

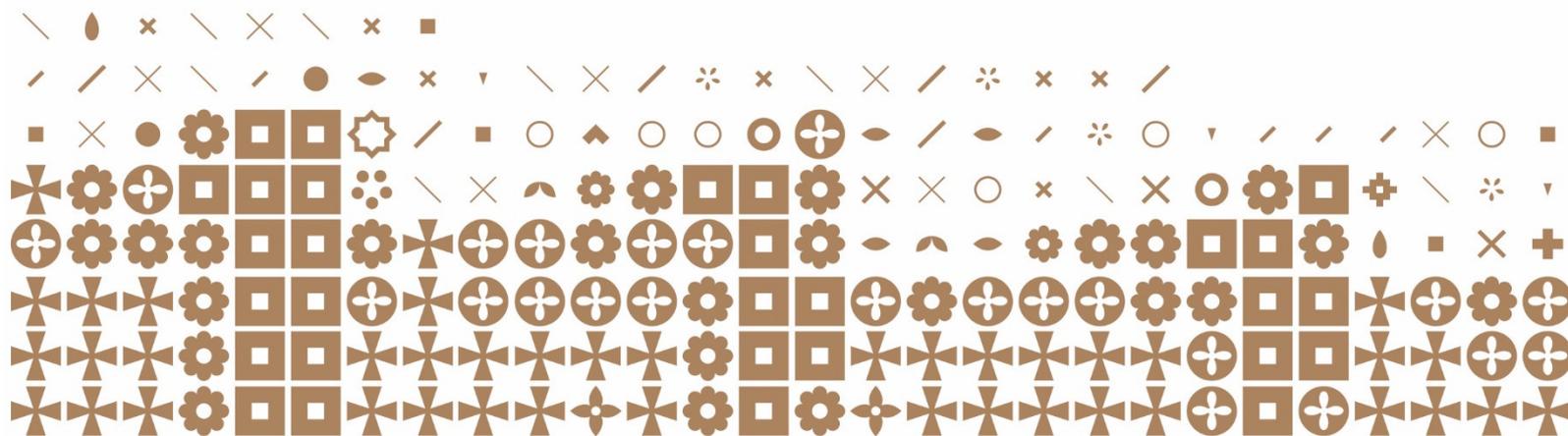
edp

ENERGY

THAT MAKES
A DIFFERENCE

TRANSFORM, IMPROVE, MAKE THE WORLD MOVE...
THAT'S WHERE WE PUT ALL OF OUR ENERGY.
AN ENERGY THAT IS BUILT IN 14 COUNTRIES,
MADE OF PROXIMITY, OF COMMITMENT,
OF ENVOVEMENT AND RESPONSIBILITY.

**BUT ABOVE ALL,
AN ENERGY THAT MAKES A DIFFERENCE.**





AN ENERGY THAT TRANSFORMS THE ECONOMY

A commitment to an increase in the use of hydroelectric power plants, promoting the country's energy independence.



The EDP logo is written in a stylized, lowercase, orange font. The background of the entire slide is a light blue grid of small icons, including squares, circles, and crosses, some of which are filled with the same icons.

PRESENT IN 14 COUNTRIES AND HAS 9.7 MILLION ELECTRICITY CUSTOMERS

EDP – Energias de Portugal, S.A. is a listed company (“sociedade aberta”), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Avenida 24 de Julho, no. 12, 1249-300 Lisbon, Portugal.

EDP was initially incorporated as a public enterprise (“empresa pública”) in 1976 pursuant to Decree-Law no. 502/76, of 30 June, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (“sociedade anónima”) pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

EDP is a vertically integrated utility company. It is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula and one of the largest gas distributors in the Iberian Peninsula.

EDP is one of the largest wind power operator worldwide with facilities for energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland and Romania and is developing wind projects in the United Kingdom and Mexico. Additionally, EDP generates solar photovoltaic energy in Portugal, Romania and the United States. In Brazil, EDP is the fourth largest private operator in electricity generation, has 2 electricity distribution concessions and is the third largest private supplier in the liberalised market.

EDP has a relevant presence in the world energy landscape, being present in 14 countries, with **9.7 million electricity customers**, **1.4 million gas customers** and more than **12 thousand employees** around the world. On September 30, 2015, EDP had an installed capacity of **24 GW** and generated **46 TWh** during 2015, of which **59%** came from **renewable sources**.

edp

IN THE WORLD



PORTUGAL

6,653	EMPLOYEES
5,446,159	ELECTRICITY CUSTOMERS
547,134	GAS CUSTOMERS
10,041	INSTALLED CAPACITY (MW)
17,393	NET GENERATION (GWh)
48%	GENERATION FROM RENEWABLE SOURCES ¹
33,393	ELECTRICITY DISTRIBUTED (GWh)
5,135	GAS DISTRIBUTED (GWh)
1,372	CAPACITY UNDER CONSTRUCTION (MW)



SPAIN

1,861	EMPLOYEES
998,426	ELECTRICITY CUSTOMERS
831,325	GAS CUSTOMERS
5,962	INSTALLED CAPACITY (MW)
189	INSTALLED CAPACITY MEP ² (MW)
12,377	NET GENERATION (GWh)
35%	GENERATION FROM RENEWABLE SOURCES ¹
6,873	ELECTRICITY DISTRIBUTED (GWh)
21,025	GAS DISTRIBUTED (GWh)



FRANCE

49	EMPLOYEES
340	INSTALLED CAPACITY (MW)
536	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹
48	CAPACITY UNDER CONSTRUCTION (MW)



BELGIUM

2	EMPLOYEES
71	INSTALLED CAPACITY (MW)
101	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹



ITALY

22	EMPLOYEES
100	INSTALLED CAPACITY (MW)
157	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹



BRAZIL

2,954	EMPLOYEES
3,217,596	ELECTRICITY CUSTOMERS
2,601	INSTALLED CAPACITY (MW)
187	INSTALLED CAPACITY MEP ² (MW)
6,253	NET GENERATION (GWh)
72%	GENERATION FROM RENEWABLE SOURCES ¹
19,330	ELECTRICITY DISTRIBUTED (GWh)
120	CAPACITY UNDER CONSTRUCTION (MW)
341	CAPACITY UNDER CONSTRUCTION MEP ² (MW)



POLAND

40	EMPLOYEES
392	INSTALLED CAPACITY (MW)
647	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹
77	CAPACITY UNDER CONSTRUCTION (MW)



ROMANIA

33	EMPLOYEES
521	INSTALLED CAPACITY (MW)
838	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹



MEXICO

5	EMPLOYEES
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UNITED STATES

357	EMPLOYEES
3,904	INSTALLED CAPACITY (MW)
7,586	INSTALLED CAPACITY MEP ² (MW)
179	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹
299	CAPACITY UNDER CONSTRUCTION (MW)



CANADA

5	EMPLOYEES
30	INSTALLED CAPACITY (MW)
51	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES ¹



CHINA AND ANGOLA

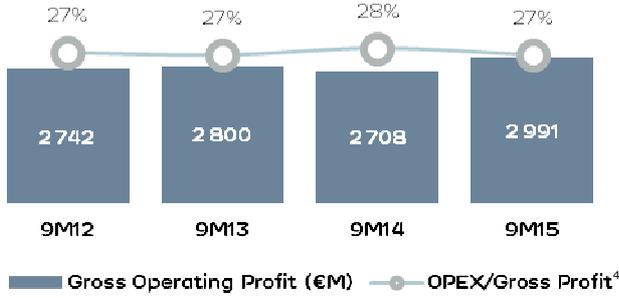
OFFICES

¹ Includes Hydro, Wind and Solar.

² Accounted according to Equity Method.

EDP IN NUMBERS

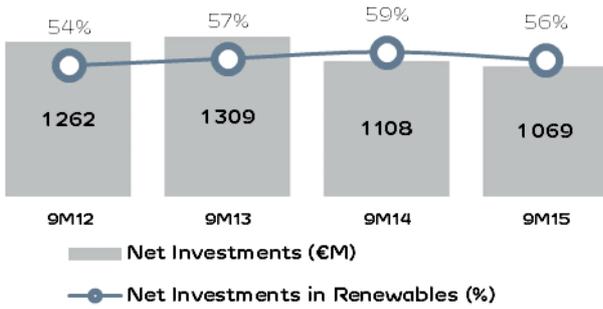
GROSS OPERATING PROFIT



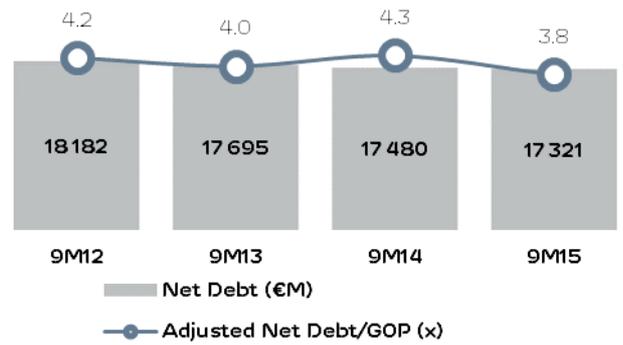
NET PROFIT¹



NET INVESTMENTS²



NET DEBT³

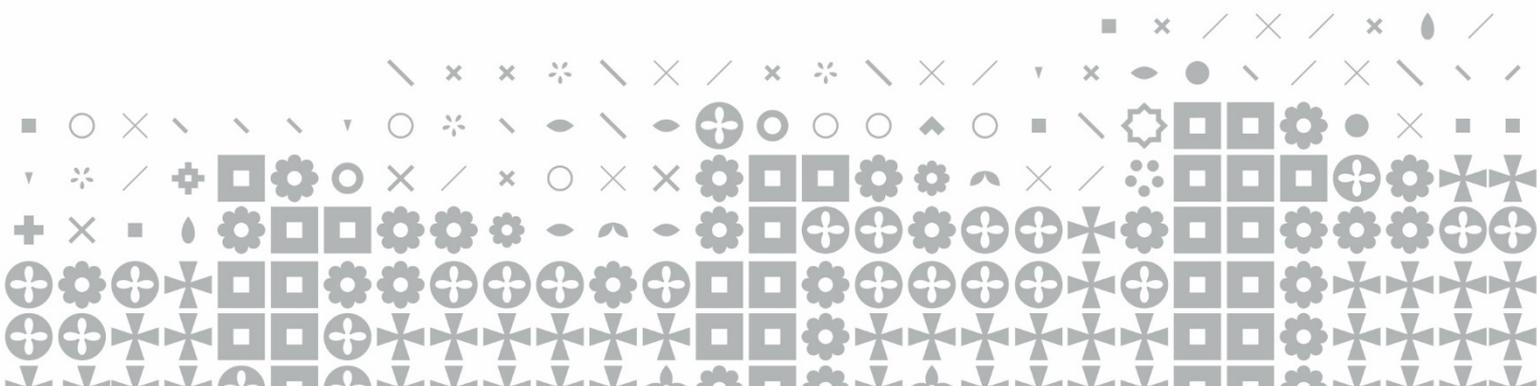


¹ Net Profit attributable to EDP Equity holders

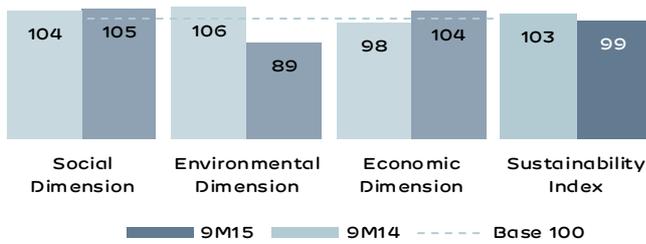
² Includes Capex, Financial Investments and Divestments ("Asset Rotation")

³ Includes Financial Debt, Cash and Equivalents, Short-term financial assets at fair-value, net investment and fair value hedge and collateral deposits associated to financial debt and 50% of the amount related with the emission of subordinated debt instrument (hybrid).

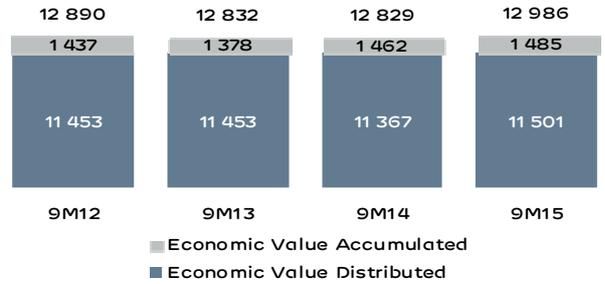
⁴ (Supplies and Services + Personnel Costs and Employee Benefits - Curtailment) / (Gross Profit + Income arising from Institutional Partnerships)



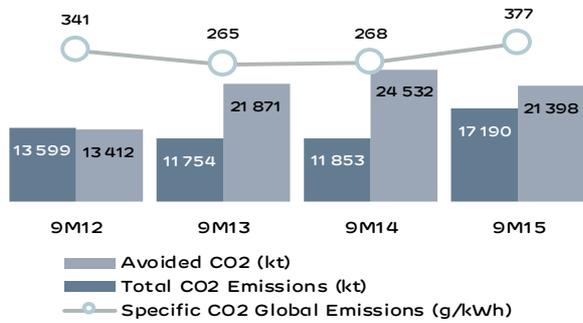
EDP SUSTAINABILITY INDEX



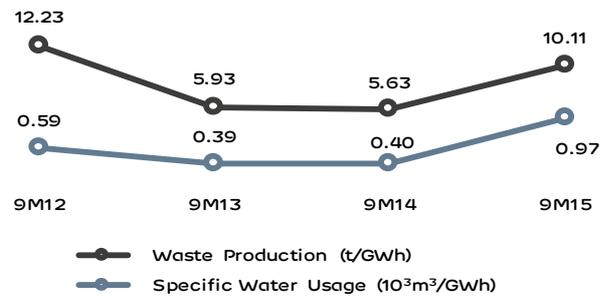
ECONOMIC VALUE GENERATED¹ (€M)



CO2 EMITED AND AVOIDED²



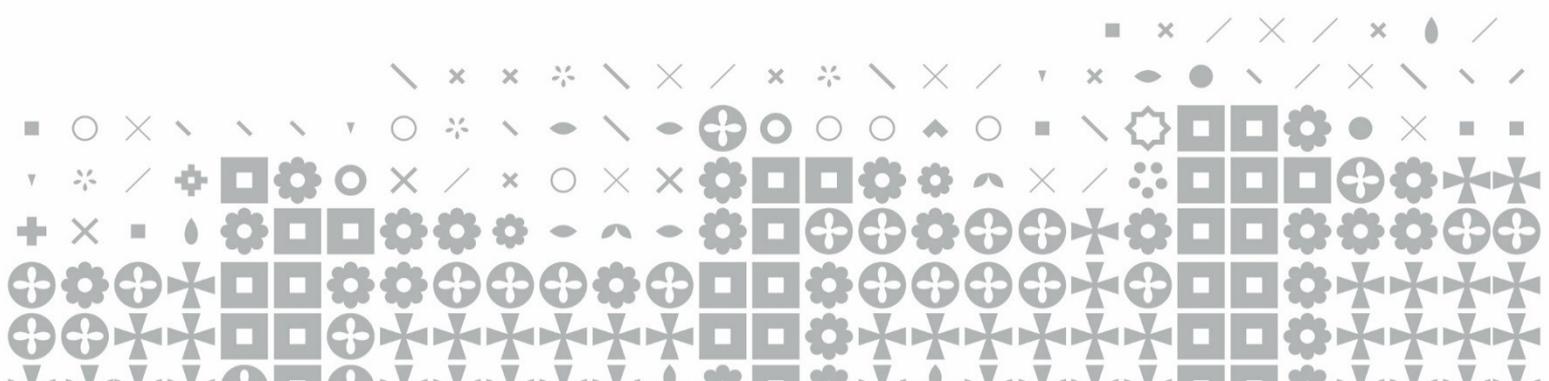
WATER USAGE AND WASTE PRODUCTION



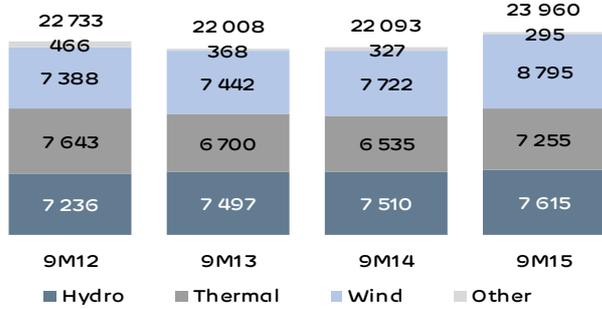
¹ Economic Value Generated: Turnover + Share of net profit in joint ventures and associates + Other operating income + Financial Income
Economic Value Distributed: Cost of energy sales and other + Operating costs + Other operating expenses + Financial expenses + Current Income tax + Dividend payments

Economic Value Accumulated: Economic Value Generated - Economic Value Distributed

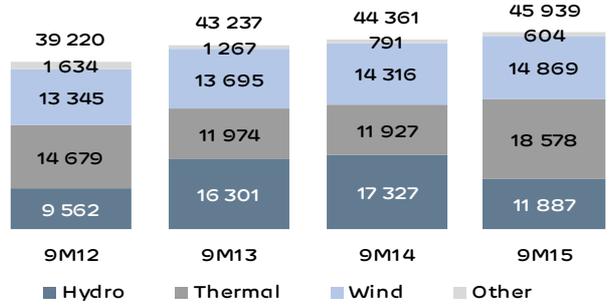
² The figures reflect the incorporation of Pecém operational data in 1H15.



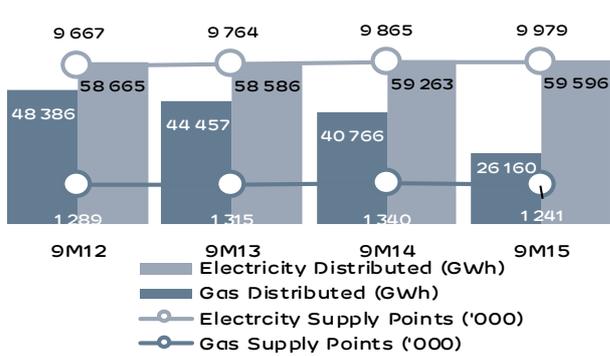
ELECTRICITY GENERATION
INSTALLED CAPACITY (MW)



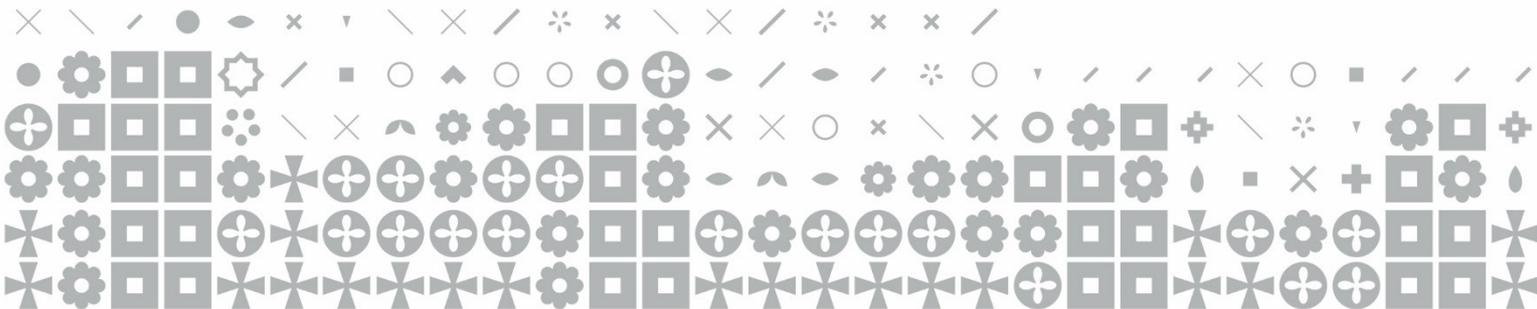
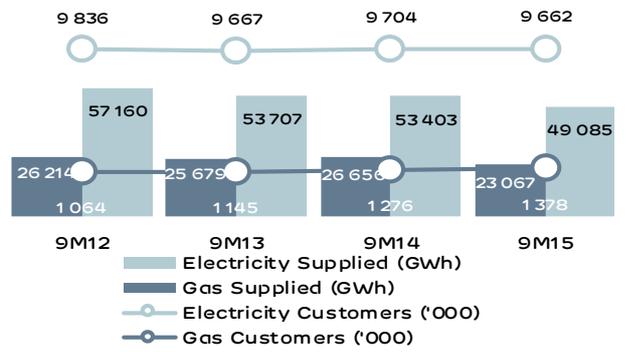
ELECTRICITY GENERATION
NET GENERATION (GWh)



ELECTRICITY AND GAS DISTRIBUTION



ELECTRICITY AND GAS SUPPLY



VALUE CHAIN



VISION, VALUES AND COMMITMENTS

VISION

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

VALUES

- INITIATIVE**
Demonstrated through the behaviour and attitude of our people.
- TRUST**
Of shareholders, customers, suppliers and other stakeholders.
- EXCELLENCE**
In the way we perform.
- SUSTAINABILITY**
Aimed at improving the quality of life for present and future generations.
- INNOVATION**
With the objective of creating value within the various areas in which we operate.

COMMITMENTS

SUSTAINABILITY

We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.

We avoid specific greenhouse gas emissions with the energy we produce.

We ensure the participatory, competent and honest governance of our business.

PEOPLE

We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.

We promote the development of skills and merit.

We believe that the balance between private and professional life is fundamental in order to be successful.

RESULTS

We fulfil the commitments that we embraced in the presence of our shareholders.

We are leaders due to our capacity of anticipating and implementing.

We demand excellence in everything that we do.

CLIENTS

We place ourselves in our clients' shoes whenever a decision has to be made.

We listen to our clients and answer in a simple and clear manner.

We surprise our clients by anticipating their needs.

EDP GROUP BUSINESS STRUCTURE



IBERIA

Portugal

Spain

EDP
RENOVÁVEIS

EDP
BRASIL

ELECTRICITY
GENERATION

EDP Produção	HC Cogeneración	EDP Renováveis Portugal	EDP Renewables Espanha	Energest	Porto do Pecém
—	—	—	—	—	—
EDP Produção Bioeléctrica*	Bioastur	EDP Renewables France	EDP Renewables Belgium	Lajeado Energia	CEJA (Jari)*
—	—	—	—	—	—
—	HC Energía	EDP Renewables Polska	EDP Renewables Romania	Enerpeixe	Cachoeira Caldeirão*
—	—	—	—	—	—
—	—	EDP Renewables North America	EDP Renewables Canada	São Manoel*	—
—	—	—	—	—	—
—	—	EDP Renewables Italia	EDP Renováveis Brasil	—	—
—	—	EDPR UK	—	—	—

ELECTRICITY
AND GAS DISTRIBUTION

EDP Distribuição	HC Distribución		Bandeirante	Escelsa
—	—		—	—
EDP Gás Distribuição*	Naturgas Distribución		—	—

ELECTRICITY AND GAS SUPPLY
AND TRADING

EDP Serviço Universal	HC Energía		EDP Comercializadora	EDP Grid
—	—		—	—
EDP Comercial	CIDE HC Energia*		—	—
—	—		—	—
EDP Gás Serviço Universal	NE Comercializ.		—	—
—	—		—	—
EDP Gás.Com	HC Gas		—	—

* Equity Consolidated Method

RECOGNITION

CORPORATE

February - Moody's raises EDP's rating.

