation of amortisation and depreciation	7,905	452	-	8,357	-	1,112	1,112	19	-	19	1,536	9,869	-	1
	724,104	48,074	12,992	785,170	314,707	100,809	415,516	-3,025	16,085	13,060	254,172	75,940	-39,346	-859
Gain/(losses) from the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-	-	-
Other financial income	458,363	29,360	-50,312	437,411	470	-	470	15	346	361	18,123	6,131	126,875	16,755
Interest revenue	830	7,269	-	8,099	29,777	194	29,971	184	234	418	8,268	308	246,828	45,473
Other financial expenses	-413,422	-33,271	74,650	-372,043	-311	-94	-405	-70	-412	-482	-28,524	-73,355	-127,773	19,592
Interest expense	-171,690	-33,618	-	-205,308	-66,275	-2,518	-68,793	-2,237	-4,394	-6,631	-227,435	3,400	-144,171	59,815
Share of profit of associates	-504	227	-	-277	-	-	-	-	-	-	5,036	-	-	-
Profit / (loss) before tax	597,681	18,048	37,330	653,059	278,368	98,391	376,759	-5,133	11,859	6,726	29,640	12,424	62,413	16,320
Income tax expense	-168,329	-13,272	-13,724	-195,325	-35,170	-30,344	-65,514	281	-4,290	-4,009	-12,785	-	-21,002	-3,972
Net profit / (loss) for the year	**429,352**	**4,776**	**23,606**	**457,734**	**243,198**	**68,047**	**311,245**	**-4,852**	**7,569**	**2,717**	**16,855**	**12,424**	**41,411**	
Attributable to:														
Equity holders of EDP	428,565	8,182	23,606	460,353	243,198	65,934	309,132	-4,081	7,396	3,315	12,920	12,424	42,511	12,348
Minority interest	787	-3,406	-	-2,619	-	2,113	2,113	-771	173	-598	3,935	-	-1,100	-
Net profit / (loss) for the year	**429,352**	**4,776**	**23,606**	**457,734**	**243,198**	**68,047**	**311,245**	**-4,852**	**7,569**	**2,717**	**16,855**	**12,424**	**41,411**	
Assets														
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479	41,
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718	12,723
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-	-
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763	78,327
Equity and Liabilities														
Equity and minority interest	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119	442,303	3,146,741	5,141,393	
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192	38,29
Other information:														
Increase of the period														
Property, plant and equipment	345,534	89,359	-	434,893	13,388	59,281	72,669	7,862	4,938	12,800	607,287	765,650	79,504	-
Intangible assets + Goodwill	222,216	17,589	-	239,805	234,595	329	234,924	-	1	1	58,233	2,185	314	-
Material non-cash items:														
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-

* Include Last Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 695,814 thousand Euros in Portugal, 132,686 thousand Euros out of Portugal and -9,694 thousand Euros related with adjustments between segments