Moody's raised its rating of EDP and its subsidiaries EDP Finance B.V. and Hidroeléctrica del Cantabrico in Spain from "Ba1" to "Baa3". It also improved the short-term rating of EDP, EDP Finance B.V. and HC Energia from "Not-Prime" to "Prime-3". All the ratings were given a stable outlook. Moody's also considers that the tariff deficit borne by the electricity system in Portugal is gradually stabilising, thereby reducing the likelihood of new regulatory cuts being necessary.

March - António Mexia voted the best Utilities CEO in Europe

A group of analysts at Buy Side voted António Mexia the best CEO in Europe in the Utilities sector in an annual survey by Institutional Investor magazine. Nuno Alves, the EDP Group's Chief Financial Officer and Miguel Viana, Director of Investor Relations, were also recognised. EDP went up 71 places against last year in the overall assessment of listed European companies in all sectors and is now in 20th place.

March - EDP in the Ethisphere Institute 2015 rankings

For the fourth year running, EDP is part of the international rankings of The World's Most Ethical Companies - WME, voted by the Ethisphere Institute, which is the world leader in promoting ethical business standards. EDP was considered a benchmark in Energy and Utilities: Electric, along with four other companies worldwide.

June - EDP is the best company in Europe for Investor Relations

The Group was recognized at the 2015 IR Magazine Awards, winning important prizes in the field of Investor Relations in Europe, and being named the "Best investor relations by a senior management team (large cap)". EDP Group had the second place in the "Regional Awards - Southern Europe" and "Utilities" categories, and was fifth in the "Best financial reporting" category. EDP Renováveis was also in the headlines at these awards. The company won the award for "Best investor relations by a senior management team (small and mid-cap)". Rui Antunes also won the award for "Best investor relations officer (small and mid-cap)".

Jul - EDP University obtains DGERT educational institute certification

The EDP University is the first Corporate University in Portugal to obtain this certification. Given the wide range of training offered, the certification covers 16 areas of education and training.

Sep - For the eighth consecutive year EDP is listed on the Dow Jones World Sustainability Index

EDP has once again been included in the Dow Jones World Sustainability Index produced by RobecoSAM in association with S&P Dow Jones, one of the best known and most credible sustainability indexes. EDP has been a part of this group and included on this world index continuously since 2008.

Sep - EDP listed on the STOXX Global ESG Leaders and STOXX Europe Sustainability Index

EDP was listed on the STOXX Global ESG Leaders and STOXX Europe Sustainability Index, produced by Sustainalitics and Bank Sarasin, respectively, in association with STOXX. According to the 2013 GlobeScan/Sustainability survey, these indices are among the 10 most familiar to socially responsible investors.

PORTUGAL

January, 22 - Re:dy distinguished in the Green Project Awards

The Re:dy service was recognised in the Information Technology category. Re:dy allows customers to monitor the consumption of electrical devices at home from wherever they are using an internet portal and smartphone.

January, 29 - EDP receives the Green Fleet Award

From Fleet Magazine, which goes to the company that has demonstrated the greatest commitment to reducing CO2 when buying vehicles. It measures the percentage of electric and hybrid vehicles in the fleets of different Portuguese companies.

February, 4 - EDP wins first place in 2014 Excellence at Work Awards

An award has been given by Heidrick & Struggles in partnership with Diário Económico and INDEGIUL to EDP in the category of large companies with more than 1,000 employees. It was also distinguished in the Industry and Energy category.

May - EDP leads the way in gas and electricity customer satisfaction

EDP Comercial's quality of service was recognized by the ECSI Portugal research - National Customer Satisfaction Index. The market research periodically carried out by ECSI Portugal covers the energy sector, which is split into four categories: natural gas, electricity, dual fuel and bottled gas. EDP Comercial came top in the dual fuel category.

June - EDP Labellec receives waste management certification

EDP Labellec received 3R6 certification for its Ponto Verde Services, proof of the company's efforts in adopting responsible environmental practices that meet and maximize the amounts sent for recycling and the recovery of urban waste, packaging and other waste.



Sep – EDP Distribuição receives Business Continuity certification

EDP Distribuição received certification for its Business Continuity Management System (SGCN), according to the International Standard ISO 22301:2012 for Business Continuity. This makes EDP Distribuição the first utility in Portugal to receive this certification, and the first electricity distributor in Iberia.

SPAIN

April – Castejón Combined Cycle Thermolectric Power Station receives FM Global award

The international insurance company, FM Global, has awarded its HPR (Highly Protected Risk) prize to the power station. This award highlights the risk prevention work carried out.

May – EDP in Spain recognized as an organization that employs young people.

This recognition is part of the Spanish Strategy for Social Responsibility, which recognizes all public and private organizations taking part in this strategy and which take positive steps contributing to its goals as “bodies responsible for youth employment”.

EDP RENOVÁVEIS

February - EDPR awarded at Euronext Lisbon Awards 2015

With the best stock market performance in 2014, EDP Renováveis saw a rise of 40% in its market capitalisation. The awards recognise institutions with excellent performance in Portugal’s capital markets.

April – EDP Renováveis is one of the 10 best large companies to work for in Spain

For the fourth consecutive year, EDP Renováveis has maintained its position as one of the best companies to work for. EDP continues to be the only energy sector company on the list, coming in eighth in the category of companies with 250-500 employees.

April – Meridian Way Wind Farm receives Employer Engagement Initiative Champion Level Award

The Cloud County Community College (CCCC) and the Kansas Board of Regents (KBOR) have recognized Meridian Way wind farm for its significant contribution to the college’s Wind Energy Technology (WET) program and for the development of wind farm students, to whom EDP offers paid traineeships.

Jul – EDP Renováveis Annual Report is the best in the non-financial sector

“Investor Relations & Governance Awards” (IRG Awards), by Deloitte in partnership with Diário Económico awards this prize, which aims to rewards the best in the Portuguese market

Aug – EDPR NA is “Clean Air Champion” for the fourth year in a row

EDPR NA won the Houston-Galveston Area “Clean Air Champion” prize, which recognizes the company’s efforts to encourage its staff to use alternative travel methods.

Sep – EDPR’s Corporate Site is one of the best in the Portuguese Stock Index-20 (PSI-20)

According to Investis, EDP Renováveis’s website is one of the best corporate websites of companies listed on the Portuguese stock exchange. The evaluation takes several criteria into consideration.

EDP BRASIL

Jul – Abrinq recognizes EDP companies as “Child-Friendly Companies”

For the 11th consecutive year, EDP’s distribution companies in São Paulo and Espírito Santo have been recognized as Child-Friendly Companies by the Abrinq Foundation. This is the fifth consecutive year the generating company Enerpeixe has received this recognition. This is recognition of the initiative to contribute to the creation of a better future of young people in the areas in which the companies operate.

Aug – EDP wins ANEFAC Transparency Trophy

For the third time in total and the second consecutive year, EDP has won the Transparency Trophy in the category for “Publicly Listed Companies” (Net Income up to R\$5 billion). The prize, which is awarded by the National Association of Finance, Administration and Accounting Executives (ANEFAC), recognizes companies using the best accounting practices together with objective market information.

Sep – Distribuição achieves new Quality certifications

EDP extended its ISO 9001 Quality certification to Ombudsman Services and Collection and Determination of Telephone Answering Quality Indicators. This initiative demonstrates the respect EDP has for its customers and the synergy between various areas for the results obtained.

Sep – EDP receives gold seal for the sixth time in succession

EDP Brasil’s 2014 Inventory of Greenhouse Gasses received the Gold Seal for the sixth consecutive year. EDP Brasil has used the GHG Brazil Protocol methodology since 2008, the year this initiative was launched.



TARGETS

Targets

AND

Goals

GOALS

Date

1. ECONOMIC AND SOCIAL VALUE

To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: ~5% per year *	2014-2017
	Net Profit Average Annual Growth Rate: ~5% per year *	2014-2017
	Installed capacity of 26,7 GW **	2017
	Average Annual Net Investments of ~€1.6bn per year	2014-2015
	Average Annual Net Investments of ~€1.2bn per year	2016-2017
	Adjusted Net Debt/EBITDA: ~3.0x	2017
To preserve a low risk business profile	Regulated & LT Contracted EBITDA > 70% of total EBITDA	2017
	Renewable installed capacity > 75% of total installed capacity	2017
To promote internal efficiency	OPEX III cost savings of €180M/year by 2017	2017
To keep an attractive dividend policy	Payout ratio between 55% and 65% of recurrent net profit, with a minimum of €0.185 per share	2014-2017
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017

2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION

To focus growth on a cleaner production	Until 2020, reduce CO ₂ emissions by 70% in comparison with 2008 values	2020
To strengthen an appropriate environmental management of EDP's activities	Achieve 100% of certified installed capacity according to ISO 14001	2020
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2017

3. INNOVATION

To promote competitiveness and productivity through innovation	Maintain a financing budget of €20M/year for Research & Development projects	2017
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015

4. INTEGRITY AND GOOD GOVERNANCE

To strengthen the ethics in all EDP's employees' culture	Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute	2017
	Identify and assess ethical risks of EDP Group	2015
	Exceed 80 points in the corporate index Ethicis	2020
Extend Sustainability to the supply chain	Develop new supply chain Indicators and comply with G4	2015

5. TRANSPARENCY AND DIALOGUE

Transparency and dialogue	Complete the report of GHG emissions, scope 3	2015
To report transparently and ensure an open and trusting relationship with stakeholders	Report in accordance to the new Global Reporting Initiative Standards - G4	2015

6. HUMAN CAPITAL AND DIVERSITY

To work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013	2013-2015
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2015
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2015
To keep a high level of employee satisfaction	Maintain employees' Global Satisfaction above 80%	2013-2015

7. ACCESS TO ENERGY

To keep or improve the quality levels of technical and commercial services provided to our clients	Ensure an overall customer satisfaction above 80% in different segments	2020
	Ensure that ICEIT and DEC are above the levels set by Regulators	2014-2015

8. SOCIAL DEVELOPMENT AND CITIZENSHIP

To enhance a close relationship between the company and the society	Guarantee an allocated budget to "Fundação EDP" up to 0.1% of the Group's turnover	2012-2015
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015

* Based in 2014 forecast of Investor's Day presentation

** Includes equity consolidated capacity



PERFORMANCE

EDP GROUP'S BUSINESS EVOLUTION 19

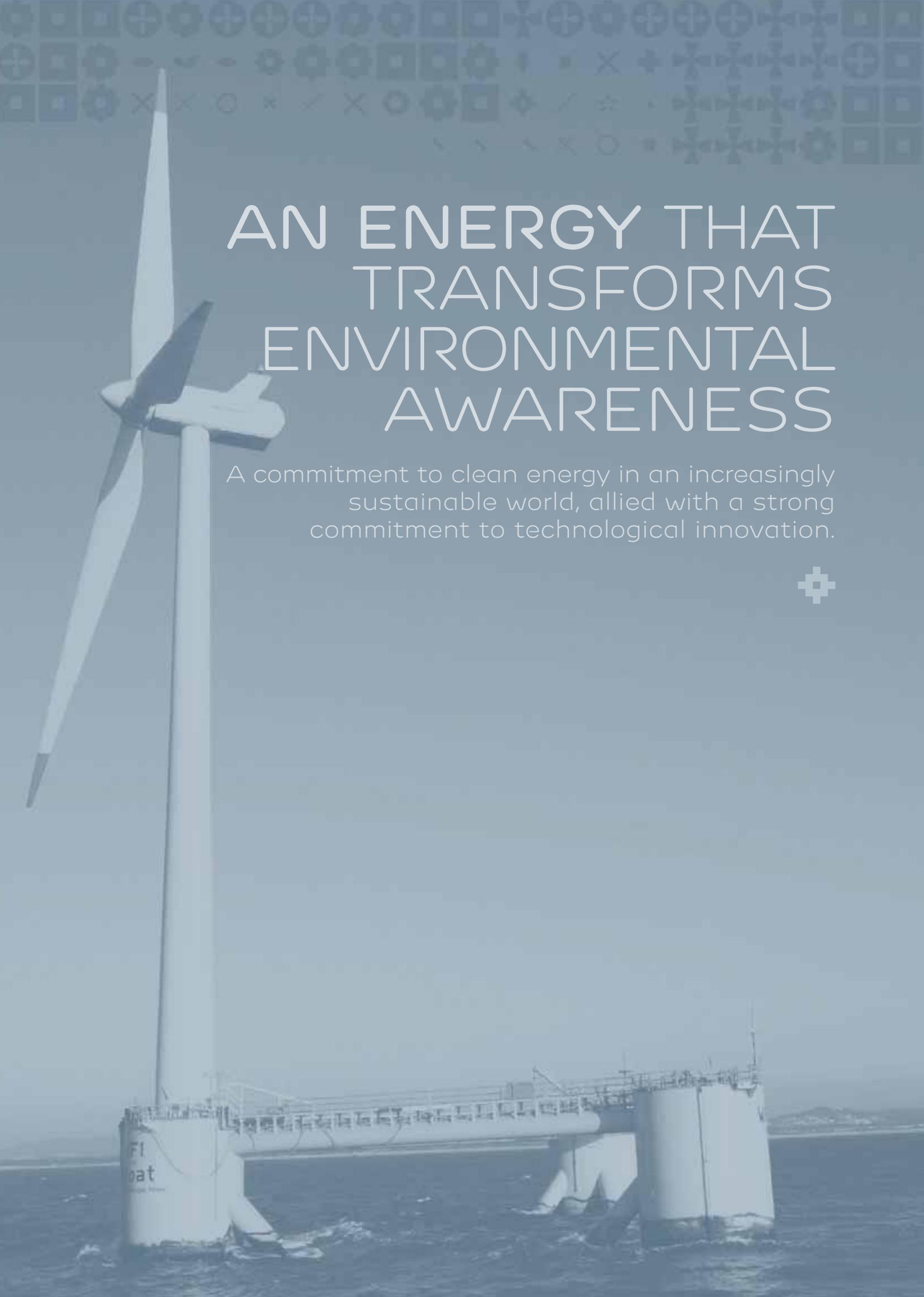
KEY INDICATORS

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ELECTRICITY AND GAS SUPPLY 25

COMPLEMENTARY INDICATORS 26



AN ENERGY THAT TRANSFORMS ENVIRONMENTAL AWARENESS

A commitment to clean energy in an increasingly sustainable world, allied with a strong commitment to technological innovation.



EDP GROUP'S BUSINESS EVOLUTION

In the first nine months of 2015, EDP Group's net profit attributable to EDP shareholders reached EUR 736 million, compared with EUR 766 million in the first nine months of 2014.

In the first nine months of 2015, EDP Group's net profit attributable to EDP shareholders reached EUR 736 million, compared with EUR 766 million in the first nine months of 2014.

Consolidated EBITDA increased by 10% year-on-year, to EUR 2,991 million in the first nine months of 2015, 10% higher than in the first nine months of 2014. Note that EBITDA includes: (i) in the first nine months of 2015, EUR 295 million gain booked in the second quarter in the wake of the bargain purchase of Eneva's 50% stake in Pecém I at a discount (Brazil), EUR 89 million gain in the first semester derived from the sale of gas distribution assets to Redexis (Spain) and, at EDP Renováveis' ('EDPR') level, events worth EUR 40 million in the third quarter of 2015 related with the provisional revaluation of the former EDPR's stake in ENEOP (+EUR 102 million) net of the write-offs in the period (-EUR 62 million); (ii) in the first nine months of 2014, EUR 131 million gain on the sale of a 50% equity stake in Jari/Cachoeira-Caldeirão and EUR 129 million gain obtained in the wake of new Collective Labour Agreements (CLA) established in Portugal. Adjusted EBITDA rose 5% year-on-year to EUR 2,567 million, capped by adverse conditions for the hydro and wind production in the main markets where EDP operates. In Brazil the impact of the full consolidation of Pecém I since May 15th, 2015 and the tariff deviations recognition since December 2014 contributed to the increase in EBITDA, in spite of the drought situation deteriorated year-on-year (hydro deficit of 18% in the first nine months of 2015 vs. 8% in the first nine months of 2014), which translated into a reduction of EUR 89 million in EBITDA in the first nine months of 2015. In Portugal, hydro resources in the first nine months of 2015 fell 22% short of the long-term average, compared to a 33% premium over long term average in the first nine months of 2014. At EDP Renováveis ('EDPR') level, the average load factor was 3% lower than the average scenario in the first nine months of 2015, versus +5% in the first nine months of 2014, whilst the US dollar appreciation against the Euro contributed positively (+EUR 49 million).

EDP Group operating costs (supplies and services, personnel costs and costs with employee benefits) totalled EUR 1,130 million in the first nine months of 2015. On a year-on-year basis, excluding the EUR 129 million gain booked in the first nine months of 2014 (on the new Collective Labour Agreement in Portugal), operating costs: (i) fell 3% year-on-year in Iberia, driven by headcount reduction; (ii) rose 5% year-on-year at EDPR (excluding ForEx impact) on portfolio expansion; and (iii) rose by 11% in Brazil (excluding ForEx impact), reflecting the full consolidation of Pecém I and higher inflation. Other net operating costs totalled -EUR 60 million in the first nine months of 2015 (vs. EUR 180 million cost in the first nine months of 2014), reflecting (i) the aforementioned sale of gas assets to Redexis (in the first semester of 2015), the gain in Pecém I (in the second quarter of 2015), -EUR 40 million net gain at EDPR level (in the third quarter of 2015) and 50% in Jari/Cachoeira (in the second quarter of 2014); (ii) higher costs with generation taxes and clawback in Iberian Peninsula (+EUR 29 million versus the first nine months of 2014) due to higher generation volumes and revenues.

EBIT was 15% higher year-on-year in the first nine months of 2015, to EUR 1,924 million, mainly driven by the increase in EBITDA and higher amortisation and impairments (+4% year-on-year mainly reflecting the volatility of the Euro against the US dollar and the Brazilian real, as well as the full consolidation of Pecém I).

Financial results totalled EUR -626 million in the first nine months of 2015, reflecting: (i) the impact from the US dollar appreciation against the Euro on US dollar denominated debt, resulting in an increase in the interest paid in US dollar denominated debt; (ii) capitalised financial costs decrease of EUR 59 million year-on-year to EUR 65 million in the first nine months of 2015, due to the start of operation of some of the hydro plants and by the equity-method consolidation of Jari and Cachoeira-Caldeirão (as from June 2014); and (iii) due to an impairment at our financial stake in BCP (-EUR 22 million). Share of net profit in joint ventures and associates totalled an amount of EUR -25 million in the first nine months of 2015 mainly driven by the participation in ENEOP in Portugal (EUR 6 million in the first nine months of 2015), our stake in Porto do Pecém I (EUR -24 million until May 15th, 2015, or -EUR 27 million year-on-year due to the first nine months of 2014 having been impacted by the recovery of unavailability penalties), and our stakes in Jari and Cachoeira-Caldeirão (EUR -9 million in the first nine months of 2015).

Income taxes totalled EUR 236 million, with an effective tax rate of 19% in the first nine months of 2015, reflecting the decrease on corporate taxes in Portugal and Spain, and the effect of non-taxation on the taxable profit obtained with the sale of some gas assets, on the taxable profit obtained in the revaluation of the stake formerly held in ENEOP, and on part of the taxable profit obtained with the acquisition of Pecém I. Additionally, and according to the terms defined in Portugal's State Budget for 2015, EDP contributed with EUR 61 million in the first nine months of 2015 to the extraordinary tax on the energy sector in Portugal. Non-controlling interests reached EUR 240 million in the first nine months of 2015, driven by the acquisition of Pecém I at EDP Brasil's level, by the capital gain booked on sale of gas assets at Naturgas level (5% minority stake), and the increase of EDP Brasil and EDPR's higher net profit.

Overall, net profit attributable to EDP shareholders stood at EUR 736 million in the first nine months of 2015.

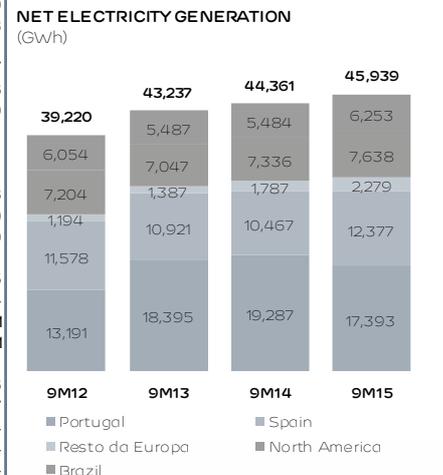
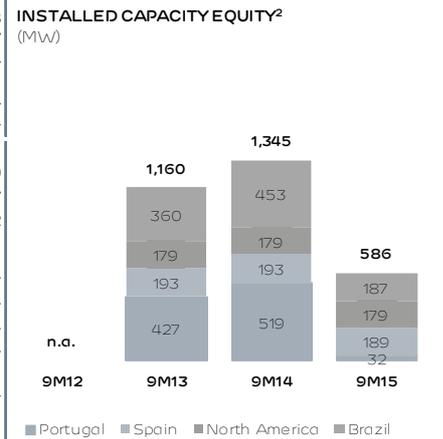
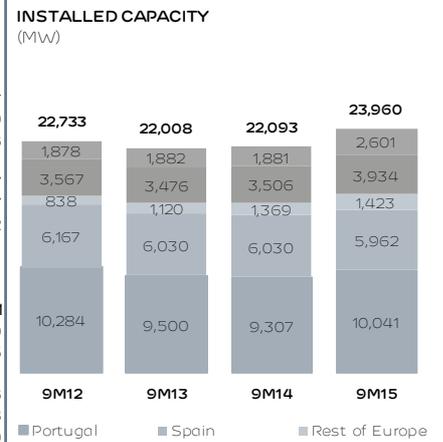
Net investments totalled EUR 1,069 million in the first nine months of 2015, of which EUR 1,218 million relate to capex. Expansion capex totalled EUR 852 million in the first nine months of 2015, driven by the ongoing construction of new hydro and wind capacity, while maintenance capex stood at EUR 366 million in the first nine months of 2015.

Net debt increased from EUR 17.0 billion in December 2014 to EUR 17.3 billion in September 2015, excluding 50% of the amount related with the emission of subordinated debt instrument (hybrid) booked as a liability, due to the impact from the acquisition and full control of Pecém I as well as the impact of the full consolidation of ENEOP, partly mitigated by the disposal of gas assets to Redexis.

KEY INDICATORS

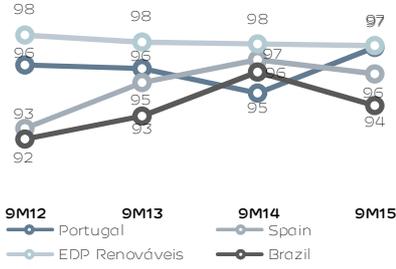
ELECTRICITY GENERATION

	Un.	9M 15	9M 14	9M 13	9M 12
INSTALLED CAPACITY	MW	23,960	22,093	22,008	22,733
Contracted Generation in Iberian Market	MW	4,683	4,745	5,593	6,687
PPA/CM EC	MW	4,470	4,470	5,274	6,221
Hydro	MW	3,290	3,290	4,094	4,094
Coal	MW	1,180	1,180	1,180	1,180
Fuel	MW	-	-	-	946
Special Regime	MW	213	274	318	466
Portugal - Hydro	MW	164	157	157	157
Portugal - Thermal	MW	24	24	68	167
Spain - Thermal	MW	25	93	93	142
Liberalised Electricity Generation in Iberian Market	MW	7,882	7,777	7,125	6,864
Portugal	MW	4,140	4,035	3,382	3,125
Hydro	MW	2,101	1,996	1,178	921
CCGT	MW	2,039	2,039	2,039	2,039
Fuel	MW	-	-	165	165
Spain	MW	3,743	3,743	3,743	3,740
Hydro	MW	426	426	426	426
CCGT	MW	1,698	1,698	1,698	1,698
Coal	MW	1,463	1,463	1,463	1,460
Nuclear	MW	156	156	156	156
EDP Renováveis	MW	8,878	7,774	7,493	7,388
Portugal	MW	1,243	621	619	615
Spain	MW	2,194	2,194	2,194	2,284
Rest of Europe	MW	1,423	1,369	1,120	838
North America	MW	3,934	3,506	3,476	3,567
Brazil	MW	84	84	84	84
EDP Brasil	MW	2,517	1,797	1,798	1,794
Hydro	MW	1,797	1,797	1,798	1,794
Coal	MW	720	-	-	-
Capacity under Construction	MW	1,918	2,061	1,753	2,819
Portugal ¹	MW	1,368	1,468	1,468	1,710
EDP Renováveis	MW	549	593	285	367
Brazil ¹	MW	0	0	0	742
Installed Capacity Equity²	MW	586	1,345	1,160	n.a.
Portugal ¹	MW	32	32	32	n.a.
Spain ¹	MW	15	19	19	n.a.
EDP Renováveis	MW	353	841	748	n.a.
Brazil ¹	MW	187	453	360	n.a.
Capacity under Construction Equity²	MW	341	609	296	-
Brazil	MW	341	609	296	-
NET ELECTRICITY GENERATION	GWh	45,939	44,361	43,237	39,220
Contracted Generation in Iberian Market	GWh	11,528	13,461	14,553	10,607
PPA/CM EC	GWh	11,049	12,723	13,319	8,973
Hydro	GWh	3,850	6,934	7,475	2,300
Coal	GWh	7,199	5,789	5,844	6,670
Fuel	GWh	-	-	-	3
Special Regime	GWh	479	738	1,234	1,634
Portugal - Hydro	GWh	230	444	456	147
Portugal - Thermal	GWh	145	162	355	876
Spain - Thermal	GWh	105	131	423	610
Liberalised Electricity Generation in Iberian Market	GWh	13,319	11,219	9,622	9,379
Portugal	GWh	4,752	4,728	3,098	2,148
Hydro	GWh	3,006	4,333	2,566	918
CCGT	GWh	1,746	395	531	1,230
Fuel	GWh	-	-	-	0
Spain	GWh	8,567	6,491	6,524	7,231
Hydro	GWh	680	748	925	455
CCGT	GWh	674	304	363	1,054
Coal	GWh	6,329	4,574	4,402	4,831
Nuclear	GWh	885	865	834	891
EDP Renováveis	GWh	14,994	14,369	13,728	13,345
Portugal	GWh	1,218	1,229	1,167	1,046
Spain	GWh	3,705	3,845	3,974	3,737
Rest of Europe	GWh	2,279	1,787	1,387	1,194
North America	GWh	7,638	7,336	7,047	7,204
Brazil	GWh	156	173	153	164
EDP Brasil	GWh	6,097	5,311	5,334	5,890
Hydro	GWh	4,352	5,311	5,334	5,890
Coal	GWh	1,745	-	-	-
Steam	GWh	654	770	1,185	1,594

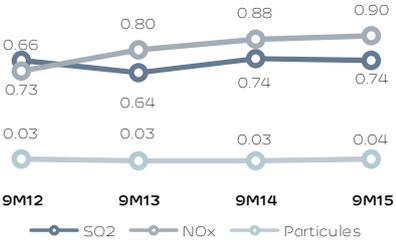


¹ Excludes EDP Renováveis | ² Accounted by the Equity Method

TECHNICAL AVAILABILITY (%)



SPECIFIC EMISSIONS FROM THERMAL (g/kwh)



ACCIDENTS AT WORK



TECHNICAL AVAILABILITY

	Un.	9M 15	9M 14	9M 13	9M 12
Portugal ¹	%	97	95	96	96
Hydro	%	98	95	97	95
COGT	%	96	92	98	98
Coal	%	99	97	92	97
Mini-hydro	%	90	91	91	93
Cogeneration	%	97	100	88	96
Spain ¹	%	96	97	95	93
Hydro	%	100	100	100	100
COGT	%	100	97	98	94
Coal	%	91	97	98	90
Nuclear	%	89	87	84	89
Cogeneration	%	98	99	93	n.d.
Waste	%	95	88	93	n.d.
EDP Renováveis	%	97	98	98	98
Portugal	%	98	98	98	98
Spain	%	97	97	98	98
Rest of Europe	%	97	97	97	97
North America	%	98	98	98	97
Brazil	%	99	98	97	98
Brazil ¹	%	94	96	93	92
Hydro	GWh	97	96	93	92
Coal	GWh	0	-	-	-

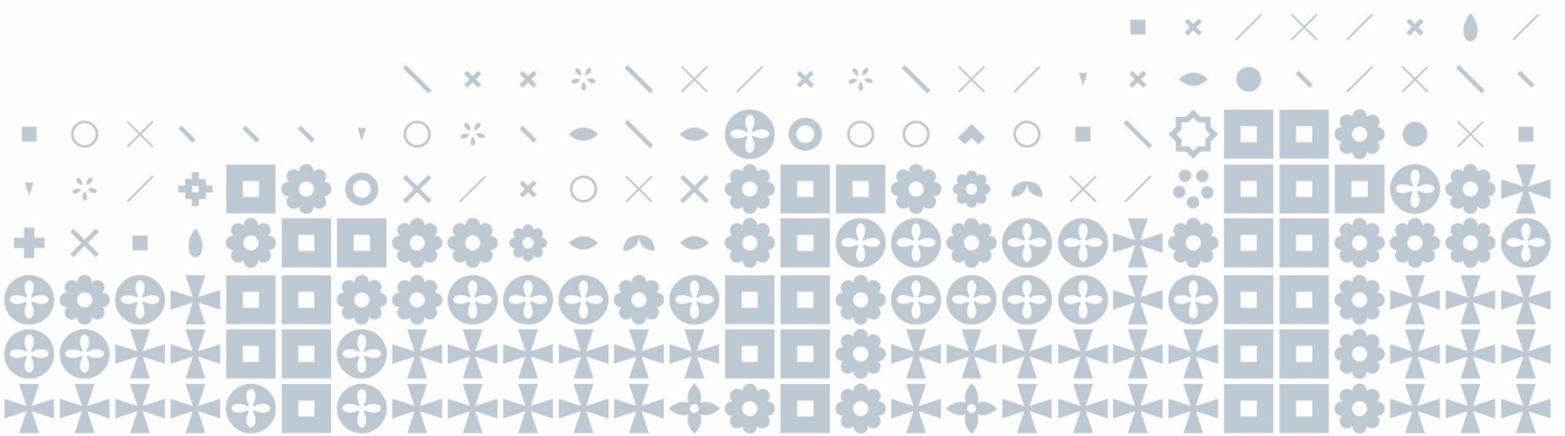
ENVIRONMENTAL INDICATORS

	Un.	9M 15	9M 14	9M 13	9M 12
Certified Installed Capacity	%	90	80	75	72
Total Emissions					
CO ₂	kt	924	978	884	806
NOx	kt	0.8	0.9	0.4	0.7
SO ₂	kt	0.7	0.7	0.3	0.7
Particules	kt	0.03	0.03	0.01	0.03
Avoided CO ₂	kt	21,398	24,532	21,871	13,412
Waste sent for final disposal	t	449,828	239,501	255,649	470,726
Dangerous waste	t	88,355	4,300	4,843	3,691
Waste valorization	%	56	58	60	63
Sub-products	t	354,031	328,439	286,814	246,855
Cooling water	m ³ x10 ³	1,282,408	1,292,588	1,190,199	1,080,760
Raw water	m ³ x10 ³	9,497	4,699	4,870	5,977

EMPLOYEES AND SECURITY

	Un.	9M 15	9M 14	9M 13	9M 12
Employees	#	3,229	2,944	3,115	2,673
On-duty accidents	#	5	3	7	6
On-duty accidents of contracted workers	#	70	85	114	134
Fatal on-duty accidents	#	0	0	1	1
Fatal accidents of contracted workers	#	1	3	3	4

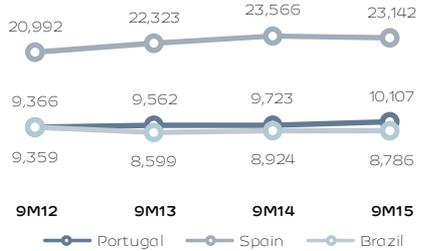
¹ Excludes EDP Renováveis



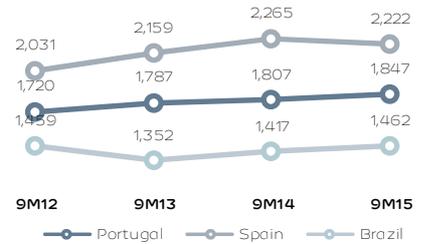
ELECTRICITY AND GAS DISTRIBUTION

	Un.	9M 15	9M 14	9M 13	9M 12
ELECTRICITY					
ELECTRICITY DISTRIBUTED					
Portugal	GWh	59,596	59,263	58,586	58,665
Spain	GWh	33,393	32,728	32,550	33,249
Brazil	GWh	6,873	6,858	6,808	6,791
		19,330	19,677	19,227	18,625
ELECTRICITY SUPPLY POINTS					
Portugal	'000	9,979	9,865	9,764	9,667
Spain	'000	6,102	6,082	6,082	6,107
Brazil	'000	660	659	659	657
		3,217	3,124	3,023	2,904
GRID EXTENSION					
Portugal	Km	335,245	333,006	335,899	333,737
Overhead lines	Km	224,672	223,631	225,000	224,083
Underground lines	Km	176,397	175,623	n.a.	n.a.
Spain	Km	48,275	48,007	n.a.	n.a.
Overhead lines	Km	20,392	20,233	23,242	22,912
Underground lines	Km	15,642	15,526	18,449	n.a.
Brazil	Km	4,749	4,707	4,793	n.a.
	Km	90,181	89,143	87,658	86,742
GRID LOSSES					
Portugal	%	9	10	11	9
Spain	%	4	4	4	4
Brazil	%	11	11	12	11
SERVICE QUALITY					
Portugal					
Installed Capacity Equivalent Interruption Time ¹	Min	40	47	50	38
Spain					
Installed Capacity Equivalent Interruption Time ¹	Min	27	24	30	23
Brazil					
Average Interruption Duration per Consumer					
Bandeirante	Hours	7.3	7.3	9.0	8.7
Escelsa	Hours	8.7	9.9	10.5	9.8
Frequency of Interruptions per Consumer					
Bandeirante	#	5.0	5.2	5.8	5.8
Escelsa	#	5.0	6.4	6.3	6.3
ENVIRONMENTAL INDICATORS					
Certified Installed Capacity	%	35	33	30	24
Waste sent for final disposal	t	11,056	9,196	11,679	16,674
Dangerous waste	t	1,816	1,739	836	192
Waste valorization	%	89	86	97	72
EMPLOYEES AND SECURITY					
Employees	#	5,801	5,862	5,945	5,960
On-duty accidents	#	22	17	13	23
On-duty accidents of contracted workers	#	20	40	42	53
Fatal on-duty accidents	#	1	0	2	0
Fatal accidents of contracted workers	#	2	3	3	9

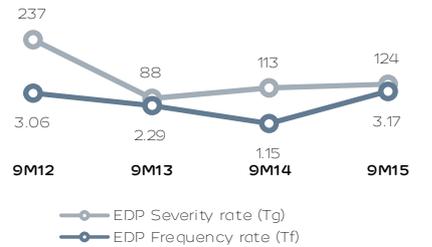
ELECTRICITY DISTRIBUTED PER EMPLOYEE (MWh/#)



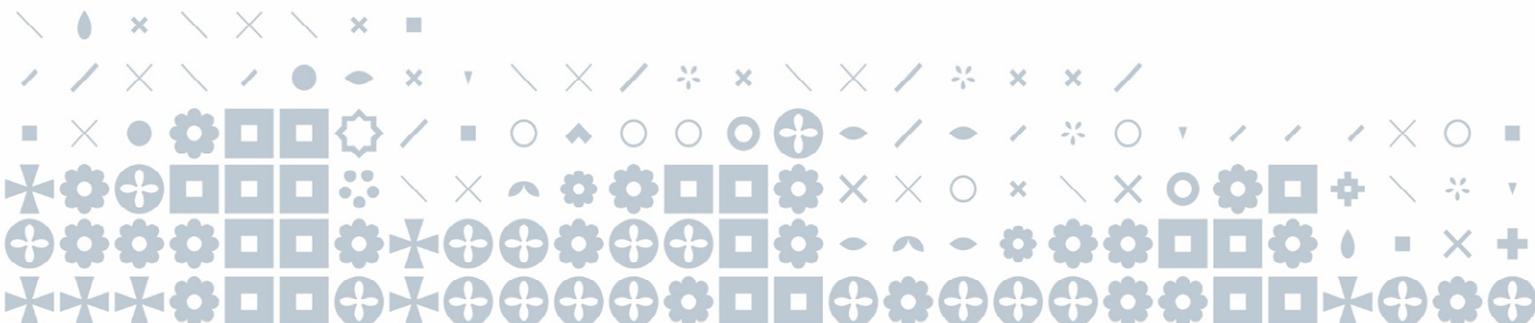
ELECTRICITY SUPPLY POINTS PER EMPLOYEE (#)



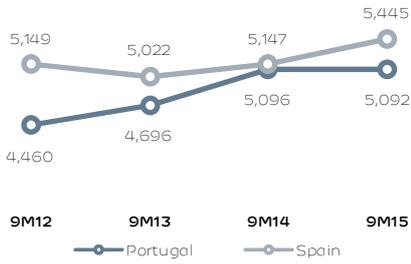
ACCIDENTS AT WORK



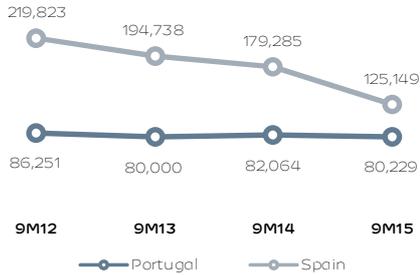
¹ICEIT in MV grid, excluding extraordinary effects.



GAS SUPPLY POINTS PER EMPLOYEE (#)



GAS DISTRIBUTED PER EMPLOYEE (MWh/#)



Un. 9M 15 9M 14 9M 13 9M 12

GAS

GAS DISTRIBUTED

	GWh	26,160	40,766	44,457	48,386
Portugal	GWh	5,135	5,088	5,120	5,520
Spain	GWh	21,025	35,678	39,337	42,866

GAS SUPPLIED

	'000	1,241	1,340	1,315	1,289
Portugal	'000	326	316	301	285
Spain	'000	915	1,024	1,014	1,004

GRID EXTENSION

	Km	12,420	14,696	14,376	14,560
Portugal	Km	4,720	4,575	4,407	4,269
Spain ¹	Km	7,700	10,122	9,969	10,292

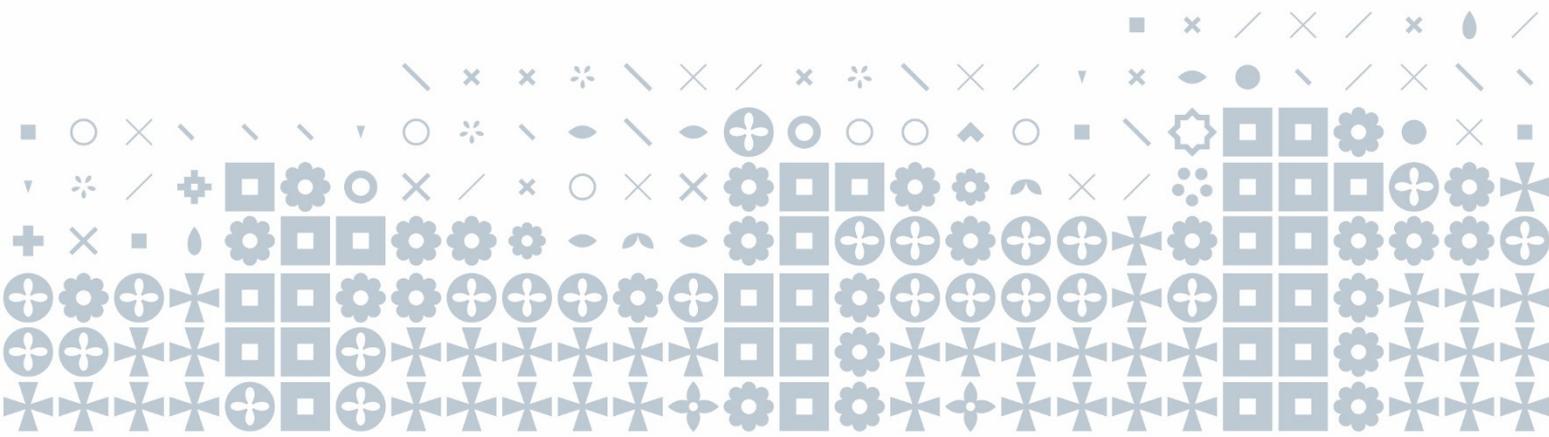
ENVIRONMENTAL INDICATORS

Installed power certified	%	100	100	100	100
Waste sent for final disposal	t	93	34	22	39
Dangerous waste	t	85	1	1	2
Waste valorization	%	99	99	98	97

EMPLOYEES AND SECURITY

Employees	#	232	261	266	259
On-duty accidents	#	1	1	5	2
On-duty accidents of contracted workers	#	0	2	4	16
Fatal on-duty accidents	#	0	0	0	0
Fatal accidents of contracted workers	#	0	0	0	0

¹ The number of km in 2012 includes the gas transport in Spain.



ELECTRICITY AND GAS SUPPLY

	Un.	9M 15	9M 14	9M 13	9M 12
ELECTRICITY					
NUMBER OF CUSTOMERS	'000	9,662	9,704	9,667	9,836
Portugal	'000	5,446	5,631	5,757	5,912
Last Resort	'000	1,869	2,903	4,091	5,364
Liberalised Market	'000	3,577	2,727	1,666	548
Market Share EDP - Liberalised Market	%	n.a.	89	84	74
Spain	'000	998	950	887	1,021
Last Resort	'000	241	250	261	289
Liberalised Market	'000	758	700	625	731
Market Share EDP - Liberalised Market	%	n.a.	n.a.	n.a.	n.a.
Brazil	'000	3,218	3,124	3,023	2,904
Last Resort ¹	'000	3,217	3,123	3,022	2,904
Liberalised Market	'000	0.45	0.57	0.32	0.23
Social Tariff	'000	309	316	329	261
Portugal	'000	72	34	57	73
Spain	'000	60	63	81	61
Brazil	'000	177	219	211	127
Special Needs	'000	1	1	1	1
Portugal	'000	0.5	0.4	0.5	0.6
Brazil	'000	0.5	0.4	0.5	0.3
Green Tariff	'000	771	683	586	519
Portugal	'000	4	4	5	5
Spain	'000	767	679	581	515
ENERGY SUPPLIED	GWh	49,513	53,403	53,707	57,160
Portugal	GWh	17,288	18,694	20,239	22,009
Last Resort	GWh	4,446	7,218	10,728	14,820
Liberalised Market	GWh	12,842	11,476	9,511	7,189
Market Share EDP - Liberalised Market	%	45	45	42	39
Spain	GWh	11,666	13,243	12,740	15,355
Last Resort	GWh	373	388	451	551
Liberalised Market	GWh	11,293	12,855	12,289	14,804
Market Share EDP - Liberalised Market	%	8	9	10	11
Brazil	GWh	20,558	21,466	20,728	19,796
Last Resort ¹	GWh	12,565	11,776	11,416	11,645
Liberalised Market	GWh	7,993	9,690	9,312	8,150
Social Tariff	GWh	376	357	422	367
Portugal	GWh	33	61	88	115
Spain	GWh	94	91	81	89
Brazil	GWh	250	205	217	162
Special Needs	GWh	1.5	0.0	1.2	0.9
Green Tariff	GWh	4,470	4,974	4,931	3,651
Portugal	GWh	8	7	8	8
Spain	GWh	4,463	4,967	4,923	3,643
Energy Services Invoicing	M€	14	15	12	11
Portugal	M€	3	3	2	2
Espanha	M€	10	12	10	9
Brasil	M€	0.01	0.02	0.04	0.0

GAS

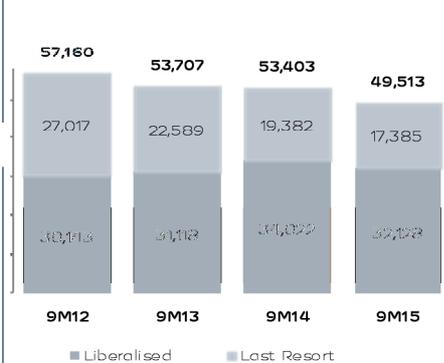
	Un.	9M 15	9M 14	9M 13	9M 12
NUMBER OF CUSTOMERS	'000	1,378	1,276	1,145	1,064
Portugal	'000	547	450	355	300
Last Resort	'000	71	104	169	271
Liberalised Market	'000	476	346	186	29
Spain	'000	831	826	790	764
Last Resort	'000	59	70	74	91
Liberalised Market	'000	772	756	715	673
ENERGY SUPPLIED	GWh	23,067	26,656	25,679	26,214
Portugal	GWh	3,692	3,186	4,812	5,515
Last Resort	GWh	329	491	759	990
Liberalised Market	GWh	3,363	2,695	4,053	4,525
Market Share EDP - Liberalised Market	%	n.a.	8	14	n.a.
Spain	GWh	19,375	23,470	20,867	20,699
Last Resort	GWh	215	205	191	310
Liberalised Market	GWh	19,160	23,265	20,676	20,389
Market Share EDP - Liberalised Market	%	3	4	6	n.a.