		EDP Energias do Brasil						Gas Iberian Activity						
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations**	Adjustments	EDP Group
-863	845,056	429,749	1,609,529	311,441	2,651	-205,740	2,147,630	551,088	1,333,598	-197,900	1,686,786	222,040	-2,920,746	14,170,742
-	756,382	236,515	1,605,820	303,523	1,772	-	2,147,630	282,207	1,242,658	-	1,524,865	14,453	31,458	14,137,643
-863	88,674	193,234	3,709	7,918	879	-205,740	-	268,881	90,940	-197,900	161,921	207,587	-2,952,204	33,099
-	-2,917	-72,844	-1,007,459	-299,158	-	205,740	-1,173,721	-	-187,372	-	-187,372	-	2,327,732	-6,808,261
-	-	-	-	-	-	-	-	-458,211	-843,830	198,438	-1,103,603	-	165,116	-945,270
212	-1,497	-20	-868	-	-10	-	-898	-	-8,184	-	-8,184	-1,521	61,904	-1,012,880
-651	840,642	356,885	601,202	12,283	2,641	-	973,011	92,877	294,212	538	387,627	220,519	-365,994	5,404,331
-1,076	180,030	341	12,187	3,780	2,961	-60	19,209	4,818	7,415	-36	12,197	67,265	-105,240	320,889
1,908	-196,211	-25,436	-129,292	-2,032	-15,048	117	-171,691	-13,539	-56,662	1,041	-69,160	-180,356	447,303	-862,256
-	-52,606	-16,089	-68,788	-2,632	-8,750	-	-96,259	-4,725	-24,607	-	-29,332	-104,978	5,447	-575,408
-	-2,240	-1,054	-8,483	-128	-652	-	-10,317	-239	-547	-	-786	-9,939	9,674	-153,362
31	-56,866	-659	-30,167	-728	-6,002	-2,397	-39,953	-3,794	-23,761	-32	-27,587	-23,241	1,606	-521,384
863	-127,893	-42,897	-224,543	-1,740	-27,491	-2,340	-299,011	-17,479	-98,162	973	-114,668	-251,249	358,790	-1,791,521
212	712,749	313,988	376,659	10,543	-24,850	-2,340	674,000	75,398	196,050	1,511	272,959	-30,730	-7,204	3,612,810
-	155	-696	-3,268	-	1,165	-5,511	-8,310	-3,793	-33,370	-	-37,163	-26,578	28,201	-103,578
-1,072	-434,286	-65,262	-80,538	-71	-6,924	-7,779	-160,574	-11,353	-62,489	-	-73,842	-17,440	-55,848	-1,469,327
-	-117	-	-	-	-	-	-	-	-	-	-	-	-	325
1	11,406	-	-	-	-	-	-	-	1,282	-	1,282	103	-	22,279
-859	289,907	248,030	292,853	10,472	-30,609	-15,630	505,116	60,252	101,473	1,511	163,236	-74,645	-34,851	2,062,509
-	-	-	-	-	-	-	-	-	-846	-	-846	62,764	-1,104	60,821
-116,755	34,374	19,214	16,128	548	216,463	-214,653	37,700	1,296	1,065	-	2,361	990,585	-991,858	511,404
-245,473	9,931	11,212	71,218	713	10,198	-3,484	89,857	1,307	988	-	2,295	669,619	-500,851	309,339
119,592	-110,060	-68,750	-48,536	-1,157	-16,277	8,994	-125,726	-1,902	-2,768	-1,511	-6,181	-220,184	175,101	-659,980
259,815	-108,391	-48,606	-46,542	-71	-336	-	-95,555	-6,043	-1,252	-	-7,295	-653,447	499,690	-645,730
-	5,036	-	-	-	-	-1,100	-1,100	2,879	280	-	3,159	15,552	1,100	23,470
16,320	120,797	161,100	285,121	10,505	179,439	-225,873	410,292	57,789	98,940	-	156,729	790,244	-852,773	1,661,833
-3,972	-37,759	-19,903	-88,968	-3,328	2,735	2,645	-106,819	-16,623	-26,840	-	-43,463	23,648	2,009	-427,232
12,348	**83,038**	**141,197**	**196,153**	**7,177**	**182,174**	**-223,228**	**303,473**	**41,166**	**72,100**	**-**	**113,266**	**813,892**	**-850,764**	**1,234,601**
12,348	80,203	84,657	196,153	7,177	182,174	-223,228	246,933	33,392	66,824	-	100,216	818,806	-940,033	1,078,925
-	2,835	56,540	-	-	-	-	56,540	7,774	5,276	-	13,050	-4,914	89,269	155,676
12,348	**83,038**	**141,197**	**196,153**	**7,177**	**182,174**	**-223,228**	**303,473**	**41,166**	**72,100**	**-**	**113,266**	**813,892**	**-850,764**	**1,234,601**
41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583
12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871
-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
-	1,452,441	266,162	-	85	13	-	266,260	56	58,066	-	58,122	96,374	-	2,393,559
-	60,732	3,045	113,581	-	62	-	116,688	40,370	201,799	-	242,169	59,961	-	954,280
-	-	-	-	-	-	-	-	-	-	-	-	-4,207	-	-4,207

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2009

(Amounts in thousand Euros)