¹ Regulated Customers supplied by Distribution

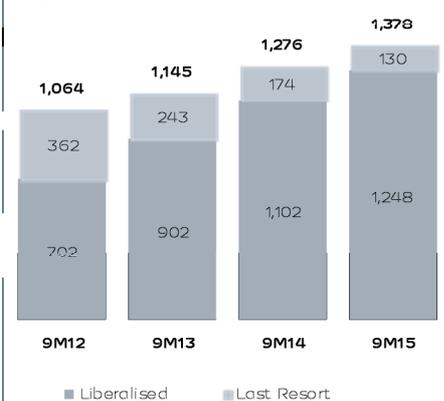
ELECTRICITY NUMBER OF CUSTOMERS
('000)



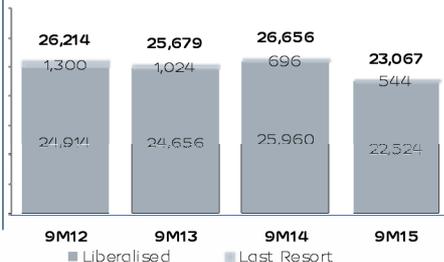
ELECTRICITY SUPPLIED
(GWh)



GAS NUMBER OF CUSTOMERS
('000)



GAS SUPPLIED
(GWh)



COMPLEMENTARY INDICATORS

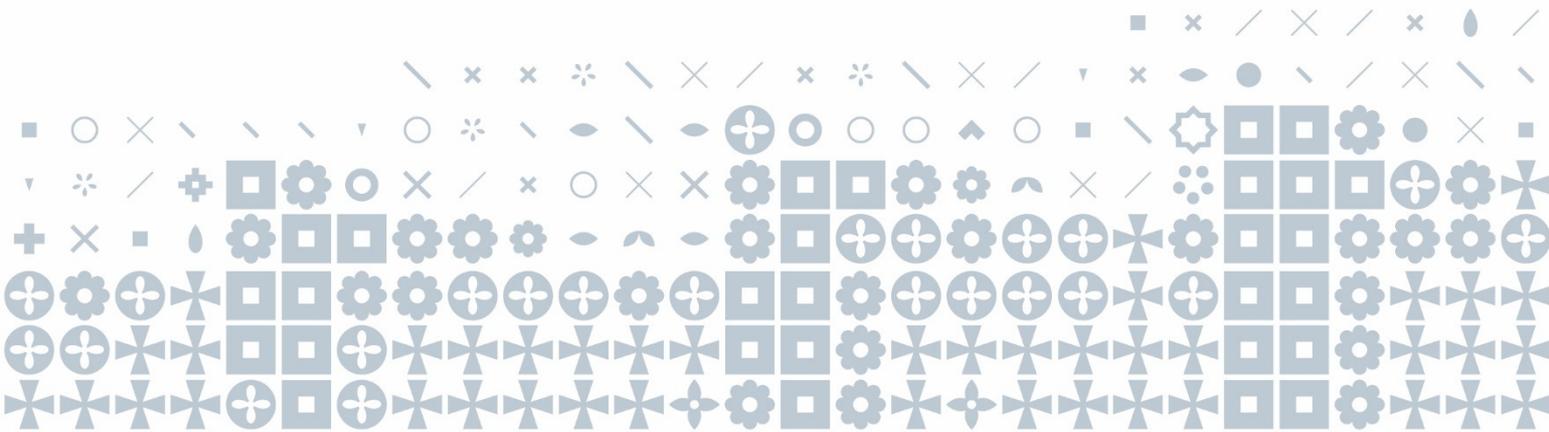
ENVIRONMENTAL INDICATORS

	Un.	9M 15	9M 14	9M 13	9M 12
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Revenues from certified installations	%	53	51	33	35
PRIMARY ENERGY CONSUMPTION					
Coal ¹	TJ	148,450	94,935	94,107	107,405
Fuel Oil	TJ	214	312	335	510
Natural Gas	TJ	19,474	8,681	14,925	29,150
Diesel Oil	TJ	149	141	73	113
Forestry waste	TJ	n.a.	n.a.	2,418	2,394
Residual gases	TJ	10,129	9,910	8,087	7,611
Fuel for vehicle fleet	TJ	188	182	159	175
ELECTRICITY CONSUMPTION					
Generation internal consumption ¹	MWh	2,510,013	1,893,040	2,085,625	1,919,743
Administrative services	MWh	24,447	27,739	28,505	27,687
Grid losses	%	9.3	9.5	10.2	9.0
GHG EMISSION					
Direct Emissions (scope 1)	ktCO _{2eq}	17,211	12,080	12,666	13,630
Indirect emissions (scope 2)	ktCO _{2eq}	1,615	1,338	1,305	1,144
OVERALL SPECIFIC EMISSIONS					
CO ₂ ^{1e2}	g/kWh	377	268	265	341
No _x ³	g/kWh	0.32	0.23	0.26	0.28
SO ₂ ³	g/kWh	0.27	0.20	0.21	0.30
Particles ³	g/kWh	0.01	0.01	0.01	0.01
USE OF WATER					
Potable water	10 ³ xm ³	163	193	241	175
WASTE SENT TO FINAL DISPOSAL					
Total waste ¹	t	461,353	249,075	267,759	488,063
Total hazard waste ¹	t	90,273	6,044	5,690	4,043
Recovered Waste ¹	%	48	59	62	63
ENVIRONMENTAL INVESTMENT AND EXPENSES					
Investment	'000€	26,862	26,179	26,497	19,607
Expenses	'000€	30,597	19,599	34,435	24,478
COMPLIANCE					
Environmental fines and penalties	'000€	26	56	109	211

¹ The figures reflect the incorporation of Pecém operational data.

² Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

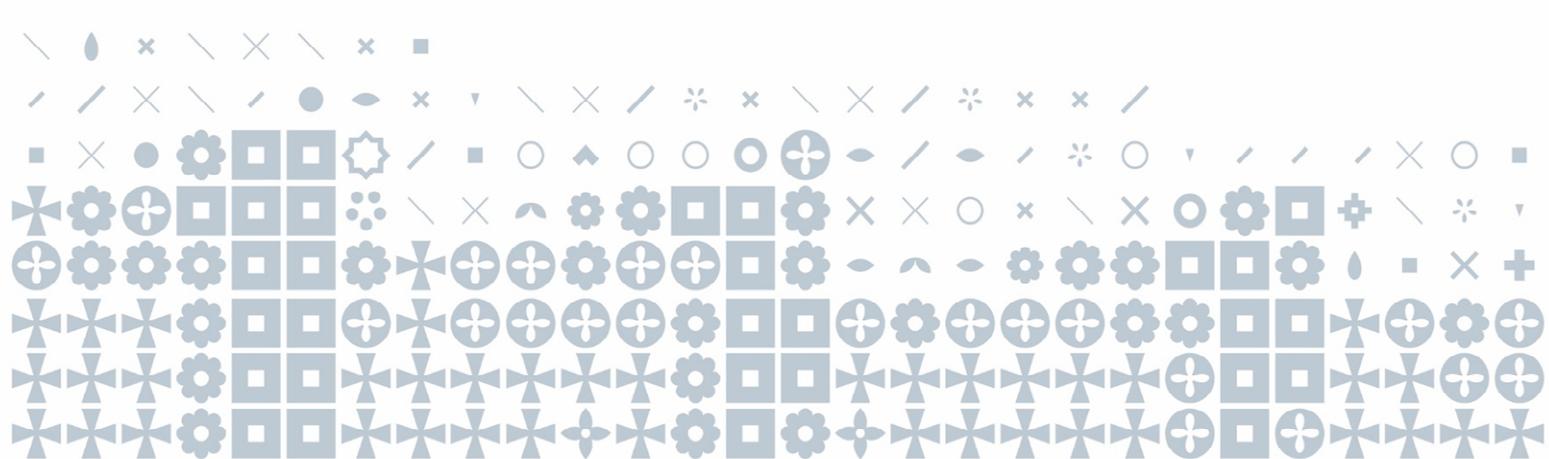
³ Excludes the Pecém powerplant information because of unavailability of data.



SOCIAL INDICATORS

	Un.	9M 15	9M 14	9M 13	9M 12
EMPLOYMENT					
Employees	#	12,019	11,908	12,132	12,208
Portugal	#	6,653	6,836	6,943	7,188
Spain	#	1,861	1,897	1,941	1,983
Brazil	#	2,954	2,698	2,832	2,608
USA	#	367	301	303	290
Rest of Europe	#	184	176	163	139
Permanent	#	11,858	11,615	12,019	12,060
Fixed-term contract	#	107	239	107	93
Part-time	#	30	30	26	30
Male employees	%	77	77	77	78
Portugal	%	78	79	79	80
Spain	%	73	74	75	75
Brazil	%	78	76	77	78
USA	%	68	68	67	64
Rest of Europe	%	66	66	67	66
Turnover	%	5.04	4.57	4.56	4.57
Employees average age		45	46	46	46
Absenteeism rate	%	3.39	3.51	2.94	3.14
Personnal costs	000€	427,605	436,093	443,757	432,819
Employee benefits ¹	000€	44,124	40,573	43,427	48,068
HC ROI	€	23	23	23	24
Labour productivity	€/h	240	104	222	221
TRAINING					
Total hours of training	horas	254,617	308,615	240,658	323,806
Average training per employee (h/p)	h/p	21.2	25.9	19.8	26.5
Employees with training	%	83	85	55	78
Training costs	000€	5,738	4,344	3,383	4,227
HEALTH AND SAFETY					
On-duty accidents	#	33	26	31	24
Fatal on-duty accidents	#	1	0	3	1
EDP frequency rate (Tf)		2.08	1.67	1.96	1.55
EDP severity rate (Tg)		103	127	126	122
Total days lost due to accidents	#	1,641	1,989	1,986	1,890
Fatal accidents of contracted workers	#	3	10	6	10
Contracters frequency rate (Tf)		3.85	4.84	5.00	5.51
EDP and contracters frequency rate (Tf_total)		3.19	3.85	4.03	4.18
SOCIAL CONTRIBUTIONS (LBG MODEL)					
Volunteer contributions/EBITDA	%	0.24	0.29	0.56	0.37

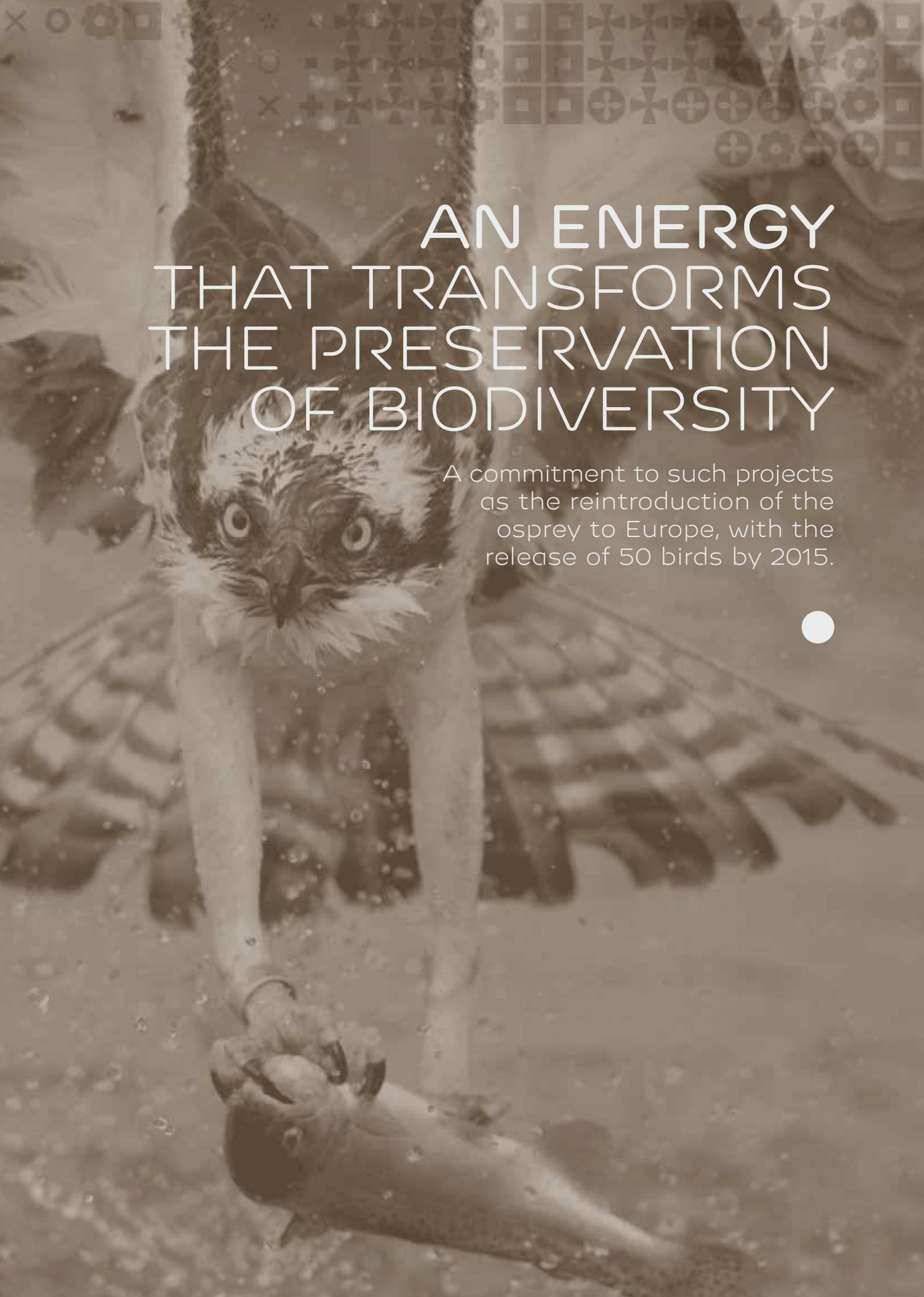
¹ In 2014, Social benefits figure excludes the Past service cost related with plan amendments resulting from the new Collective Labour Agreement (see note 35), which resulted in a decrease of liabilities in the amount of 129.020 thousands of Euros.







FINANCIAL STATEMENTS

A young osprey is being held by a person's hand. The bird is looking directly at the camera with wide, curious eyes. Its wings are spread out, showing the characteristic dark and light patterns of its feathers. The background is a soft, out-of-focus pattern of geometric shapes, possibly a textile or wall covering. The overall tone is warm and natural.

AN ENERGY THAT TRANSFORMS THE PRESERVATION OF BIODIVERSITY

A commitment to such projects
as the reintroduction of the
osprey to Europe, with the
release of 50 birds by 2015.



CONDENSED FINANCIAL STATEMENTS
30 September 2015

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EDP - Energias de Portugal
Condensed Consolidated Income Statement
for the nine-month period ended 30 September 2015 and 2014

Thousands of Euros	Notes	2015	2014*
Revenues from energy sales and services and other	6	11,604,777	11,823,232
Cost of energy sales and other	6	-7,544,364	-7,944,496
		4,060,413	3,878,736
Other income	7	683,062	316,975
Supplies and services	8	-657,964	-643,177
Personnel costs and employee benefits	9	-471,729	-347,646
Other expenses	10	-622,687	-497,333
		-1,069,318	-1,171,181
		2,991,095	2,707,555
Provisions	11	-9,036	-21,385
Amortisation and impairment	12	-1,058,374	-1,014,371
		1,923,685	1,671,799
Financial income	13	723,630	664,372
Financial expenses	13	-1,349,385	-1,117,819
Share of net profit in joint ventures and associates	20	-25,209	24,755
Profit before income tax and CESE		1,272,721	1,243,107
Income tax expense	14	-235,871	-273,597
Extraordinary contribution to the energy sector (CESE)	15	-60,863	-61,495
		-296,734	-335,092
Net profit for the period		975,987	908,015
Attributable to:			
Equity holders of EDP		735,919	766,322
Non-controlling Interests	33	240,068	141,693
Net profit for the period		975,987	908,015
Earnings per share (Basic and Diluted) - Euros	30	0.20	0.21

* Restated for IFRIC 21 purposes

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal**Condensed Consolidated Statement of Comprehensive Income
for the nine-month period ended 30 September 2015 and 2014**

Thousands of Euros	2015		2014*	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	735,919	240,068	766,322	141,693
Items that will never be reclassified to profit or loss (i)				
Actuarial gains/(losses)	35,770	-3,238	-111,699	-6,587
Tax effect from the actuarial gains/(losses)	-6,314	1,101	29,594	2,240
	29,456	-2,137	-82,105	-4,347
Items that are or may be reclassified to profit or loss (i)				
Exchange differences arising on consolidation	-261,157	-385,725	46,626	100,882
Fair value reserve (cash flow hedge)	-33,925	3,036	-3,267	-8,027
Tax effect from the fair value reserve (cash flow hedge)	10,044	-841	70	2,010
Fair value reserve (available for sale investments)	3,389	-	13,125	-667
Tax effect from the fair value reserve (available for sale investments)	-827	-	-3,430	227
Share of other comprehensive income of joint ventures and associates, net of taxes	9,374	-2,976	-8,364	-4,629
	-273,102	-386,506	44,760	89,796
Other comprehensive income for the period, net of income tax	-243,646	-388,643	-37,345	85,449
Total comprehensive income for the period	492,273	-148,575	728,977	227,142

(i) See Condensed Consolidated Statement of Changes in Equity

* Restated for IFRIC 21 purposes

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statement of Financial Position
as at 30 September 2015 and 31 December 2014

Thousands of Euros	Notes	2015	2014
Assets			
Property, plant and equipment	16	22,385,004	20,523,100
Intangible assets	17	5,444,945	5,813,026
Goodwill	18	3,370,503	3,321,286
Investments in joint ventures and associates	20	652,427	872,974
Available for sale investments	21	207,321	224,457
Investment property	22	35,813	37,399
Deferred tax assets	23	257,859	218,747
Trade receivables	25	92,399	174,591
Debtors and other assets from commercial activities	26	3,102,146	3,052,139
Other debtors and other assets	27	404,281	780,877
Collateral deposits associated to financial debt	35	214,921	388,808
Total Non-Current Assets		36,167,619	35,407,404
Inventories	24	256,541	266,456
Trade receivables	25	1,705,991	1,945,103
Debtors and other assets from commercial activities	26	1,485,916	1,734,129
Other debtors and other assets	27	355,505	318,848
Current tax assets	28	289,848	371,653
Financial assets at fair value through profit or loss	50	10,242	10,665
Collateral deposits associated to financial debt	35	53,364	40,362
Cash and cash equivalents	29	1,093,819	2,613,995
Assets held for sale	42	66,305	164,402
Total Current Assets		5,317,531	7,465,613
Total Assets		41,485,150	42,873,017
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-65,661	-69,931
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,694,735	3,550,487
Consolidated net profit attributable to equity holders of EDP		735,919	1,040,448
Total Equity attributable to equity holders of EDP		8,525,454	8,681,465
Non-controlling Interests	33	3,407,093	3,287,679
Total Equity		11,932,547	11,969,144
Liabilities			
Financial debt	35	15,562,202	16,400,827
Employee benefits	36	1,517,673	1,682,988
Provisions	37	453,203	463,975
Deferred tax liabilities	23	847,836	804,744
Institutional partnerships in USA	38	1,887,831	1,801,963
Trade and other payables from commercial activities	39	1,237,463	1,269,476
Other liabilities and other payables	40	548,394	517,486
Total Non-Current Liabilities		22,054,602	22,941,459
Financial debt	35	3,668,202	3,897,356
Employee benefits	36	192,036	197,285
Provisions	37	23,152	21,564
Hydrological correction account	34	8,770	1,010
Trade and other payables from commercial activities	39	2,764,764	3,182,255
Other liabilities and other payables	40	323,137	235,795
Current tax liabilities	41	515,806	415,821
Liabilities held for sale	42	2,134	11,328
Total Current Liabilities		7,498,001	7,962,414
Total Liabilities		29,552,603	30,903,873
Total Equity and Liabilities		41,485,150	42,873,017

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Condensed Consolidated Income Statement
for the three-month period from 1 July to 30 September 2015 and 2014

Thousands of Euros	2015	2014*
Revenues from energy sales and services and other	3,657,083	3,803,809
Cost of energy sales and other	-2,346,481	-2,623,855
	1,310,602	1,179,954
Other income	157,163	62,034
Supplies and services	-223,775	-220,770
Personnel costs and employee benefits	-147,509	-147,075
Other expenses	-236,334	-152,976
	-450,455	-458,787
	860,147	721,167
Provisions	-5,761	-3,610
Amortisation and impairment	-369,195	-333,838
	485,191	383,719
Financial income	221,428	173,229
Financial expenses	-482,936	-381,417
Share of net profit in joint ventures and associates	-1,922	16,622
Profit before income tax	221,761	192,153
Income tax expense	-42,068	-35,047
	-42,068	-35,047
Net profit for the period	179,693	157,106
Attributable to:		
Equity holders of EDP	149,110	132,451
Non-controlling Interests	30,583	24,655
Net profit for the period	179,693	157,106
Earnings per share (Basic and Diluted) - Euros	0.04	0.04

* Restated for IFRIC 21 purposes

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal**Condensed Consolidated Statement of Comprehensive Income
for the three-month period from 1 July to 30 September 2015 and 2014**

Thousands of Euros	2015		2014*	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	149,110	30,583	132,451	24,655
Items that will never be reclassified to profit or loss				
Actuarial gains/(losses)	222	212	-1,410	-1,350
Tax effect from the actuarial gains/(losses)	-255	-72	480	459
	-33	140	-930	-891
Items that are or may be reclassified to profit or loss				
Exchange differences	-205,985	-309,723	-29,275	-18,947
Fair value reserve (cash flow hedge)	-66,561	-908	-16,659	-2,721
Tax effect from the fair value reserve (cash flow hedge)	18,691	195	4,226	545
Fair value reserve (available for sale investments)	-10,634	-	-6,989	31
Tax effect from the fair value reserve (available for sale investments)	2,262	-	1,863	-10
Share of other comprehensive income of joint ventures and associates, net of taxes	11,520	4,770	-234	1,913
	-250,707	-305,666	-47,068	-19,189
Other comprehensive income for the period (net of income tax)	-250,740	-305,526	-47,998	-20,080
Total comprehensive income for the period	-101,630	-274,943	84,453	4,575

* Restated for IFRIC 21 purposes

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Condensed Consolidated Statement of Changes in Equity as at
30 September 2015 and 31 December 2014

Thousands of Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Exchange differences (ii)	Treasury stock (iii)	Equity attributable to equity holders of EDP	Non-controlling Interests (iv)
Balance as at 31 December 2013*	11,527,902	3,656,538	503,923	620,069	3,859,171	-53,016	72,935	-128,291	-85,573	8,445,756	3,082,146
Comprehensive income:											
Net profit for the period	908,015	-	-	-	766,322	-	-	-	-	766,322	141,693
Changes in the fair value reserve (cash flow hedge) net of taxes	-9,214	-	-	-	-	-3,197	-	-	-	-3,197	-6,017
Changes in the fair value reserve (available for sale investments) net of taxes	9,255	-	-	-	-	-	9,695	-	-	9,695	-440
Share of other comprehensive income of joint ventures and associates net of taxes	-12,993	-	-	-	-	-2,021	-	-6,343	-	-8,364	-4,629
Actuarial gains/(losses) net of taxes	-86,452	-	-	-	-82,105	-	-	-	-	-82,105	-4,347
Exchange differences arising on consolidation	147,508	-	-	-	-	-	-	46,626	-	46,626	100,882
Total comprehensive income for the period	956,119	-	-	-	684,217	-5,218	9,695	40,283	-	728,977	227,142
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-	-	-	-
Dividends paid	-671,879	-	-	-	-671,879	-	-	-	-	-671,879	-
Dividends attributable to non-controlling interests	-112,813	-	-	-	-	-	-	-	-	-	-112,813
Purchase and sale of treasury stock	12,829	-	-	-	-2,203	-	-	-	15,032	12,829	-
Share-based payments	1,460	-	-	-	144	-	-	-	1,316	1,460	-
Sale without loss of control of EDP France subsidiaries	28,256	-	-	-	2,954	1,627	-	-	-	4,581	23,675
Changes resulting from acquisitions/sales and equity increases	-22,852	-	-	-	-205	-	-	-	-	-205	-22,647
Other reserves arising on consolidation	-10	-	-	-	2	-	-	-	-	2	-12
Balance as at 30 September 2014**	11,719,012	3,656,538	503,923	659,613	3,832,657	-56,607	82,630	-88,008	-69,225	8,521,521	3,197,491
Comprehensive income:											
Net profit for the period	355,795	-	-	-	274,126	-	-	-	-	274,126	81,669
Changes in the fair value reserve (cash flow hedge) net of taxes	6,930	-	-	-	-	8,276	-	-	-	8,276	-1,346
Changes in the fair value reserve (available for sale financial assets) net of taxes	-35,327	-	-	-	-	-	-34,754	-	-	-34,754	-573
Share of other comprehensive income of joint ventures and associates net of taxes	-1,443	-	-	-	-	-280	-	-4,715	-	-4,995	3,552
Actuarial gains/(losses) net of taxes	-37,837	-	-	-	-49,865	-	-	-	-	-49,865	12,028
Exchange differences arising on consolidation	-87,176	-	-	-	-	-	-	-40,739	-	-40,739	-46,437
Total comprehensive income for the period	200,942	-	-	-	224,261	7,996	-34,754	-45,454	-	152,049	48,893
Dividends attributable to non-controlling interests	-48,892	-	-	-	-	-	-	-	-	-	-48,892
Purchase and sale of treasury stock	-687	-	-	-	19	-	-	-	-706	-687	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Sale without loss of control of EDP France subsidiaries	-611	-	-	-	-473	-	-	-	-	-473	-138
Sale without loss of control of EDP France	68,971	-	-	-	6,781	830	-	-	-	7,611	61,360
Sale without loss of control of South Dundas	15,494	-	-	-	1,748	-	-	162	-	1,910	13,584
Changes resulting from acquisitions/sales and equity increases	14,708	-	-	-	-706	-	-	-	-	-706	15,414
Other reserves arising on consolidation	207	-	-	-	240	-	-	-	-	240	-33
Balance as at 31 December 2014	11,969,144	3,656,538	503,923	659,613	4,064,527	-47,781	47,876	-133,300	-69,931	8,681,465	3,287,679
Comprehensive income:											
Net profit for the period	975,987	-	-	-	735,919	-	-	-	-	735,919	240,068
Changes in the fair value reserve (cash flow hedge) net of taxes	-21,686	-	-	-	-	-23,881	-	-	-	-23,881	2,195
Changes in the fair value reserve (available for sale investments) net of taxes	2,562	-	-	-	-	-	2,562	-	-	2,562	-
Share of other comprehensive income of joint ventures and associates net of taxes	6,398	-	-	-	-	20,073	-	-10,699	-	9,374	-2,976
Actuarial gains/(losses) net of taxes	27,319	-	-	-	29,456	-	-	-	-	29,456	-2,137
Exchange differences arising on consolidation	-646,882	-	-	-	-	-	-	-261,157	-	-261,157	-385,725
Total comprehensive income for the period	343,698	-	-	-	765,375	-3,808	2,562	-271,856	-	492,273	-148,575
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-	-	-	-
Dividends paid	-672,308	-	-	-	-672,308	-	-	-	-	-672,308	-
Dividends attributable to non-controlling interests	-58,216	-	-	-	-	-	-	-	-	-	-58,216
Purchase and sale of treasury stock	3,293	-	-	-	524	-	-	-	2,769	3,293	-
Share-based payments	1,501	-	-	-	-	-	-	-	1,501	1,501	-
Sale without loss of control of windfarms in the USA	303,209	-	-	-	-8,976	-1,141	-	-4,848	-	-14,965	318,174
Sale without loss of control of solar farms in the USA	25,474	-	-	-	357	-	-	-737	-	-380	25,854
Sale without loss of control of windfarms in Brazil	65,615	-	-	-	6,705	-	-	5,053	-	11,758	53,857
Changes resulting from acquisitions/sales and equity increases	-47,822	-	-	-	27,922	-3,592	-	-860	-	23,470	-71,292
Other reserves arising on consolidation	-1,041	-	-	-	-653	-	-	-	-	-653	-388
Balance as at 30 September 2015	11,932,547	3,656,538	503,923	698,902	4,144,184	-56,322	50,438	-406,548	-65,661	8,525,454	3,407,093

(i) See note 30
(ii) See note 32
(iii) See note 31
(iv) See note 33

* Restated for IFRS 10 and 11 purposes
** Restated for IFRIC 21 purposes

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Condensed Consolidated and Company Statement of Cash Flows
as at 30 September 2015 and 2014

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Operating activities				
Cash receipts from customers	10,936,855	11,150,661	2,028,296	1,678,820
Proceeds from tariff adjustments sales	699,461	1,113,313	-	-
Payments to suppliers	-8,097,168	-8,527,110	-2,200,559	-1,753,075
Payments to personnel	-626,756	-608,275	-28,179	-10,593
Concession rents paid	-211,505	-206,883	-	-
Other receipts/(payments) relating to operating activities	-277,563	-315,442	-26,815	-13,575
Net cash flows from operations	2,423,324	2,606,264	-227,257	-98,423
Income tax received/(paid)	-23,003	-165,510	80,372	-11,789
Net cash flows from operating activities	2,400,321	2,440,754	-146,885	-110,212
Investing activities				
Cash receipts relating to:				
Sale of assets/subsidiaries with loss of control (i)	242,627	133,508	-	-
Other financial assets and investments (i)	1,971	971	267	-
Changes in cash resulting from consolidation perimeter variations	110,832	39	-	-
Property, plant and equipment and intangible assets	9,870	4,437	19,674	259
Other receipts relating to tangible fixed assets	6,939	21,687	-	-
Interest and similar income	53,138	76,700	272,665	277,516
Dividends	33,439	35,225	462,258	613,929
Loans to related parties	4,799	-	315,426	-
	463,615	272,567	1,070,290	891,704
Cash payments relating to:				
Acquisition of assets/subsidiaries (i)	-134,341	-5,894	-11,401	-
Other financial assets and investments (i)	-54,904	-50,646	-	-249
Property, plant and equipment and intangible assets	-1,401,456	-1,335,198	-48,613	-28,194
Loans to related parties	-20,285	-	-80,175	-
	-1,610,986	-1,391,738	-140,189	-28,443
Net cash flows from investing activities	-1,147,371	-1,119,171	930,101	863,261
Financing activities				
Receipts/(payments) relating to loans	-1,535,351	-34,368	-711,324	-544,628
Interest and similar costs including hedge derivatives	-781,557	-717,920	-324,131	-340,593
Share capital increases/(decreases) by non-controlling interests	-37,482	-22,788	-	-
Receipts/(payments) relating to derivative financial instruments	29,986	56,847	-6,560	-484
Dividends paid to equity holders of EDP (ii)	-672,308	-671,879	-672,588	-672,158
Dividends paid to non-controlling interests	-69,065	-58,834	-	-
Treasury stock sold/(purchased) (ii)	3,293	12,829	4,794	14,289
Sale of assets/subsidiaries without loss of control (i)	394,934	28,261	-	-
Receipts/(payments) from institutional partnerships - USA	-3,870	-49,515	-	-
Net cash flows from financing activities	-2,671,420	-1,457,367	-1,709,809	-1,543,574
Changes in cash and cash equivalents	-1,418,470	-135,784	-926,593	-790,525
Effect of exchange rate fluctuations on cash held	-101,706	29,498	185	-263
Cash and cash equivalents at the beginning of the period	2,613,995	2,156,707	1,344,731	1,183,405
Cash and cash equivalents at the end of the period *	1,093,819	2,050,421	418,323	392,617

(i) Transactions at a Group level are included in note 5

(ii) See Condensed Consolidated and Company Statement of Changes in Equity

* See details of "Cash and cash equivalents" in note 29 of the Condensed Financial Statements.

LISBON, 29 OCTOBER 2015

THE CERTIFIED ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.**Condensed Company Income Statement
for the nine-month period ended 30 September 2015 and 2014**

Thousands of Euros	Notes	2015	2014
Revenues from energy sales and services and other	6	2,108,399	1,786,089
Cost of energy sales and other	6	-1,969,991	-1,626,435
		138,408	159,654
Other income		9,196	9,326
Supplies and services	8	-127,455	-135,257
Personnel costs and employee benefits	9	-31,962	-12,147
Other expenses	10	-15,805	-14,366
		-166,026	-152,444
		-27,618	7,210
Provisions	11	-1,107	-588
Amortisation and impairment	12	-10,475	-10,777
		-39,200	-4,155
Financial income	13	1,433,634	1,427,075
Financial expenses	13	-903,052	-844,289
Profit before income tax		491,382	578,631
Income tax expense	14	20,813	12,992
Net profit for the period		512,195	591,623

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Company Condensed Statement of Comprehensive Income
for the nine-month period ended 30 September 2015 and 2014

Thousands of Euros	2015	2014
Net profit for the period	512,195	591,623
Items that are or may be reclassified to profit or loss (i)		
Fair value reserve (cash flow hedge)	13,500	2,302
Tax effect from the fair value reserve (cash flow hedge)	-3,979	-694
Fair value reserve (available for sale investments)	4,886	8,079
Tax effect from the fair value reserve (available for sale investments)	-1,439	-2,543
Other comprehensive income for the period (net of income tax)	12,968	7,144
Total comprehensive income for the period	525,163	598,767

(i) See Condensed Company Statement of Changes in Equity

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EDP - Energias de Portugal, S.A.**Condensed Company Statement of Financial Position
as at 30 September 2015 and 31 December 2014**

Thousands of Euros	Notes	2015	2014
Assets			
Property, plant and equipment	16	165,732	137,492
Intangible assets		1	2
Investments in subsidiaries	19	10,048,320	10,036,969
Investments in joint ventures and associates	20	6,595	6,595
Available for sale investments	21	51,587	46,926
Investment property	22	102,690	104,393
Deferred tax assets	23	46,975	27,434
Debtors and other assets from commercial activities		1,698	1,097
Other debtors and other assets	27	7,042,264	6,650,873
Collateral deposits associated to financial debt	35	153,803	311,990
Total Non-Current Assets		17,619,665	17,323,771
Inventories		6	11
Trade receivables	25	165,271	178,647
Debtors and other assets from commercial activities	26	309,860	300,623
Other debtors and other assets	27	1,804,783	1,925,649
Current tax assets	28	84,268	141,421
Collateral deposits associated to financial debt	35	29,601	22,507
Cash and cash equivalents	29	418,323	1,344,731
Total Current Assets		2,812,112	3,913,589
Total Assets		20,431,777	21,237,360
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-59,566	-63,836
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,395,247	2,268,563
Net profit for the period		512,195	785,780
Total Equity		7,008,337	7,150,968
Liabilities			
Financial debt	35	8,195,746	7,188,672
Employee benefits		1,233	1,346
Provisions	37	24,040	22,540
Trade and other payables from commercial activities		1,860	1,744
Other liabilities and other payables	40	1,861,540	1,685,230
Total Non-Current Liabilities		10,084,419	8,899,532
Financial debt	35	1,817,281	3,628,645
Provisions	37	271	271
Hydrological correction account	34	8,770	1,010
Trade and other payables from commercial activities	39	427,420	638,820
Other liabilities and other payables	40	1,083,744	912,911
Current tax liabilities	41	1,535	5,203
Total Current Liabilities		3,339,021	5,186,860
Total Liabilities		13,423,440	14,086,392
Total Equity and Liabilities		20,431,777	21,237,360

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.**Condensed Company Income Statement
for the three-month period from 1 July to 30 September 2015 and 2014**

Thousands of Euros	2015	2014
Revenues from energy sales and services and other	714,822	668,776
Cost of energy sales and other	-658,671	-612,152
	56,151	56,624
Other income	3,594	2,900
Supplies and services	-41,304	-45,958
Personnel costs and employee benefits	-11,484	-3,367
Other expenses	-2,916	-2,388
	-52,110	-48,813
	4,041	7,811
Provisions	-130	-580
Amortisation and impairment	-3,617	-3,617
	294	3,614
Financial income	279,606	328,077
Financial expenses	-233,078	-277,574
Profit before income tax	46,822	54,117
Income tax expense	7,460	4,486
Net profit for the period	54,282	58,603

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EDP - Energias de Portugal, S.A.**Condensed Company Statement of Comprehensive Income
for the three-month period from 1 July to 30 September 2015 and 2014**

Thousands of Euros	2015	2014
Net profit for the period	54,282	58,603
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-19,401	-3,578
Tax effect from the fair value reserve (cash flow hedge)	5,724	1,137
Fair value reserve (available for sale investments)	2,681	-151
Tax effect from the fair value reserve (available for sale investments)	-788	47
Other comprehensive income for the period (net of income tax)	-11,784	-2,545
Total comprehensive income for the period	42,498	56,058

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at
30 September 2015 and 31 December 2014

Thousands of Euros	Total Equity	Share capital (i)	Share premium (i)	Legal reserve (ii)	Reserves and retained earnings	Fair value reserve (Cash flow hedge) (ii)	Fair value reserve (AFS investments) (ii)	Treasury stock (iii)
Balance as at 31 December 2013	7,033,084	3,656,538	503,923	620,069	2,316,620	-868	16,280	-79,478
Comprehensive income:								
Net profit for the period	591,623	-	-	-	591,623	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,608	-	-	-	-	1,608	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	5,536	-	-	-	-	-	5,536	-
Total comprehensive income for the period	598,767	-	-	-	591,623	1,608	5,536	-
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-
Dividends paid	-672,158	-	-	-	-672,158	-	-	-
Purchase and sale of treasury stock	12,829	-	-	-	-2,203	-	-	15,032
Share-based payments	1,460	-	-	-	144	-	-	1,316
Balance as at 30 September 2014	6,973,982	3,656,538	503,923	659,613	2,194,482	740	21,816	-63,130
Comprehensive income:								
Net profit for the period	194,157	-	-	-	194,157	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-12,878	-	-	-	-	-12,878	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-2,695	-	-	-	-	-	-2,695	-
Actuarial gains / (losses) net of taxes	-911	-	-	-	-911	-	-	-
Total comprehensive income for the period	177,673	-	-	-	193,246	-12,878	-2,695	-
Purchase and sale of treasury stock	-687	-	-	-	19	-	-	-706
Share-based payments	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	7,150,968	3,656,538	503,923	659,613	2,387,747	-12,138	19,121	-63,836
Comprehensive income:								
Net profit for the period	512,195	-	-	-	512,195	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	9,521	-	-	-	-	9,521	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	3,447	-	-	-	-	-	3,447	-
Total comprehensive income for the period	525,163	-	-	-	512,195	9,521	3,447	-
Transfer to legal reserve	-	-	-	39,289	-39,289	-	-	-
Dividends paid	-672,588	-	-	-	-672,588	-	-	-
Purchase and sale of treasury stock	3,293	-	-	-	524	-	-	2,769
Share-based payments	1,501	-	-	-	-	-	-	1,501
Balance as at 30 September 2015	7,008,337	3,656,538	503,923	698,902	2,188,589	-2,617	22,568	-59,566

(i) See note 30

(ii) See note 32

(iii) See note 31

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EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month period ended 30 September 2015

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 Avenida 24 de Julho, 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, whose scope and framework is adequately detailed in note 1 of the Notes to Consolidated Financial Statements of 2014 with reference to the activities undertaken in 2014.

During the nine-month period ended 30 September 2015, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity - Portugal

Generation

Following the publication of Law 74/2013 of 4 June, which established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the UGS tariff should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system, the Dispatch 12955-A/2013, of 10 October fixed the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, during the period from 11 October to 31 December 2013. Directive 26/2013 of 27 December, established the terms and conditions of the business relationship between those electricity producers covered by Decree-Law 74/2013 and the operator of the transmission network.

On 6 February 2014, the Order 1873/2014 was published, which maintains the charge, as an advanced payment on the amounts mentioned in the n.1 of the Order 12955 -A/2013, of 10 October fixing the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, until another mechanism to allow a fixed price paid in advance regarding the MWhs injected into the network is set in the future.

On 30 July 2015, the Administrative Order 225/2015 was published, which change the Law 74/2013 implementing rules. The impact of the designated "extra market rules" being now determined by Order of the Government member responsible for the energy. The Administrative Order still establish that between 11 October 2013 and 31 December 2014 should be paid an additional advanced payment amount in 0.9€ per MWh injected into the network, for the power plants covered.

Activity in the energy sector in Brazil

Electricity - Brazil

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), administer by the CCEE (Electricity Trading Chamber) with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) 4 billions of Reais of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014.

These measures were implemented by Decree 8,221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billions of Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE was in charge for the funds for the loan payment, present in the energy tariffs and the reimbursement will be made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014. Therefore, in August 2014 a new loan of 6.5 billions of Reais was approved. EDP Escelsa received 596 millions of Reais in November, related with the months of February to October 2014, while, for the same period EDP Bandeirante received 309 millions of Reais. The value of the Account-ACR was insufficient to cover the November and December deficit, forcing ANEEL to defer payment for 2015. In March 2015, CCEE signed a new loan of 3.4 billions of Reais. Thus, EDP Escelsa and EDP Bandeirante received 104.2 millions of Reais and 64.4 millions of Reais, respectively, to cover the deficits of November and December 2014. The amounts received by the ACR-Account to cover the 2014 deficit will be considered in the energy tariffs from the 2015 ordinary tariff processes.

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Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month period ended 30 September 2015

From January 2015, entered into force the Flags Tariff System. This system signals to consumers the real costs of electricity generation, and consists on three flags: green, yellow and red. The green flag indicates that the cost of energy production is lower and, therefore no changes are applied to the energy tariffs. The yellow and red flags represent the increase in energy production cost, and is added an additional amount to the energy tariff. Only consumers classified as low income residential subcategory will have discount on the additional amount applied by the yellow and red flags. On a monthly basis, the operating system conditions are reassessed by the National Electric System Operator - ONS, which defines the best strategy for power generation over demand.

On 4 February 2015, the Tariff Flag Resource Account was established, through the Decree 8,401. Distributors should collect the proceeds from the application of this system to this account, managed by the CCEE. Proceeds are allocated to cover the costs that are not included in the distribution tariff, such as: Energy Security of the System Service Charge - ESS, thermal dispatch, Itaipu hydrological risk and quotas, exposure to spot market and the Power Reserve Account - CONER surplus.

ANEEL should approve on a monthly basis, the transfers to the distribution companies. Any costs not covered by revenue will be considered in the next tariff process.

On 27 February 2015, through Ratifying Resolution 1,859, ANEEL established the new criteria for the additional tariff and the operation of the Flags Tariff System:

- a) Green Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is less than the amount of 200 R\$/MWh;
- b) Yellow Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than 200 R\$/MWh and lower than the maximum value of the Differences Settlement Price - PLD, currently at 388.48 R\$/MWh. For the period of 1 January to 1 March 2015, the consumption proportional increase is 1.5 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 2.5 R\$ per 100 KWh; and
- c) Red Flag: used in the months in which the value of the Variable Unit Cost - CVU of the last plant to be dispatched is equal to or greater than the maximum value of the PLD. For the period from 1 January to 1 March 2015, the consumption proportional increase is 3 R\$ per 100 KWh. From 2 March 2015, the consumption proportional increase is 5.5 R\$ per 100 KWh. After 1 September 2015, as determined by Ratifying Resolution 1,945 of 28 August 2015, occurs the approval of the red flag amount reduction to 4,5 R\$ per 100 KWh.

At the same time, ANEEL accepted the request of Extraordinary Tariff Review - RTE from the distributors and defined the applicable methodology. The results of the RTEs Dealers of Electricity Distribution were approved, through the Resolution 1,858. For EDP Bandeirante the application of new tariffs, from 2 March, resulted in an average increase in its customers of 25.12% and for EDP Escelsa the effect was 26.83%.

On 28 April 2015, through the Normative Resolution 660, ANEEL approved changes in the methodology applicable to the Periodic Tariff Review processes for distributors valid for the processes performed from 6 May 2015. The changes occurred on the following aspects: (i) general procedures; (ii) operating costs; (iii) X factor (productivity gains); (iv) non-technical losses; (v) unrecoverable revenues and (vi) other income, among with:

- a) Extinction of the tariff cycle concept, starting to be used methodologies and parameters prevailing at the time of the tariff review. The update of the parameters will occur in periods of 2/4 years while the updating of the methodologies in periods of 4/8 years;
- b) The weighted average cost of capital (WACC) increased from 7.5% to 8.09% (after taxes). The points considered in the update were: (i) standardization of series; (ii) use of average credit risk of companies in the debt capital of third parties; and (iii) recalculation of the cost of capital every 3 years, with methodology review in every 6 years;
- c) Remuneration for the risk associated with investment operations carried out with third-party funds (subsidies);
- d) For the definition of efficient operating costs, were considered the "quality index" and "losses";
- e) To define the level of non-technical losses, it was included the variable "low-income" and the database updated based on 3 statistical models;
- f) The level of unrecoverable revenues (%) shall be calculated based on past 60 months of non-compliance of the concessionaire;
- g) The percentage share of other revenue has been changed to 30% in the following services: (i) efficiency of energy consumption; (ii) qualified cogeneration facility; and (iii) data communication services. For the other services the share percentage was set at 60%;
- h) The calculation of the X Factor, now regards commercial quality.

These changes, which will represent an increase in future income, only will impact the tariff review of Bandeirante, that occurred on 20 October 2015, and Escelsa, which according with Management expectations should occur in August 2016.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
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Activity in the Renewable Energies Sector

Electricity - Renewable

Generation

Regulatory framework for the activities in Portugal

On 7 April 2015 the Administrative Order 102/2015 was published, which establishes the procedures for the placement of additional energy and for the repowering authorisation of wind farms previously defined by Decree-Law 94/2014 of 24 June.

The main measures introduced by this legislation are: (i) the energy produced by repowering wind farms (increasing the number of wind turbines in existing wind farms) is remunerated at a fixed rate of 60€/MW; (ii) the energy corresponding to the difference between installed capacity and the injected energy in the network is remunerated at 60€/MW; and (iii) recognition of the wind farms repowering as an independent generator.

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 joint ventures and associated companies, for the nine-month period ended 30 September 2015 and condensed consolidated and company statement of financial position as at 30 September 2015.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as "financial statements") on 29 October 2015. 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 2015 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2015 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 2014.

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.

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. Nevertheless, the adoption of IFRIC 21 with mandatory application as at 1 January 2015 resulted in the restatement of comparative information as at 1 January 2014.

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the nine-month period ended 30 September 2015

Adoption of IFRIC 21

As from 30 June 2015 onwards, the EDP Group has adopted IFRIC 21 when preparing the condensed consolidated financial statements.

IFRIC 21 – Levies, provides guidance on when to recognise a liability for levies that are charged by governmental entities, defining the obligating event as the moment that triggers the recognition of the liability to pay a levy.