	Electricity														
	Iberian Generation				Iberian Distribution *				Iberian Supply			EDP Renováveis			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Ajustamentos	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	
Turnover	2,331,504	1,429,637	-52,382	3,708,759	4,737,388	178,953	-	4,916,341	658,610	1,379,457	2,038,067	441,437	204,649	1,771	385
Revenues form external customers	1,940,347	407,948	-36,305	2,311,990	4,614,454	20,257		4,634,711	505,181	1,251,171	1,756,352	363,778	204,649	2,286	-
Revenues from transactions with other operating segments	391,157	1,021,689	-16,077	1,396,769	122,934	158,696		281,630	153,429	128,286	281,715	77,659	-	-515	385
Cost of consumed electricity	-404,369	-473,575	943	-877,001	-3,380,624	-301	-	-3,380,925	-450,839	-1,313,104	-1,763,943	-246	-1,198	-78	-
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-5,602	-5,602	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-675,146	-484,737	33,600	-1,126,283	-12,104	566	-	-11,538	-6,062	-16,107	-22,169	-4,804	-	-	91
	1,251,989	471,325	-17,839	1,705,475	1,344,660	179,218	-	1,523,878	201,709	44,644	246,353	436,387	203,451	1,693	476
Other operating income / (expenses)															
Other operating income	18,244	3,932	-	22,176	58,108	12,554	-	70,662	2,831	32,443	35,274	9,853	115,318	1,303	-1,243
Supplies and services	-96,230	-62,810	2,140	-156,900	-327,705	-57,863	-	-385,568	-115,844	-36,311	-152,155	-68,699	-65,418	-15,113	926
Personnel costs	-72,603	-31,762	1,030	-103,335	-134,020	-18,491	-	-152,511	-35,656	-6,004	-41,660	-14,665	-19,641	-7,608	-
Employee benefits	-41,659	-1,643	-	-43,302	-89,571	-2,921	-	-92,492	-4,952	-212	-5,164	813	-1,346	-100	-
Other operating expenses	-18,563	-31,353	738	-49,178	-284,593	-8,429	-	-293,022	-11,790	-16,178	-27,968	-15,322	-17,926	-430	-160
	-210,811	-123,636	3,908	-330,539	-777,781	-75,150	-	-852,931	-165,411	-26,262	-191,673	-88,020	10,987	-21,948	-477
	1,041,178	347,689	-13,931	1,374,936	566,879	104,068	-	670,947	36,298	18,382	54,680	348,367	214,438	-20,255	-1
Provisions	-5,859	-20,299	-	-26,158	-6,852	-5,384	-	-12,236	-3,619	-17,333	-20,952	182	-	1	-
Depreciation and amortisation expense	-316,818	-128,659	-	-445,477	-241,905	-34,799	-	-276,704	-17,348	-2,534	-19,882	-154,092	-158,982	-1,035	
Tangible and intangible assets impairment	-416	-	-	-416	-	-	-	-	-	-	-	-	-	-	-
Compensation of amortisation and depreciation	5,225	450	-	5,675	-	4,109	-	4,109	51	-	51	813	1,589	-	1
	723,310	199,181	-13,931	908,560	318,122	67,994	-	386,116	15,382	-1,485	13,897	195,270	57,045	-21,289	-241
Gain/(losses) from the sale of financial assets	-	13,251	-	13,251	-	2	-	2	-	-	-	268	-	-	-
Other financial income	523,980	54,945	-70,845	508,080	473	-	-	473	58	53	111	10,382	6,218	127,928	125,78
Interest revenue	465	22,328	-	22,793	89,747	78		89,825	843	361	1,204	7,839	692	197,069	188,627
Other financial expenses	-475,608	-82,393	73,234	-484,767	-41,525	-600	-	-42,125	-81	-437	-518	-19,115	-59,590	-126,461	126,069
Interest expense	-153,329	-24,811	-	-178,140	-82,458	-7,907		-90,365	-1,807	-7,728	-9,535	-166,989	2,477	-80,057	
Share of profit of associates	735	258	-	993	-	-	-	-	-	-	-	4,209	-287	-	
Profit / (loss) before tax	619,553	182,759	-11,542	790,770	284,359	59,567	-	343,926	14,395	-9,236	5,159	31,864	6,555	97,190	26,932
Income tax expense	-118,781	-29,455	-4,241	-152,477	-55,836	-18,063	-	-73,899	-4,014	2,840	-1,174	-7,324	-	-29,363	-8,067
Net profit / (loss) for the year	**500,772**	**153,304**	**-15,783**	**638,293**	**228,523**	**41,504**	**-**	**270,027**	**10,381**	**-6,396**	**3,985**	**24,540**	**6,555**	**67,827**	
Attributable to:															
Equity holders of EDP	500,319	152,103	-15,783	636,639	228,523	40,348	-	268,871	10,394	-6,195	4,199	21,019	6,555	67,910	18,865
Minority interest	453	1,201	-	1,654	-	1,156	-	1,156	-13	-201	-214	3,521	-	-83	-
Net profit / (loss) for the year	**500,772**	**153,304**	**-15,783**	**638,293**	**228,523**	**41,504**	**-**	**270,027**	**10,381**	**-6,396**	**3,985**	**24,540**	**6,555**	**67,827**	
Assets															
Property, plant and equipment	3,969,690	1,994,279	-	5,963,969	113,293	682,603	1,981	797,877	53,033	11,280	64,313	4,591,096	3,978,845	40,011	
Intangible assets + Goodwill	1,781,220	591,848	-	2,373,068	2,424,484	235,556	-	2,660,040	524	7	531	773,668	549,122	1,507	
Investments in associates	1,340	1,053	-	2,393	-	-	-	-	-	-	-	45,924	1,686	-	-1
Current assets	778,379	498,658	-794	1,276,243	1,326,488	114,877	-36	1,441,329	248,126	424,627	672,753	612,267	208,581	508,360	
Equity and Liabilities															
Equity and minority interest	2,071,977	2,259,098	-156,903	4,174,172	478,523	449,940	6,373	934,836	16,787	-149,672	-132,885	448,698	2,858,681	5,084,442	
Current liabilities	727,786	1,179,999	-794	1,906,991	2,075,267	393,935	-36	2,469,166	235,606	364,076	599,682	1,146,265	274,160	48,657	
Other Information:															
Increase of the period															
Property, plant and equipment	396,540	182,577	-	579,117	32,451 -	61,414		93,865	1,812	6,416	8,228	1,024,560	828,519	6,354	-
Intangible assets + Goodwill	455,498	43,170	-	498,668	224,795	96		224,891	-	6	6	37,847	-	1,251	-
Material non-cash items:															
Impairment of available-for-sale financial assets	-	-	-	-	-	-		-	-	-	-	-	-	-	-