As a result of the change in the timing of recognition of certain levies (mainly property tax and extraordinary contribution to the energy sector), the amounts for the nine-month period ended 30 September 2014, presented for comparative purposes, were restated to include the same recognition criteria, incorporating impacts on Other expenses in the amount of 7,880 thousands of Euros (see note 10), on Income tax expenses in the amount of 1,909 thousands of Euros (see note 14) and on extraordinary contribution to the energy sector (CESE) in the amount of 15,552 thousands of Euros (see note 15). The adoption of this interpretation does not affect the annual consolidated financial statements presented at 31 December 2014, but only those published on an interim basis. As a consequence, no restatement is applicable for Consolidated Statement of Financial Position as at 31 December 2014.

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 and jointly controlled entities.

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.

Controlled entities

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.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

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.

Jointly controlled entities

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations or joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement, so this investment shall be accounted for using the equity method.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, accounted for under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, 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 that entity.

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Entities over which the Group has significant influence

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.

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 or other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel; and
- 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.

Accounting for investments in subsidiaries in the company's financial statements

Investments in subsidiaries 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.

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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 and 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, if available, or is determined by external entities through the use of valuation techniques.

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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; 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 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 the purpose of being traded 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.

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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 recognised 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.

The remaining 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.

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 and when it can be reliably measured.

For the financial assets that 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 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 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. In the case of equity instruments, impairment losses can not be reversed and any subsequent event that results in 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. All financial liabilities are booked at amortised cost, with the exception of the financial liabilities hedged at fair value hedge, which are stated at fair value on risk component that is being hedged.

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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 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 fair value less costs to sell 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	30 to 75
- Thermoelectric generation	25 to 45
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	4 to 25
Transport equipment	4 to 25
Office equipment and tools	2 to 16
Other property, plant and equipment	3 to 50

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits flowing from the assets occurs 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.

Capitalisation of 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.

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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 fair value less costs to sell 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 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 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.

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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 licences 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 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.

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n) Employee benefits

According to IAS 34 and IAS 19 no updated actuarial valuations are obtained for interim periods, except if there have been significant changes in the plans or unexpected significant changes in market conditions.

Pensions

Some EDP Group companies grant post-retirement benefits to employees under defined benefit and defined contribution plans, namely pension plans that grant complementary retirement 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 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, 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.

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) or plan amendments are recognised in the income statement when incurred.

The Group recognises as operational expenses, in the income statement, current and past service costs. Net interest on the net defined benefit liability (asset) is recognised in 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.

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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 period 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 in EDP Group arises essentially from electricity generation and energy (electricity and gas) distribution and supply activities.

Revenue related to the sale of energy and access tariffs to energy distribution network is measured at fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after elimination of intra-group sales.

Revenue recognition occurs when the significant risks and rewards of ownership are transferred to the buyer, the entity retains neither continuing managerial involvement to the extent usually associated with ownership nor effective control over the goods sold, the amount of revenue can be reliably measured, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be reliably measured.

The moment when an entity has transferred the significant risks and rewards of ownership to the buyer varies depending on the activities carried out by the Group companies.

Regarding the **electricity generation**, this transfer occurs when the energy is generated and injected into the transport/distribution grids. The electricity generated is sold under free market conditions or through the establishment of medium/long term power purchase agreements.

The **energy distribution** is a regulated activity, which is remunerated through tariffs set by each country Regulatory Body (ERSE in Portugal, CNE in Spain and ANEEL in Brazil).

In Portugal and Spain, revenue arises mainly from the sale of access tariffs, as well as from the recovery, from the commercialisation entities, of the costs related to the global management activity of the system. In Brazil, revenue results from the electricity sales to final consumers, in the regulated market, based on the tariffs determined by ANEEL, which are included the use of the distribution and transport system tariff, among other components. In Portugal and Brazil, these activities are subject to public service concession arrangements (see aa)).

The **energy supply** is carried out in regulated and non-regulated markets. In non-regulated market, revenue is recognised based on commercial agreements. In regulated market, revenue is recognised according to the tariffs determined by each country Regulatory Body.

Revenue recognition includes two components: (i) energy sales already invoiced, based on actual consumption readings and/or in estimated consumption based on the historical data of each consumer; (ii) and estimates of energy supplied and not yet invoiced (energy into energy meter). Differences between estimated and actual amounts are recorded in subsequent periods.

Additionally, it should be noted that, in energy distribution and supply activities, there is a tariff adjustment mechanism through which gains or losses of a certain year are recognised in the period to which they relate and recovered in the future years tariffs – Tariff Adjustments (see x)).

The revenue recognition related with **services rendered** is based on the percentage of completion of the transaction at the reporting date. This occurs when the amount of revenue can be reliably measured, when it is probable the existence of economic benefits associated with the transaction to the entity who sells, when the percentage of completion of the transaction at the reporting date can be reliably measured and the costs incurred with the transaction and the costs to be incurred to complete the transaction can be reliably measured. Whenever it is not possible to reliably measure the completion of a transaction involving services rendered, revenue is only recognised to the extent of the expenses recognised as recoverable.

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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 also 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 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 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.

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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.

w) Operating segments

The Group presents the operating 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;
- (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 Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. 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 of 18 July establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

y) CO2 licences and greenhouse gas emissions

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 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 the transaction.

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost, and are subsequently adjusted to the lower of the acquisition cost or the net realisable value. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Statement of Cash Flow

The Statement of Cash Flow 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.

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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. IFRIC 12, was applied prospectively since it was impracticable to apply it retrospectively.

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 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 associated with the construction of assets assigned to concessions. Therefore, the revenue and the expenditure from the acquisition of these assets are equivalent (see note 6).

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.

The concession contracts that exist currently in EDP Group are based in the mixed model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil.

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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 the Group operations in all material respects.

Impairment

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 and the use of different assumptions and estimates could result in different impairment losses recognised with a consequent impact in results.

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 net interest 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 could result in changes on the determination of the amount of impairment and, consequently, in results.

Impairment of receivables

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. Changes in the estimates and judgement could change the impairment test results, thereby affecting results.

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 and 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.

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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, securitisation of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each period considering the actual conditions and is recognised as a loss or gain in the period 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, EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the "Valor água" model defined in the Decree-Law 240/2004 and the guidelines of the revisability calculation according to the Order 4694/2014. Consequently, the use of different methodologies and assumptions from the used model, could give rise to different financial results from those considered.

Review of the useful life of the assets

The Group reviews annually the reasonableness of the assets' useful lives that are used to determine the depreciation rates of assets assigned to the activity, and prospectively changes the depreciation charge of the year based on such review.

In the second quarter of 2011, EDPR Group changed the useful life of its 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 its different geographies (Europe and North America), based on 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 assigned to distribution 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.

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity that considered the technical availability for an additional period of 10 years. This study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 3, Grupo 4 and Soto 5).

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 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 changes in the regulatory legal framework in Brazil.

Tariff adjustments

Portugal

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.

Decree-Law 237-B/2006 of 19 December, and Decree-Law 165/2008 of 21 August, recognised an unconditional right of the operators of the electricity sector to recover the tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments. Therefore, under this legislation, regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group book in Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

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Decree-Law 87/2011 of 18 July also establishes the unconditional right of regulated operators in the natural gas sector to recover tariff adjustments and related interest expenses, notwithstanding the form of the future payment or situations of insolvency and cessation of operations, and allows the transfer to third parties of the right to receive tariff adjustments. EDP Group book in Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Spain

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 electricity 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 sufficient to cover the cost of regulated activities, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, Royal Decree Law 6/2009 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 CO₂ 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 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.

In 2010, Royal Decree Law 14/2010 addressed the correction of the tariff deficit of the electricity sector. Under this decree, the temporal mismatch of the settlements for 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, financing plans energy efficiency 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 in order to reach the limit set by Royal Decree Law 14/2010: (i) Royal Decree Law 1/2012, which temporarily suspended the inclusion of new facilities in the "pre-asignación" registrations 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 13/2012, which provided for reductions in the remuneration for distribution activity and an extraordinary decrease on other regulated activities.

In 2014, Royal Decree Law 1054/2014, establishes the procedures for the transfer of the right to receive the deficit of 2013 from the Spanish system, as well as, the methodology to define the interest rate applicable to this deficit, which main guidelines are: (i) definition of a 15 years time frame during which the deficit amount will cumulate interest. This time frame consists in two periods: the first, which began in 1 January 2014 ending on the date of the additional liquidation of the provisional liquidation 14 of the year 2013; and the final period, from which the additional liquidation of the provisional liquidation 14 of the year 2013, is made, until 31 December 2028; and (ii) the rights to receive (base amount plus interests) are expressly recognised, with their respective taxes and will be considered as system costs. These rights can be total or partially assigned, transferred, transmitted, discounted pledged to third parties, if properly communicated to CNMC ("Comisión Nacional de los Mercados y la Competencia").

Brazil

On 25 November 2014, ANEEL made addendums to the concession contracts with Brazilian electric distribution companies to reduce significant uncertainties regarding to the recognition and realization of regulatory assets/liabilities that existed since 2010, when the IFRS were adopted in Brazil. As a consequence, the CPC issued on 28 November 2014, the OCPC 08 (Recognition of Certain Assets and Liabilities in Accounting and Financial Reports of Electric Distribution) which determines how to treat these regulatory assets/liabilities in the financial statements.

Therefore, on 10 December 2014, EDP Brasil signed the Fourth and Fifth Addendum to the Concession Agreement, where it was established that, in the case of concession termination, the outstanding balances of any failure of payment or reimbursement by the tariff (assets and liabilities), will be considered on the indemnity calculation, based on the regulator pre-established regulations. As a consequence, Bandeirante and Escelsa booked in its financial statements a net profit of 112,433 thousands of Euros and 79,587 thousands of Euros, respectively.

EDP Group considers, based on the issued legislation (Portugal, Spain and Brazil), that the requirements for the recognition of tariff deficits as receivables and payables against the income statement have been satisfied.

Revenue recognition

Energy sales revenue is recognised when the monthly energy invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to energy to be invoiced, regarding consumption up to the balance sheet date but not measured, 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 could affect the Group's revenue and, consequently, its reported results.

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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 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 is twelve years for annual periods starting from 2014, five years for 2013 and 2012, four years for 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, the period 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.

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

Provisions for dismantling and decommissioning of power generation units

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 generation units are located. The calculation of the provisions is based on estimates of the present value of the expected future liabilities.

The use of different assumptions in the estimates and judgement from those referred 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.

Entities included in the consolidation perimeter

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee ("de facto" control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to the variability of returns and has the ability to affect those returns through its control over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact on the consolidated financial statements.

Business combination

Under IFRS 3 (Business Combination) in a business combination, the acquirer shall recognise and measure in the consolidated financial statements the assets acquired and liabilities assumed at fair value at the acquisition date. The difference between the purchase price and the fair value of the assets and liabilities acquired leads to the recognition of goodwill or a gain from a purchase at a low price (bargain purchase).

The fair value determination of the assets acquired and liabilities assumed is carried out internally or by independent external evaluators, using the discounted cash flows method, using the replacement cost or other fair value determination techniques, which rely on the use of assumptions and estimates including macroeconomic indicators such as inflation rates, interest rates, exchange rates, discount rates, sale and purchase prices of energy, cost of raw materials, production estimates and business projections. Consequently, the determination of the fair value and goodwill or gain from a purchase at a low price is subject to numerous estimates and judgments and therefore changes in assumptions could result in different impacts on results.

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Fair value measurement of contingent consideration

The contingent consideration, from a business combination or a sale of a financial investment is measured at fair value at the acquisition date as part of the business combination or at the date of the sale in the event of a sale of a financial investment. The contingent consideration is subsequently remeasured at fair value at balance sheet date. Fair value is based on discounted cash flows. The main assumptions consider the probability of achieving each objective and the discount factor, corresponding to the best estimates of management at each balance sheet date. Changes in assumptions could have significant impact on the values of contingent assets and liabilities recognized in the financial statements.

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 status and evolution of the financial markets are 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 financial risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A.'s Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency financial debt, entered into with the aim of funding the EDP Group's investments in the currency of its respective cash flows. Seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results the Group resorts to 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 exchange rate risk in US Dollars (USD), Brazilian Reals (BRL), Romanian Leu (RON), Polish Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR, RON/EUR and CAD/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland, Romania and Canada, respectively. The majority of these investments were financed with debt contracted in the respective local currency 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 financial derivatives 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 has been hedged as from their issuing date.

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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 2015 and 2014, would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousands of Euros	Sep 2015			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	49,149	-60,071	-22,204	27,138
	49,149	-60,071	-22,204	27,138

Thousands of Euros	Sep 2014			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	23,796	-29,085	-5,081	6,210
	23,796	-29,085	-5,081	6,210

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 manage 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 enters into 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 level them to current and expected market conditions.

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 13 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 53% of the Group's liabilities are at 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 50 basis points change in the reference interest rates at 30 September 2015 and 2014 would lead to an increase/(decrease) in the EDP Group results and/or equity as follows:

Thousands of Euros	Sep 2015			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-16,421	16,421	-	-
Unhedged debt	-19,965	19,965	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	20,737	-21,717
Trading derivatives (accounting perspective)	207	-4,309	-	-
	-36,179	32,077	20,737	-21,717

Thousands of Euros	Sep 2014			
	Profit or loss		Equity	
	50 bp increase	50 bp decrease	50 bp increase	50 bp decrease
Cash flow effect:				
Hedged debt	-18,421	18,421	-	-
Unhedged debt	-29,934	29,934	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	17,241	-18,013
Trading derivatives (accounting perspective)	-505	562	-	-
	-48,860	48,917	17,241	-18,013

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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 rating and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not typically 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 third-party receivables generated by the Group's day-to-day business, the credit risk arises essentially from customers default, which exposure is limited to the energy supplied until the supply interruption occurs. The very criterious credit risk analysis made for new costumers, as well as the large number of customers and their diversity in terms of sectors of activity are some of the main factors that mitigate the concentration of counterparty credit risk.

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 as well as term deposits, allowing immediate access to funds. These credit 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 notes 29 and 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 (OMIE 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 (electricity, fuel 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 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 back testing and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them, if necessary.

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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. The P@R distribution by risk factor is as follows:

Thousands of Euros	P@R Distribution by risk factor	
	Sep 2015	Dec 2014
Risk factor		
Negotiation	2,000	1,000
Fuel	28,000	25,000
CO2	7,000	10,000
Electricity	23,000	20,000
Hydrological	54,000	59,000
Diversification effect	-57,000	-54,000
	57,000	61,000

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. The EDP Group's exposure to credit risk rating is as follows:

	Sep 2015	Dec 2014
Credit risk rating (S&P)		
AAA to AA-	1.21%	2.58%
A+ to A-	72.59%	63.18%
BBB+ to BBB-	14.51%	15.14%
BB+ to B-	0.08%	0.28%
No rating assigned	11.61%	18.82%
	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 is as follows:

Thousands of Euros	VaR	
	Sep 2015	Dec 2014
Exchange rate risk	320	610
Interest rate risk	10,687	5,739
Covariation	-370	-825
	10,637	5,524

Capital management

EDP is not an entity subject to regulation in terms of capital or solvency ratios. Therefore, capital management is carried out within the financial management process of the entity.

Additionally, management describes this aspect of its strategic objectives in the chapters "Strategic Agenda" and "Value Creation to Shareholders" of the 2014 Annual Report.

The Group's goal in managing equity is to safeguard the Group's capacity to continue operating as a going concern, grow steadily to meet established objectives and maintain an optimum capital structure to reduce equity and debt cost.

In conformity with other groups operating in this sector, the Group controls its financing structure based on several control mechanisms and ratios. Net financial borrowings are determined as of financial debt less cash and cash equivalents and financial assets at fair value through profit or loss.

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5. CONSOLIDATION PERIMETER

During the nine-month period ended 30 September 2015, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:

- EDP Distribuição de Energia, S.A. acquired 26% of the share capital of Ambertree - Tecnologias para Redes de Energia Eléctrica, Lda.;
- EDP Renovables España, S.L. acquired 40% of the share capital of Desarrollos Catalanes Del Viento, S.L. with the subsequent gain to 100% of share interest in: Aprofitament D'Energies Renovables de L'Ebre, S.A., Aprofitament D'Energies Renovables de la Terra Alta, S.A., Parc Eòlic de Coll de Moro, S.L., Parc Eòlic de Torre Madrina, S.L. and Parc Eòlic de Vilalba dels Arcs, S.L.;
- EDP Renovables España, S.L. acquired 2% of the share capital of Acampo Arias, S.L., 24% of the share capital of Compañía Eólica Campo de Borja, S.A., 5% of the share of D.E. Rabosera, S.A., 20% of the share capital of Molino de Caragüeyes, S.L., 5% of the share capital of Parque Eólico La Sotonera, S.L., 16% of the share capital of Eólica Alfoz, S.L. and 40 % of the share capital of Investigación y Desarrollo de Energías Renovables, S.L.;
- EDP Cogeneracion S.L. acquired 10% of the share capital of Cerámica Técnica de Illescas Cogeneración, S.A.;
- EDP Energias do Brasil acquired 50% of the share capital of Porto do Pecém Geração de Energia S.A. (Porto do Pecém) owned by Eneva, holding now the control of the company and fully consolidating 100% of its share capital. To the extent that EDP Energias do Brasil already had a share in Porto do Pecém, this transaction constitutes an acquisition in stages (step acquisition), leading to a gain value in the amount of 294,938 thousands of Euros at the level of EDP Group (884,697 thousands of Reais at the level of EDP Energias do Brasil) booked under Other income (note 7). To mention that, under the applicable tax law, EDP Brasil recognized a tax effect associated with this gain of 36,293 thousands of Euros (120,109 thousands of Reais);
- EDP Renováveis Brasil, S.A. acquired 100% of the share capital of Central Eólica Aventura II, S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of EDPR Yield Spain Services, S.L.U.;
- In September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power contract launched by the Portuguese Government in 2005-2006. In the terms of this agreement, EDP Group began to hold the exclusive control of the following windfarm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica do Alto da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto dos Mouriscos, S.A., Eólica Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a provisional gain on the revaluation of the previously held investment in the amount of 102,479 thousands of Euros, which is recognized under Other income (see note 7 and 51).

Disposal of non-controlling interests:

- EDP Renovables España, S.L. sold 6% of its interests in Iberia Aprovechamientos Eólicos, S.A.U. by 18 thousands of Euros;
- In the second quarter of 2015, EDP Renewables North America LLC. concluded the sale to Fiera Axium L.L.C., by 291,280 thousands of Euros that equals 324,742 thousands of US Dollar (corresponding to a sale price of 348,000 thousands of US Dollar deducted of 5,983 thousands of US Dollar of transaction costs and 17,275 thousands of US Dollar of capital distributions):
 - (i) 49% of its interests in the following companies:
 - Blue Canyon Windpower V, L.L.C.;
 - Paulding Wind Farm II L.L.C.;
 - Headwaters Wind Farm L.L.C.;
 - Rising Tree Wind Farm L.L.C.;
 - Rising Tree Wind Farm II;
 - 2009 Vento V, L.L.C.;
 - 2011 Vento IX, L.L.C.;
 - 2014 Vento XI, L.L.C.;
 - 2014 Vento XII, L.L.C.;
 - Horizon Wind Ventures III, L.L.C.;
 - Horizon Wind Ventures IX, L.L.C.;
 - EDPR Wind Ventures XI;
 - EDPR Wind Ventures XII.
 - (ii) 25% of its interests in the following companies:
 - Cloud County Wind Farm, L.L.C.;
 - Pioneer Prairie Wind Farm I, L.L.C.;
 - Arlington Wind Power Project L.L.C.;
 - 2008 Vento III, L.L.C.;
 - Horizon Wind Ventures IC, L.L.C.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 14,965 thousands of Euros, was booked against reserves under the corresponding accounting policy.

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- In the second quarter of 2015, EDP Renewables North America LLC. sold to DIF Infra 3 US L.L.C. 49% of its interests, by 25,170 thousands of Euros that equals to 28,061 thousands of US Dollar (corresponding to a sale price of 30,000 thousands of US Dollar deducted of 1,939 thousands of US Dollar of transaction costs), in the following companies:
 - EDPR Solar Ventures I;
 - 2014 Sol I, L.L.C.;
 - Lone Valley Solar Park I L.L.C.;
 - Lone Valley Solar Park II L.L.C.
 This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling 380 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- In the second quarter of 2015, EDP Renováveis Brasil, S.A. sold to Cwei Brasil Participações Lda (CWEI Brasil) 49% of its interests in a set of wind farm assets, by 74,099 thousands of Euros that equals to 261,134 thousands of Brazilian Real (corresponding to a sale price of 263,083 thousands of Brazilian Real deducted of 1,949 thousands of Brazilian Real of transaction fees), in the following companies:
 - Central Eólica Aventura, S.A.;
 - Central Nacional de Energia Eólica, S.A.;
 - Elebras Projetos Ltda;
 - Central Eólica Feijao I, S.A.;
 - Central Eólica Feijao II, S.A.;
 - Central Eólica Feijao III, S.A.;
 - Central Eólica Feijao IV, S.A.;
 - Central Eólica Jau, S.A.
 This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 11,758 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies sold and liquidated:

- EDP Energias do Brasil, S.A. liquidated Terra Verde Bioenergia Participações S.A.;
- Naturgas Energía Distribución, S.A.U. sold Gás Energía Distribución Murcia, S.A. by 122,850 thousands of Euros (corresponding to a sale price of 125,775 deducted of 2,925 thousands of Euros of transaction fees) (see notes 7 and 42);
- EDPR Renovables España, S.L. liquidated Tratamientos Medioambientales del Norte, S.A.;
- EDP - Energias de Portugal S.A. liquidated EDP Serviner - Serviços de Energia, S.A.

Companies merged:

- Home Energy II, S.A. was merged into EDP Comercial - Comercialização de Energia, S.A.

Companies incorporated:

- EDPR Servicios de México, S. de R.L. de C.V.;
- EDP Small Hydro, S.A.;
- Vientos de Coahuila, S.A. de C.V.;
- 2015 Vento XIV, LLC *;
- 2015 Vento XIII, LLC;
- EDPR Wind Ventures XIV;
- EDPR Wind Ventures XIII;
- Nation Rise Wind Farm GP Inc.;
- Nation Rise Wind Farm LP;
- South Branch Wind Farm II GP Inc. *;
- South Branch Wind Farm II GP LP *;
- EDP Renewables Sharp Hills Project LP *;
- EDPR Yield France Services, S.A.S.;
- EDPR Yield Portugal Services, Unip. Lda.;
- SCNET - Sino-Portuguese Centre;
- TACA Wind, S.r.l.;
- Hydro Global Investment Ltd.

* EDP Group holds, through EDP Renováveis and its subsidiaries EDPR NA and EDPR Canada, a set of subsidiaries in the United States and Canada legally established without share capital and that, as at 30 September 2015, do not have any assets, liabilities, or any operating activity.

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6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

Revenues from energy sales and services and other are analysed by sector is as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Electricity and network access	10,276,921	10,116,853	1,846,331	1,497,061
Gas and network access	1,003,224	1,307,121	154,626	158,564
Sales of CO2 licences	60	14	61	24,880
Revenue from assets assigned to concessions	242,427	284,762	-	-
Other	82,145	114,482	107,381	105,584
	11,604,777	11,823,232	2,108,399	1,786,089

Revenues from energy sales and services and other by geographical market, for the Group, are analysed as follows:

Thousands of Euros	Sep 2015					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,383,415	2,356,739	1,979,552	351,916	205,299	10,276,921
Gas and network access	223,985	779,239	-	-	-	1,003,224
Sales of CO2 licences	60	-	-	-	-	60
Revenue from assets assigned to concessions	186,150	-	56,277	-	-	242,427
Other	49,850	21,230	10,605	214	246	82,145
	5,843,460	3,157,208	2,046,434	352,130	205,545	11,604,777

Thousands of Euros	Sep 2014					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,715,079	2,096,483	1,854,338	271,957	178,996	10,116,853
Gas and network access	193,329	1,113,792	-	-	-	1,307,121
Sales of CO2 licences	14	-	-	-	-	14
Revenue from assets assigned to concessions	206,027	-	78,735	-	-	284,762
Other	42,257	25,643	46,201	-	381	114,482
	6,156,706	3,235,918	1,979,274	271,957	179,377	11,823,232

As at 30 September 2015, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,030,495 thousands of Euros (income in 30 September 2014: 1,451,514 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x). In 2015, this caption also includes, a net profit of 175,237 thousands of Euros related to recognition of tariff adjustments for the period in Brazil, booked as Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

Additionally, the caption Electricity and network access includes, on a consolidated basis, 155,783 thousands of Euros (30 September 2014: 157,750 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

The breakdown of Revenues from energy sales and services and other by segment is presented in the segmental reporting (see note 52).

Cost of energy sales and other are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Cost of electricity	5,784,525	6,067,687	1,815,290	1,442,732
Cost of gas	721,636	967,392	-	-
Expenditure with assets assigned to concessions	242,427	284,762	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	403,713	285,033	-	-
Gas	210,542	199,893	154,626	158,564
Cost of consumables used	45,450	12,301	-	-
CO2 licences	96,915	62,456	65	25,134
Own work capitalised	-46,278	-61,672	-	-
Other	85,434	126,644	10	5
	795,776	624,655	154,701	183,703
	7,544,364	7,944,496	1,969,991	1,626,435

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On a company basis, Cost of electricity includes costs of 851,793 thousands of Euros (30 September 2014: 732,252 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.

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:

Thousands of Euros	Group	
	Sep 2015	Sep 2014
Revenue from assets assigned to concessions	242,427	284,762
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-168,971	-215,774
Personnel costs capitalised (see note 9)	-67,482	-61,022
Capitalised borrowing costs (see note 13)	-5,974	-7,966
	-242,427	-284,762
	-	-

7. OTHER INCOME

Other income, for the Group, is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Sep 2014
Income arising from institutional partnerships - EDPR NA	116,897	87,720
Estimation of the revised selling price of EDPR PT	-	5,002
Gains related with business combinations	397,417	-
Gains on disposals - gas and electricity business assets	89,008	131,457
Other	79,740	92,796
	683,062	316,975

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, X, XI, XII and XIII and Sol I projects, in wind farms and solar plants in U.S.A. (see note 38).

The caption Gains related with business combinations results from the acquisition of the Porto do Pecém by EDP Energias do Brasil and the asset split in the ENEOP consortium (see note 51).

On 9 December 2014, EDP Brasil entered into an agreement for the acquisition of the 50% Porto do Pecém share capital, owned by Eneva, S.A., starting to hold full control of this company. This transaction was subject to approval and authorisation of the competition authority, of ANEEL, of the funding banks of Porto do Pecém and Eneva (BNDES and Banco Interamericano de Desenvolvimento – BID) and other creditors of Eneva. Additionally, the transaction conclusion was dependent on other measures of corporate and contractual nature, in particular, the approval of the Eneva's recovery plan. This transaction was concluded in May and occurred in two stages, the first through the debt capitalisation of Porto do Pecém with Eneva, resulting in a reduction of EDP's original shareholding of 50.0% to 41.27% and the second with the acquisition, by 300,000 thousands of Reais, of 58.73% of Porto do Pecém by EDP. The gross gain, in the amount of 294,938 thousands of Euros, recognised in Gains related with business combinations, includes the following effects: i) dilution effect in the capital increase by Eneva; ii) gain on the revaluation of the previously held interest; and iii) bargain purchase.

In September 2015, the ENEOP consortium members reached an agreement on the consortium's assets split which had been created for a wind power contract launched by the Portuguese Government in 2005-2006. In the terms of this agreement, EDP Group began to hold the exclusive control of the following windfarm portfolio: Eólica do Alto da Lagoa, S.A., Eólica da Serra das Beiras, S.A., Eólica do Cachopo, S.A., Eólica do Castelo, S.A., Eólica do Alto da Coutada, S.A., Eólica do Espigão, S.A., Eólica da Lajeira, S.A., Eólica Alto dos Mouriscos, S.A., Eólica Salgueiros-Guilhado, S.A., Eólica Alto da Teixosa, S.A., Eólica da Terra do Mato, S.A. and Eólica do Velão, S.A. This transaction was treated as a business combination achieved in stages and generated a provisional gain on the revaluation of the previously held investment in the amount of 102,479 thousands of Euros.

Gains on disposals - gas and electricity business assets is related with the gain on the sale of the assets allocated to gas transmission business in Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona) to Redexis Gas, S.A. The sale of this assets generated a gain in the amount of 79,183 thousands of Euros in the first sale phase and a gain of 9,825 thousands of Euros in the transaction conclusion in the total amount of 89,008 thousands of Euros (see note 5 and note 42). As at 30 September 2014, this caption included the gain on the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects in the amount of 131,457 thousands of Euros which included the fair value revaluation effect of the retained interest (50%) in the amount of 66,073 thousands of Euros.

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In 2007 and under the acquisition of EDPR NA, 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 39). This liability is depreciated over the period of the agreements against Other income - Other. As at 30 September 2015, the amortisation for the period amounts to 7,441 thousands of Euros (30 September 2014: 6,573 thousands of Euros).

Other include the effect of the application of IFRIC 18 related to customers contributions in the electricity and gas distribution activities in Spain in the amount of 5,493 thousands of Euros (30 September 2014: 7,255 thousands of Euros), as referred in accounting policy 2h).

8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Consumables and communications	39,031	37,688	6,327	5,748
Rents and leases	82,010	77,239	31,249	29,794
Maintenance and repairs	230,086	224,578	15,512	18,520
Specialised works:				
- Commercial activity	123,832	127,647	3,572	3,655
- IT services, legal and advisory fees	55,795	56,984	16,663	15,387
- Other services	39,132	35,514	13,278	10,394
Provided personnel	-	-	25,275	38,401
Other supplies and services	88,078	83,527	15,579	13,358
	657,964	643,177	127,455	135,257

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Personnel costs				
Board of Directors remuneration	11,382	11,744	4,291	4,271
Employees' remuneration	364,794	360,742	13,482	1,791
Social charges on remuneration	89,788	91,168	3,490	926
Performance, assiduity and seniority bonus	54,245	58,392	8,533	3,940
Other costs	16,575	18,947	120	853
Own work capitalised:				
- Assigned to concessions (see note 6)	-67,482	-61,022	-	-
- Other	-41,697	-43,878	-	-
	427,605	436,093	29,916	11,781
Employee benefits				
Pension plans costs	20,464	20,353	664	207
Medical plans costs and other benefits	6,174	6,414	115	109
Past service cost (Curtailment/Plan amendments)	-	-129,020	-	-
Other	17,486	13,806	1,267	50
	44,124	-88,447	2,046	366
	471,729	347,646	31,962	12,147

Pension plans costs include 9,422 thousands of Euros (30 September 2014: 9,086 thousands of Euros) related to defined benefit plans (see note 36) and 11,042 thousands of Euros (30 September 2014: 11,267 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits of 6,174 thousands of Euros (30 September 2014: 6,414 thousands of Euros) is related to the charge of the period (see note 36).

At 30 September 2014, the past service cost is related with plan amendments resulting from the new Collective Labour Agreement (see note 36) which result in a decrease of liabilities in the amount of 129,020 thousands of Euros.

Other include essentially costs with medical services of employees in the amount of 5,358 thousands of Euros (30 September 2014: 4,975 thousands of Euros) and costs with tariff discount of active workers in the amount of 8,565 thousands of Euros (30 September 2014: 9,482 thousands of Euros).

As at 30 September 2015, EDP Group distributed treasury stocks to employees (422,779 shares) totalling 1,501 thousands of Euros.

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10. OTHER EXPENSES

Other expenses, are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Concession rents paid to local authorities and others	204,416	205,639	-	-
Direct and indirect taxes	238,480	190,371	1,002	718
Donations	24,385	23,685	12,821	12,081
Impairment losses:				
- Trade receivables	24,973	21,595	-	-
- Debtors	-1,024	3,737	-40	28
Write-off of assets under construction	62,473	-	-	-
Other	68,984	52,306	2,022	1,539
	622,687	497,333	15,805	14,366

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 includes a tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

As at 30 September 2014, the caption Direct and indirect taxes, includes the amount of 7,880 thousands of Euros related with the impact of the IFRIC 21 adoption.

The EDP Group proceeded to the write-off assets under construction, which refers to (i) 40,499 thousands of Euros related to the abandonment of ongoing projects in EDP Renewables North America, LLC, which were considered to be economically unviable under current market conditions, due to the recent publication of new legislation – the final version of Clean Power Plan and Renewable Portfolio Standards; (ii) 16,589 thousands of Euros related to the abandonment of ongoing projects in EDP Renewables Europe, SL, following the reduced probability of their future development; and (iii) 5,385 thousands of Euros, due to damage in the measurement tower in the offshore wind park Moray Offshore Renewables Limited (held by EDPR UK Limited).

11. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Charge for the period	22,654	32,445	1,297	938
Write-back for the period	-13,618	-11,060	-190	-350
	9,036	21,385	1,107	588

Provisions for the period, at 30 September 2015, include a net increase in provisions for: labour, legal and other contingencies in Brazil in the amount of 6.2 millions of Euros (30 de September 2014: 6.4 millions of Euros) and a net decrease in United States of America of 0.2 millions of Euros; a net increase in provisions for contractual, legal and other liabilities and charges in Portugal of 0.5 millions of Euros (30 de September 2014: 5.3 millions of Euros) and in Spain of 2.5 millions of Euros (30 de September 2014: 9.6 millions of Euros), which are classified as probable contingencies (see note 37).

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12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Property, plant and equipment				
Buildings and other constructions	8,290	9,093	128	2,019
Plant and machinery	720,659	646,869	9	18
Other	46,744	46,566	8,691	8,139
Impairment loss	11,706	12,428	-	-
	787,399	714,956	8,828	10,176
Intangible assets				
Concession rights and impairment	61,712	62,347	-	-
Intangible assets assigned to concessions - IFRIC 12	228,616	240,312	-	-
Other intangibles	2,158	2,801	2	2
Impairment loss	-	13,926	-	-
	292,486	319,386	2	2
Investment property	651	97	1,645	599
	1,080,536	1,034,439	10,475	10,777
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-22,338	-20,346	-	-
Impairment of Goodwill	176	278	-	-
	1,058,374	1,014,371	10,475	10,777

During the nine month period ended 30 September 2015, and taking into consideration the increasing uncertainty on the Romanian market, EDPR Romania has downgraded their future estimates especially as concerns the price of green certificates. Following this analysis it was recognized an impairment loss on fixed assets of 16,326 thousand of Euros.

In 2014, EDP Produção booked an impairment of 26,666 thousands of Euros (12,740 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets), related with Alvito hydroelectric plant, given that due to market conditions there was some short term uncertainty about the economic viability of this project.

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 (booked under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

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13. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Sep 2014
Financial income		
Interest income from bank deposits and other applications	29,135	40,383
Interest income from loans to joint ventures and associates	19,527	21,174
Interest from derivative financial instruments	119,766	111,903
Derivative financial instruments	286,310	237,996
Other interest income	37,621	37,530
Foreign exchange gains	45,257	18,164
CMEC	34,266	35,563
Other financial income	151,748	161,659
	723,630	664,372
Financial expenses		
Interest expense on financial debt	726,077	720,892
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-5,974	-7,966
- Other	-59,514	-116,464
Interest from derivative financial instruments	95,525	86,736
Derivative financial instruments	214,274	207,156
Other interest expense	17,761	20,598
Impairment of available-for-sale financial assets	21,996	1,042
Foreign exchange losses	163,449	41,311
CMEC	11,696	13,513
Unwinding of liabilities	87,093	70,212
Net interest on the net pensions plan liability (see note 36)	12,568	18,884
Net interest on the medical liabilities and other benefits (see note 36)	20,812	30,648
Other financial expenses	43,622	31,257
	1,349,385	1,117,819
Financial income/(expenses)	-625,755	-453,447

The caption Financial income - CMEC totalling 34,266 thousands of Euros includes 22,840 thousands of Euros related to interest on the initial CMEC (30 September 2014: 24,093 thousands of Euros) included in the annuity for 2015 and 11,414 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 September 2014: 11,468 thousands of Euros).

The caption Other financial income includes essentially 57,743 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2014: 65,709 thousands of Euros), 641 thousands of Euros related with interest income on tariff deficit in Spain (30 September 2014: 3,592 thousands of Euros), 24,776 thousands of Euros related with interest income on tariff deficit in Brazil and 46,184 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the over cost with the acquisition of electricity from Special Regime Generators in Portugal and CMEC 2014 (30 September 2014: 66,688 thousands of Euros related to the 2013 and 2014 Special Regime Generators over cost) (see note 26).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). In what concerns to the rate applicable to borrowing costs related to tangible/intangible assets under construction that is used in the determination of the amount of borrowing costs eligible for capitalization (see note 16 and 17), it varies depending on the country and currency, since EDP Group incorporates in the scope of consolidation a significant number of subsidiaries over several geographies with different currencies.

Financial expenses - CMEC, in the amount of 11,696 thousands of Euros (30 September 2014: 13,513 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 4,999 thousands of Euros (30 September 2014: 6,101 thousands of Euros), (ii) the implied financial return in institutional partnership in USA which amounted to 58,098 thousands of Euros (30 September 2014: 42,619 thousands of Euros), and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe of 7,707 thousands of Euros (30 September 2014: 7,803 thousands of Euros), 1,821 thousands of Euros (30 September 2014: 1,115 thousands of Euros) and 7,530 thousands of Euros (30 September 2014: 4,094 thousands of Euros), respectively.

The caption Impairment of available-for-sale financial assets includes 21,987 thousand euros related to the increase of impairment of the financial investment in Banco Comercial Português, S.A. as a result of the devaluation of the market value of the shares (see note 21).

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Financial income and expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Sep 2015	Sep 2014
Financial income		
Interest income from loans to subsidiaries and related parties	319,244	381,789
Interest from derivative financial instruments	127,057	71,547
Derivative financial instruments	475,699	437,712
Income from equity investments	462,260	524,049
Gains on the sale of financial investments	38,987	-
Other financial income	10,387	11,978
	1,433,634	1,427,075
Financial expenses		
Interest expense on financial debt	326,282	353,973
Interest from derivative financial instruments	112,581	67,139
Derivative financial instruments	442,298	394,238
Foreign exchange losses	18,665	17,882
Other financial expenses	3,226	11,057
	903,052	844,289
Financial income/(expenses)	530,582	582,786

In the context of the corporate restructuring of the gas activity in Iberia, carried out during the second quarter of 2014, in 22 December 2014, EDP, S.A. sold to EDP Gas Iberia, S.L. 100% of the share capital of EDP Gás - SGPS, S.A. for the amount of 462,591 thousands of Euros, of which 285,422 thousands of Euros correspond to the sale value of equity shares and 177,169 thousands of Euros correspond to supplementary capital and loans. As at 31 December 2014, this transaction was recognised in accordance with the fair value model, under the company accounting policy, and a gain in the amount of 282,352 thousands of Euros was booked on a company basis. The final amount of the transaction was subject to price adjustments under the purchase agreement, whereby for the nine-month period ended 30 September 2015 was recognized an additional gain of 38,968 thousand Euros on a company basis in the caption Gains on the sale of financial investments. This price adjustment includes the fair value of a contingent price in the amount of 28,429 thousands of Euros related to a litigation that is ongoing. These intra-group transactions were made with reference to market values and with the individual gains to be eliminated on a consolidation process of EDP Group.

14. INCOME TAX

The standard tax rate in the main countries where the EDP Group operates are as follows:

	Sep 2015	Sep 2014
Portugal	[21%-29.5%]	[23%-31.5%]
Spain	28%	[28%-30%]
Netherlands	25%	25%
Brazil	34%	34%
United States of America	38.2%	38.2%

EDP Group transfer pricing policies is in line with the guidelines, the rules and the best international practices across all geographies where the Group operates, in due compliance with the spirit and letter of the Law.

In accordance with current legislation, tax returns of a given period are subject to review and correction by the tax authorities during the subsequent periods. In Portugal the limit is 4 years or 5 years if tax losses have been used in 2012 and 2013, or 12 years if tax losses have been used in 2014. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, in general, the IRS (Internal Revenue Service) may issue additional income tax assessment for an entity in 3 years.

Tax losses generated in each fiscal year, are also subject to inspection and adjustment and can be deducted to the taxable income assessed in the subsequent periods (12 years in Portugal, 5 in Poland, 7 in Romania, 9 in the Netherlands, 20 years in the USA and Canada and without an expiry date in Brazil, Spain, France, Italy, United Kingdom and Belgium). Moreover, in the Netherlands and United Kingdom the tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage of the taxable income of each period.

The EDP Group companies are taxed, whenever possible, on a Group consolidated basis as allowed by the tax legislation of the respective countries.

As at 30 September 2015, there were no significant changes to the tax legislation disclosed in the consolidated financial statements of EDP Group for the year ended 31 December 2014.

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Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Current tax	-182,652	-144,315	-129	-16,906
Deferred tax	-53,219	-129,282	20,942	29,898
	-235,871	-273,597	20,813	12,992

As at 30 September 2014, Current tax includes a positive variation in the amount of 1,909 thousands of Euros related with the IFRIC 21 adoption.

The reconciliation between the nominal and the effective income tax rate for the Group, as at September 2015, is analysed as follows:

Thousands of Euros	Sep 2015		
	Rate %	Tax basis	Tax
Nominal rate and income tax	22.5%	1,272,721	286,362
Different tax rates (includes state surcharge)	7.8%	439,564	98,902
Tax losses and tax credits	-0.5%	-28,911	-6,505
Dividends	-0.4%	-23,258	-5,233
Tax benefits	-1.3%	-72,307	-16,269
Differences between tax and accounting gains and losses	-9.4%	-533,889	-120,125
Other adjustments and changes in estimates	-0.2%	-5,604	-1,261
Effective tax rate and total income tax	18.5%	1,048,316	235,871

The variation in effective tax rate is mainly due to the reduction of the Corporate Income Tax rate in Portugal and Spain, non-taxation of capital gain generated on the sale of gas distribution assets in Spain, non-taxation of the gain generated with the revaluation of the previously held investment in ENEOP consortium and with the non-taxation of the partial gain with the control acquisition of Porto do Pecém under the applicable tax law.

The reconciliation between the nominal and the effective income tax rate for the Group, as at September 2014, is analysed as follows:

Thousands of Euros	Sep 2014		
	Rate %	Tax basis	Tax
Nominal rate and income tax	24.5%	1,243,107	304,561
Different tax rates (includes state surcharge)	5.5%	281,616	68,996
Tax losses and tax credits	-2.0%	-100,282	-24,569
Tax benefits	-4.4%	-225,278	-55,193
Non deductible provisions and amortisations for tax purposes	-0.2%	-12,437	-3,047
Financial investments in joint ventures, associates and subsidiaries	-0.6%	-30,310	-7,426
Other adjustments and changes in estimates	-0.8%	-39,694	-9,725
Effective tax rate and total income tax	22.0%	1,116,722	273,597

The reconciliation between the nominal and the effective income tax rate for the Company, as at September 2015, is analysed as follows:

Thousands of Euros	Sep 2015		
	Rate %	Tax basis	Tax
Nominal rate and income tax	29.5%	491,382	144,958
Tax losses and tax credits	-4.3%	-71,214	-21,008
Dividends	-27.6%	-459,064	-135,424
Difference between tax and accounting gains/losses	-2.4%	-39,478	-11,646
Other adjustments and changes in estimates	0.6%	7,820	2,307
Effective tax rate and total income tax	-4.2%	-70,554	-20,813

The reconciliation between the nominal and the effective income tax rate for the Company, as at September 2014, is analysed as follows:

Thousands of Euros	Sep 2014		
	Rate %	Tax basis	Tax
Nominal rate and income tax	31.5%	578,631	182,269
Tax losses and tax credits	-5.5%	-101,943	-32,112
Dividends	-28.4%	-520,854	-164,069
Other adjustments and changes in estimates	0.2%	2,921	920
Effective tax rate and total income tax	-2.2%	-41,245	-12,992

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The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Profit before tax	1,272,721	1,243,107	491,382	578,631
Income tax	-235,871	-273,597	20,813	12,992
Effective income tax rate	18.5%	22.0%	-4.2%	-2.2%

15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013, of 31 December (State Budget for 2014), established the Extraordinary Contribution to the Energy Sector (CESE). The Law n.º 82-B/2014, of 31 December (State Budget for 2015) foresees the extension of the regime that created the CESE for year 2015 and, with the publication of the stability programme 2015-2019, in the past month of April, the Portuguese government has announced the intention to extend this contribution until 2018. This contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. The contribution is due by EDP companies that operate in the generation and distribution of electricity and in the distribution of natural gas.

CESE is calculated based on the assets value with reference to the first day of financial year 2015 (1 January 2015) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognised by ERSE for the calculation of allowed revenues as at 1 January 2015) if it is higher than the value of the previous referred assets. Given its legal framework, CESE is not considered a deductible expense in determining the taxable income.

Therefore, the Group booked under the caption Current tax liabilities - Other taxes, against results, the estimated responsibility concerning to CESE for the year 2015, in the amount of 60,863 thousands of Euros (30 September 2014: 61,495 thousands of Euros) (see note 41). As at 30 September 2014, the impact related with the IFRIC 21 adoption amounted to 15,552 thousands of Euros.

This contribution is also applicable to EDP Produção power plants that are subject to the legal regime that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount was recognised according to the Decree-Law n.º 240/2004 of 27 December.