* Include Last Resource Supply in Portugal

		EDP Energias do Brasil						Gas Iberian Activity						
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations	Adjustments	EDP Group
385	648,242	351,201	1,242,560	289,136	1,519	-204,584	1,679,832	255,681	1,030,595	-97,252	1,189,024	168,955	-2,151,211	12,198,009
-	570,713	193,933	1,240,350	244,736	813	-	1,679,832	126,687	994,883	-	1,121,570	12,088	15,730	12,102,986
385	77,529	157,268	2,210	44,400	706	-204,584	-	128,994	35,712	-97,252	67,454	156,867	-2,166,941	95,023
-	-1,522	-52,222	-744,496	-269,686	-	204,584	-861,820	-	-143,180	-	-143,180	-	1,687,933	-5,340,458
-	-	-	-	-	-	-	-	-203,374	-619,242	97,583	-725,033	-	89,452	-641,183
91	-4,713	-37	-1,167	-7	-	-	-1,211	-	-5,249	-	-5,249	-112	60,046	-1,111,229
476	642,007	298,942	496,897	19,443	1,519	-	816,801	52,307	262,924	331	315,562	168,843	-313,780	5,105,139
-1,243	125,231	206	10,355	4	388	-	10,953	2,040	3,398	-86	5,352	69,545	-114,403	224,790
926	-148,304	-20,603	-94,865	-1,750	-13,233	-	-130,451	-13,164	-43,880	1,469	-55,575	-136,020	396,771	-768,202
-	-41,914	-12,069	-53,846	-1,926	-5,679	-	-73,520	-4,758	-23,192	-	-27,950	-101,312	2,166	-540,036
-	-633	-1,093	-13,346	-160	-1,903	-	-16,502	-117	-513	-	-630	-9,475	9,845	-158,353
-160	-33,838	-5,715	-46,883	-2,145	-2,491	-	-57,234	-4,871	-13,753	-617	-19,241	-29,045	8,962	-500,564
-477	-99,458	-39,274	-198,585	-5,977	-22,918	-	-266,754	-20,870	-77,940	766	-98,044	-206,307	303,341	-1,742,365
-1	542,549	259,668	298,312	13,466	-21,399	-	550,047	31,437	184,984	1,097	217,518	-37,464	-10,439	3,362,774
-	183	-595	-3,890	-242	-8,057	-	-12,784	-848	-188	-	-1,036	-1,702	-	-74,685
-241	-314,350	-50,128	-63,333	-77	-4,489	-	-118,027	-11,125	-37,577	-	-48,702	-11,781	-98,714	-1,333,637
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-416
1	2,403	-3	-	-	-	-	-3	-	3,241	-	3,241	55	-	15,531
-241	230,785	208,942	231,089	13,147	-33,945	-	419,233	19,464	150,460	1,097	171,021	-50,892	-109,153	1,969,567
-	268	-	-	-	45,673	-	45,673	-	143	-	143	34,793	-34,427	59,703
-125,784	18,744	13,784	19,901	51	168,094	-167,082	34,748	2,084	1,489	-766	2,807	1,003,832	-908,218	660,577
-188,627	16,973	7,564	29,573	973	17,967	-2,318	53,759	957	4,932	-	5,889	658,646	-473,292	375,797
126,069	-79,097	-45,447	-20,627	-714	-15,420	2,325	-79,883	-3,869	-768	-332	-4,969	-474,334	313,187	-852,506
215,515	-29,054	-42,469	-41,532	-64	-10,729	-	-94,794	-5,337	-258	-	-5,595	-736,606	473,512	-670,577
-	3,922	-	-	-	-	-83	-83	2,668	262	-84	2,846	17,307	166	25,151
26,932	162,541	142,374	218,404	13,393	171,640	-167,158	378,653	15,967	156,260	-85	172,142	452,746	-738,225	1,567,712
-8,067	-44,754	-19,440	-58,326	-4,395	-3,568	-	-85,729	-5,010	-36,780	-	-41,790	-21,715	21,773	-399,765
18,865	**117,787**	**122,934**	**160,078**	**8,998**	**168,072**	**-167,158**	**292,924**	**10,957**	**119,480**	**-85**	**130,352**	**431,031**	**-716,452**	**1,167,947**
18,865	114,349	74,893	160,078	8,998	163,975	-167,158	240,786	8,892	112,818	-85	121,625	439,816	-802,440	1,023,845
-	3,438	48,041	-	-	4,097	-	52,138	2,065	6,662	-	8,727	-8,785	85,988	144,102
18,865	**117,787**	**122,934**	**160,078**	**8,998**	**168,072**	**-167,158**	**292,924**	**10,957**	**119,480**	**-85**	**130,352**	**431,031**	**-716,452**	**1,167,947**
25,874	8,635,826	1,929,064	-	303	811	-97,968	1,832,210	1,825	780,606	-	782,431	163,485	194,695	18,434,806
12,723	1,337,020	332,290	915,080	402	111,551	-891	1,358,432	341,129	708,355	-	1,049,484	368,030	480,010	9,626,615
-1	47,609	8,862	-	-	10,951	-11,078	8,735	23,909	1,319	-	25,228	997,335	-906,028	175,272
-223,852	1,105,356	231,220	621,890	58,738	192,014	-80,926	1,022,936	79,642	327,660	-2,564	404,738	4,749,421	-3,808,065	6,864,711
-3,061,123	5,330,698	1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318	229,182	1,447,608	-	1,676,790	5,623,848	-10,070,764	9,978,013
-223,572	1,245,510	288,772	674,150	37,707	98,856	-72,677	1,026,808	139,277	628,131	-2,564	764,844	4,628,497	-3,733,465	8,908,033
-	1,859,433	155,419	3,537	167	249	-	159,372	234	139,171	-	139,405	61,928	-	2,901,348
-	39,098	481	121,927	59	106	-	122,573	32,473	33,322	-	65,795	56,894	-	1,007,925
-	-	-	-	-	-	-	-	-	-	-	-	29,289	-	29,289

annexes - external checks

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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

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

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

Introduction

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

Responsibilities

2 The Executive Board of Directors is responsible for:

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

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

KPMG

Scope

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

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

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

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

Opinion

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

Report on other legal requirements

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

Lisbon, 3 March 2011

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

annexes - external checks

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2010
(This report is a free translation to English from the Portuguese version)

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

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.

2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.

4 Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, the consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the consolidated financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR

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

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AUDITORS' REPORT

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

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

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at for the year ended 31 December, 2010 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2010 (showing total assets of 18,167,608 thousand Euros and shareholders' equity of 6,702,149 thousand Euros, including a net profit of 725,136 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

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

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

c) the adoption of adequate accounting policies and criteria;

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

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

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

KPMG

Scope

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

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

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

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

Opinion

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

Report on other legal requirements

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

Lisbon, 3 March, 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
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2

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

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

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

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2010.

2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.

4 Within the scope of our mandate, we have verified that:

i) the balance sheet, the statements of income, of cash flows, of changes in equity, the comprehensive income and the related notes, present adequately the financial position and the results of EDP;

ii) the accounting policies and valuation criteria used are appropriate;

iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report;

ii) the financial statements.

Lisbon, 3 March 2011

THE STATUTORY AUDITOR

KPMG & Associados
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