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Cost				
Land and natural resources	114,164	129,589	23,877	24,130
Buildings and other constructions	425,172	450,017	16,289	16,536
Plant and machinery:				
- Hydroelectric generation	8,684,079	8,572,837	254	254
- Thermoelectric generation	8,529,590	7,620,657	-	-
- Renewable generation	14,859,838	12,704,857	-	-
- Electricity distribution	1,503,822	1,485,617	-	-
- Gas distribution	980,975	971,985	-	-
- Other plant and machinery	95,258	110,190	196	916
Other	939,242	871,444	139,617	125,772
Assets under construction	3,070,440	3,436,839	105,108	81,910
	39,202,580	36,354,032	285,341	249,518
Accumulated amortisation and impairment losses				
Amortisation charge	-775,693	-958,456	-8,828	-10,287
Accumulated amortisation in previous years	-15,927,729	-14,770,676	-105,999	-96,957
Impairment losses	-11,706	-34,390	-	-
Impairment losses in previous years	-102,448	-67,410	-4,782	-4,782
	-16,817,576	-15,830,932	-119,609	-112,026
Carrying amount	22,385,004	20,523,100	165,732	137,492

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The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	129,589	442	-2,174	484	-13,566	-611	114,164
Buildings and other constructions	450,017	743	-582	-7,028	-84,841	66,863	425,172
Plant and machinery	31,466,143	551,790	-7,002	1,025,096	-165,345	1,782,880	34,653,562
Other	871,444	23,359	-4,784	43,901	1,344	3,978	939,242
Assets under construction	3,436,839	782,682	-75,995	-1,103,605	4,333	26,186	3,070,440
	36,354,032	1,359,016	-90,537	-41,152	-258,075	1,879,296	39,202,580

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	145,987	8,290	-527	-5,748	-18,373	5,361	134,990
Plant and machinery	14,977,971	732,365	-5,850	-11,269	-3,304	239,666	15,929,579
Other	702,942	46,744	-4,405	-133	1,484	2,343	748,975
	15,830,932	787,399	-10,782	-17,150	-20,193	247,370	16,817,576

Assets under construction are analysed as follows:

Thousands of Euros	Sep 2015	Dec 2014
Solar photovoltaic plants in Europe	-	223,161
Wind farms in USA	664,792	559,853
Wind Farms in Europe	282,828	314,615
Hydric Portugal	1,674,839	1,910,126
Other assets under construction	447,981	429,084
	3,070,440	3,436,839

As at 30 September 2015, the expected entry into operation, the capitalised costs and the commitments for the principal hydroelectric investments, are as follows:

Thousands of Euros	Expected entry into operation	Capitalised costs	Commitments
Baixo Sabor	2nd half 2016	630,722	39,339
Foz Tua	2nd half 2016	339,224	116,571
Venda Nova III	2016	384,600	21,595
Salamonde II	4th quarter 2015	223,909	12,764
		1,578,455	190,269

The expected entry into operation of the Baixo Sabor hydroelectric investment was postponed to the second half of 2016, due to low water level's for tests to be performed.

Additions include the investment in wind farms by the subgroups EDPR NA, EDPR EU, EDPR BR and EDPR Poland. 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, Foz Tua, Venda Nova III and Salamonde II).

The expenses of the period related to construction of property, plant and equipment are included in own work capitalised in notes 6, 9 and 13.

Charge/Impairment losses includes 16,326 thousands of Euros related with impairments for green certificates in Romania (see note 12).

Disposals/Write-offs includes 62,473 thousands of Euros disaggregated with: (i) 40,499 thousands of Euros related to the abandonment of ongoing projects in EDPR NA; (ii) 16,589 thousands of Euros related to the abandonment of ongoing projects in EDPR EU; and (iii) 5,385 thousand Euros, due to damage in the offshore wind park of Moray (see note 10).

Transfers includes Brazil generation assets which were classified as assets held for sale in the amount of 24,002 thousands of Euros (see note 42). In relation to Transfers from assets under construction into operation, the amount refers mainly to solar and wind farms of EDP Renováveis that become operational in Romania, United States of America, Poland and Italy and to the entry into operation of the Baixo Sabor downstream hydroelectric plant and the Ribeiradio-Ermida hydroelectric plant.

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Perimeter Variations/Regularisations includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 51), in the net amount of 1,042,797 thousands of Euros (3,358,535 thousands of Reais); (ii) the impact of the consolidation of new wind farms in EDP Group in result of ENEOP consortium's deal with an impact of 22,437 thousands of Euros (see note 5), in the net amount of 594,507 thousands of Euros. Additionally, additions include the effect of the revaluation of these assets of Porto do Pecém amounting to 158,982 thousands of Euros (560,275 thousands of Reais) and ENEOP of 224,018 thousands of Euros (see note 51).

The movement in Exchange differences in the period results mainly from the net effect of the depreciation of Brazilian Real (BRL) and the appreciation of American Dollar (USD), against the Euro as at 30 September 2015.

As at 30 September 2015, the Group has an agreement in place, which constitutes a financial lease as defined by IFRIC 4, which net value of the assets allocated amounts to 19,912 thousands of Euros.

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Cost							
Land and natural resources	149,857	855	-909	-	4,102	-	153,905
Buildings and other constructions	471,276	516	-6,179	1,187	14,535	139	481,474
Plant and machinery	30,116,979	7,659	-28,996	395,810	585,894	-206	31,077,140
Other	808,591	13,798	-8,835	29,937	3,617	-448	846,660
Assets under construction	2,789,402	795,220	-3,318	-428,252	53,582	1,918	3,208,552
	34,336,105	818,048	-48,237	-1,318	661,730	1,403	35,767,731
Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari- sations	Balance at 30 September
Accumulated amortisation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	9,093	-5,093	-	3,917	79	161,933
Plant and machinery	14,073,226	659,290	-27,616	-	127,403	323	14,832,626
Other	650,811	46,573	-7,410	-	2,505	43	692,522
	14,882,006	714,956	-40,119	-	133,825	445	15,691,113

Additions 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. In the Portuguese generation activity, the additions are related to hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

Charge / Impairment losses includes 12,740 thousands of Euros on Alvito hydroelectric plant (see note 12).

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, Romania, France and Canada. Additionally, this caption include the Brazil generation property which was classified as held for sale in the amount of 4,061 thousands of Reais (1,318 thousands of Euros).

Perimeter Variations/Regularisations includes the impact of the acquisition of Wincap, S.R.L.

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) and of American Dollar (USD) against the Euro during the nine-month period ended at 30 September 2014.

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 44 - Commitments.

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The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2015 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	24,130	-	-288	-	35	23,877
Buildings and other constructions	16,536	-	-247	-	-	16,289
Other	126,942	12,599	-1,203	1,729	-	140,067
Assets under construction	81,910	24,927	-	-1,729	-	105,108
	249,518	37,526	-1,738	-	35	285,341

Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	15,052	128	-247	-	-	14,933
Other	92,942	8,700	-998	-	-	100,644
	112,026	8,828	-1,245	-	-	119,609

Additions include the investment in the new building of EDP Group in Lisbon in the amount of 21,247 thousands of Euros (30 September 2014: 20,470 thousands of Euros).

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	60,148	-	-10	-	-	60,138
Buildings and other constructions	85,393	-	-323	-	63	85,133
Other	117,692	5,794	-659	49	1,015	123,891
Assets under construction	45,402	25,044	-	-49	-	70,397
	308,635	30,838	-992	-	1,078	339,559
Thousands of Euros	Balance at 1 January	Charge/ Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated amortisation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	2,019	-271	-	66	24,259
Other	83,555	8,157	-511	-	964	92,165
	110,032	10,176	-782	-	1,030	120,456

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17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Cost		
Concession rights	14,670,668	15,168,856
CO2 licences	54,240	162,389
Other intangibles	232,614	197,272
Intangible assets in progress	587,552	518,679
	15,545,074	16,047,196
Accumulated amortisation and impairment losses		
Amortisation of concession rights	-290,328	-402,347
Amortisation of other intangibles	-2,158	-3,409
Accumulated amortisation in previous years	-9,782,215	-9,803,054
Impairment losses	-	-25,360
Impairment losses in previous years	-25,428	-
	-10,100,129	-10,234,170
Carrying amount	5,444,945	5,813,026

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 (Portgás), 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 (EDP Produção and Hidroeléctrica do Guadiana), which useful life currently does not exceed 75 years.

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 2015, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,085,306	30,321	-	-909	-111,780	-1,019	1,001,919
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,419,622	183	-	-	-	170	1,419,975
CO2 licences	162,389	31,260	-132,959	-6,450	-	-	54,240
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,525,574	311	-17,006	136,785	-535,727	483	12,110,420
- Intangible assets in progress	107,335	242,116	-582	-177,262	-7,256	-	164,351
Other intangibles	197,272	14,193	-	834	5,659	14,656	232,614
Other intangible in progress	411,344	8,439	-1,575	-1,174	-5,114	11,281	423,201
	16,047,196	326,823	-152,122	-48,176	-654,218	25,571	15,545,074
		Charge/ Impairment losses	Disposals / Write-offs		Exchange differences	Perimeter variations / Regularisa- tions	Balance at 30 September
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	547,862	27,678	-	-273	-36,678	-82	538,507
- Gas Portugal	34,589	2,358	-	-	-	-	36,947
- Hydric Portugal	302,825	31,676	-	-	-	170	334,671
Assigned to concessions (IFRIC 12)	9,288,159	228,616	-11,664	-	-378,296	532	9,127,347
Other intangibles	60,735	2,158	-	-132	-535	431	62,657
	10,234,170	292,486	-11,664	-405	-415,509	1,051	10,100,129

The contracts assigned to concessions (IFRIC 12) that currently exist in EDP Group fall within the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil, as referred in the note 2 aa).

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Additions of CO2 Licences include 535 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and 30,725 thousands of Euros of licences purchased in the market for own consumption. The disposals/write-off of CO2 licences correspond to the licences consumed during 2014 and delivered to regulatory authorities. The amount booked in Transfers is relate to the net effect of CO2 licenses transferred from Intangible assets to Inventories, in the amount of 6,450 thousands of Euros, as a result of allocation of licenses initially held for consume, in order to cover the need for CO2 licenses arising from consumptions (own use), to the trading portfolio.

The caption Other intangible in progress, includes essentially the concession rights of hydic projects in Portugal namely Fridão (287,343 thousands of Euros) and Foz Tua (87,549 thousands of Euros).

Transfers includes Brazil generation assets which were classified as assets held for sale in the amount of 845 thousands of Euros (see note 42). In relation to Transfers from assets under construction into operation, the amount refers mainly to the net transfers of intangible assets in progress assigned to concessions of 40,476 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26).

Perimeter Variations/Regularisations of Other intangibles includes: (i) the impact of the acquisition of 50% of the share capital of Porto do Pecém (see note 5), in the net amount of 817 thousands of Euros (2,632 thousands of Reais); and (ii) the effect of ENEOP consortium's asset division decided by the consortium members wich results in an impact of 22,437 thousands of Euros with the introduction of new wind farms in EDP Group (see note 51). Additionally, additions includes the fair value recognition of the authorization agreement for energy production of Porto do Pecém thermoelectric power station in the amount of 30,627 thousands of Euros (107,933 thousands of Reais) under the purchase price allocation process at fair value of identifiable assets and liabilities (see note 51), to be amortized until 2043.

The expenses of the period related to construction of intangible assets are included in own work capitalized in notes 6, 9 and 13.

The movements in Intangible assets during the nine-month period ended 30 September 2014, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,079,171	1,969	-	-	21,070	-	1,102,210
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydic Portugal	1,418,998	315	-	-	-	-	1,419,313
CO2 licences	235,435	33,943	-119,509	-	-	-1	149,868
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	1,063	-42,745	191,153	109,537	-	12,629,182
- Intangible assets in progress	175,055	283,699	-2,981	-266,341	3,402	-	192,834
Other intangibles	158,218	24,673	-64	305	8,354	135	191,621
Other intangible in progress	405,138	8,870	-8	-305	925	-977	413,643
	15,980,543	354,532	-165,307	-75,188	143,288	-843	16,237,025
Accumulated amortisation and impairment losses							
Concession rights:							
- Distribution and generation Brazil	509,177	28,425	-	-	6,217	-	543,819
- Gas Portugal	31,444	2,358	-	-	-	-	33,802
- Hydic Portugal	260,460	31,564	-	-	-	-	292,024
Assigned to concessions (IFRIC 12)	9,129,664	240,312	-36,160	-	77,446	-	9,411,262
Other intangibles	31,996	16,727	-52	-	1,036	-960	48,747
	9,962,741	319,386	-36,212	-	84,699	-960	10,329,654

Additions of CO2 Licences include 14,703 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 19,240 thousands of Euros of licences purchased at market for own consumption. The disposals / write-off of CO2 licences correspond to the licences consumed during 2013 and delivered to regulatory authorities in the amount of 119,509 thousands of Euros.

Charge / Impairment losses includes 13,926 thousands of Euros on Alvito hydroelectric plant (see note 12).

Transfers include the net transfers of intangible assets assigned to concessions of 75,188 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities.

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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:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
HC Energia Group	1,940,712	1,940,712
EDP Renováveis Group	1,340,637	1,287,004
EDP Brasil Group	48,636	53,052
Other	40,518	40,518
	3,370,503	3,321,286

The movements in Goodwill during the nine-month period ended 30 September 2015, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 30 September
HC Energia Group	1,940,712	-	-	-	-	1,940,712
EDP Renováveis Group	1,287,004	2,568	-2,000	-176	53,241	1,340,637
EDP Brasil Group	53,052	-	-723	-	-3,693	48,636
Other	40,518	-	-	-	-	40,518
	3,321,286	2,568	-2,723	-176	49,548	3,370,503

The movements in Goodwill during the nine-month period ended 30 September 2014, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Balance at 30 September
HC Energia Group	1,946,935	1,041	-	-	-	1,947,976
EDP Renováveis Group	1,212,787	823	-2,587	-278	54,134	1,264,879
EDP Brasil Group	52,904	-	-	-	739	53,643
Other	40,518	-	-	-	-	40,518
	3,253,144	1,864	-2,587	-278	54,873	3,307,016

EDP Renováveis Group

During 2015, EDP Renováveis Group presents a decrease in goodwill movement in the amount of 2,000 thousands of Euros and an increase in the amount of 2,568 thousands of Euros that mainly related to the contingent price revision related to the purchase agreements of three projects in EDPR Spain and several projects in EDPR Poland, respectively. These contracts were signed before 1 January 2010, date of the adoption of the revised IFRS 3 as mentioned in the accounting policy 2 b).

The decrease in goodwill movement in EDPR EU Group in first semester of 2014 is related with the cancellation of the success fee associated to a project in EDPR France.

EDP Brasil Group

On 30 September 2015 the "goodwill" related to the company Pantanal Energética Ltda was reclassified to non-current assets held for sale in the amount of 723 thousands of Euros (see note 42).

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

Thousands of Euros	Company	
	Sep 2015	Dec 2014
Acquisition cost	11,058,430	11,047,079
Effect of equity method (transition to IFRS)	-785,593	-785,593
Equity investments in subsidiaries	10,272,837	10,261,486
Impairment losses on equity investments in subsidiaries	-224,517	-224,517
	10,048,320	10,036,969

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.

The variation in the caption Investments in subsidiaries on a company basis (11,351 thousands of Euros) results mainly from the acquisition of the treasury stock (0,26%) of Hidroeléctrica del Cantábrico S.A., becoming a single-member company and thus changing its name to Hidroeléctrica del Cantábrico S.A.U.

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20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Investments in joint ventures	576,632	748,750	6,595	6,595
Investments in associates	75,795	124,224	-	-
	652,427	872,974	6,595	6,595

The variation in Investments in joint ventures is mainly explained by the share of profits of these companies for the period (negative impact in the amount of 33,061 thousands of Euros), by the change in the consolidation method of Porto do Pecém (negative impact in the amount of 163,400 thousand of Euros, equal to 107,819 thousands of Euros of cash flow reserves and currency exchange differences), which began to be fully consolidated after the acquisition of the remaining share capital, and by the capital increases in these companies of 40,398 thousands of Euros.

The variation in Investments in associates is mainly explained by the share of profits of this companies for the period (positive impact in the amount of 8,392 thousands of Euros), by the transfer of the investment in Inch Cape Offshore Limited to assets held for sale in the amount of 14,344 thousands of Euros (see note 42), and by the end of equity method of the ENEOP consortium in the amount of 44,107 thousands of Euros (see note 5 and 51).

As at 30 September 2015, for the Group, this caption includes goodwill in investments in joint ventures of 42,730 thousands of Euros (31 December 2014: 42,730 thousands of Euros) and goodwill in investments in associates of 21,205 thousands of Euros (31 December 2014: 36,900 thousands of Euros).

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Banco Comercial Português, S.A.	47,187	71,434	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	49,827	44,949	49,827	44,949
Tejo Energia, S.A.	19,700	19,700	-	-
Zephyr Fund (Energia RE portfolio)	60,425	59,584	-	-
Others	30,182	28,790	1,760	1,977
	207,321	224,457	51,587	46,926

During the nine month period ended 30 September 2015, the market value of the financial investment held in BCP has decreased 24,247 thousand Euros, which was recorded under fair value reserves (see note 32). As at 30 September 2015, following the decrease in BCP market value, an impairment loss in the amount of 21,987 thousand Euros was booked under Other financial expenses (see note 13).

During the first nine months of 2015, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 4,878 thousands of Euros being the increase booked against fair value reserves (see note 32).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During the first nine months of 2015, Energia RE increased this participation by 1,000 thousands of Euros, but this investment decreased by 159 thousands of Euros being the decrease booked against fair value reserves (see note 32).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in Banco Comercial Português, S.A. and REN - Redes Energéticas Nacionais, SGPS, S.A. since they are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE; and level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 19.7 millions of Euros, was calculated according to Dividend Discount Model methodology, based on the discount rate of 6.3%. The sensitivity analysis considering an increase or decrease of 50 basis points in the discount rate determined a fair value of 19.2 millions of Euros and 20.2 millions of Euros, respectively.

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 2015 and 31 December 2014 is analysed as follows:

Thousands of Euros	Sep 2015	Dec 2014
Banco Comercial Português, S.A.	-	2,260
REN - Redes Energéticas Nacionais, SGPS, S.A.	24,007	19,129
Tejo Energia, S.A.	13,345	13,345
Zephyr Fund (Energia RE portfolio)	6,055	6,214
Others	6,959	6,029
	50,366	46,977

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22. INVESTMENT PROPERTY

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Cost	57,615	57,718	120,188	120,246
Accumulated depreciation	-21,802	-20,319	-17,498	-15,853
Carrying amount	35,813	37,399	102,690	104,393

On a company basis, Porto headquarters are classified as investment property. The infrastructure's cost amounted to 85,487 thousands of Euros and the accumulated depreciation is 10,765 thousands of Euros. During the nine-month period ended 30 September 2015, the lease rents received by EDP S.A. regarding this building were 4,542 thousands of Euros. The useful life of the building is 50 years.

On a Group basis, this headquarters are classified as Property, plant and equipment (land and buildings and other constructions). The remaining investment properties are mainly land and buildings held to obtain rents or for capital appreciation and are not material.

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	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Balance as at 1 January	218,747	320,590	-804,744	-759,092
Tariff adjustment for the period	-30,065	-9,429	85,731	-6,644
Provisions	-5,309	-18,271	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-29,832	-44,677	3,910	-56,338
Deferred tax over CMECs in the period	-	-	-33,334	36,742
Tax losses and tax credits	101,133	57,051	-	-
Financial and available-for-sale investments	3,321	-5,184	-2,021	5,305
Allocation of fair value adjustments to assets and liabilities acquired	-671	-704	-132,526	-8,528
Gains from institutional partnerships in USA wind farms	-	-	26,456	-34,444
Other temporary differences	12,173	6,533	-2,946	-6,651
Netting of deferred tax assets and liabilities	-11,638	-80,674	11,638	80,674
Balance as at 30 September	257,859	225,235	-847,836	-748,976

As at 30 September 2015, the Allocation of fair value adjustments to assets and liabilities acquired, essentially reflects the tax effect of the acquisition transaction of 50% of the Porto do Pecém, namely 49,079 thousands of Euros (223,812 thousands of Reais) related to the deferred tax of the fair value of identifiable assets and liabilities adjustments, 26,802 thousands of Euros (120,109 thousands of Reais) related to the tax effect of the gain resulting from the bargain purchase and the tax effect of the preliminary allocation of fair value adjustments to assets and liabilities acquired of the ENEOP in the amount of 49,840 thousands of Euros (see note 51).

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	
	Sep 2015	Sep 2014	Sep 2015	Sep 2014
Balance as at 1 January	27,434	25,097	-	-
Tax losses and tax credits	24,817	16,639	-	-
Financial and available-for-sale investments	-2,135	-4,750	-	-
Fair value of derivative financial instruments	-3,759	-6,770	-19	6,683
Other temporary differences	627	898	10	16
Netting of deferred tax assets and liabilities	-9	6,699	9	-6,699
Balance as at 30 September	46,975	37,813	-	-

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24. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Merchandise	27,937	35,953
Finished, intermediate products and sub-products	19,034	15,457
Raw and subsidiary materials and consumables (coal and other fuels)	84,293	100,228
Nuclear fuel	19,437	18,324
Others	105,840	96,494
	<u>256,541</u>	<u>266,456</u>

The caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 26,835 thousands of Euros (31 December 2014: 23,360 thousands of Euros).

25. TRADE RECEIVABLES

Trade receivables, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Trade receivables - Non-Current		
Corporate sector and individuals:		
- Spain	4,407	4,879
- Brazil	7,442	85,047
Public Sector:		
- Portugal	110,607	115,177
- Brazil	5,957	6,124
	<u>128,413</u>	<u>211,227</u>
Impairment losses	-36,014	-36,636
	<u>92,399</u>	<u>174,591</u>
Trade receivables - Current		
Corporate sector and individuals:		
- Portugal	963,391	1,119,608
- Spain	448,486	459,029
- Brazil	415,272	436,787
- U.S.A.	43,873	43,428
- Other	44,859	47,147
Public Sector:		
- Portugal	39,673	57,861
- Brazil	32,131	31,544
- Spain	15,825	39,075
	<u>2,003,510</u>	<u>2,234,479</u>
Impairment losses	-297,519	-289,376
	<u>1,705,991</u>	<u>1,945,103</u>
	<u>1,798,390</u>	<u>2,119,694</u>

The variation in Trade receivables - Non-Current in Brazil related to corporate sector and individuals, is mainly due to the amount that Enertrade has to receive from Porto do Pecém related with energy supply, which investment was consolidated at equity method.

Trade receivables, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Sep 2015	Dec 2014
Trade receivables - Current		
Corporate sector and individuals:		
- Portugal	175,228	188,604
	<u>175,228</u>	<u>188,604</u>
Impairment losses	-9,957	-9,957
	<u>165,271</u>	<u>178,647</u>

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26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Amounts receivable from tariff adjustments - Electricity - Portugal	1,393,671	1,341,117
Amounts receivable from tariff adjustments - Electricity - Brazil	18,234	67,738
Amounts receivable from tariff expenses - Gas - Spain	44,367	-
Amounts receivable relating to CMEC	719,862	661,457
Amounts receivable from concessions - IFRIC 12	850,516	888,941
Sundry debtors and other operations	78,643	96,131
	3,105,293	3,055,384
Impairment losses on debtors	-3,147	-3,245
	3,102,146	3,052,139

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Amounts receivable from tariff expenses - Electricity - Spain	-	2,270	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	794,994	1,063,661	-	-
Amounts receivable from tariff adjustments - Electricity - Brazil	172,930	119,036	-	-
Receivables relating to other goods and services	101,250	64,439	19,758	13,125
Amounts receivable relating to CMEC	85,205	99,757	-	-
Accrued income relating to energy sales activity	116,571	133,165	210,104	223,871
Sundry debtors and other operations	237,071	276,083	80,936	64,605
	1,508,021	1,758,411	310,798	301,601
Impairment losses on debtors	-22,105	-24,282	-938	-978
	1,485,916	1,734,129	309,860	300,623

The caption Amounts receivable relating to CMEC amounts to 805,067 thousands of Euros, and includes 719,862 thousands of Euros as non-current and 85,205 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 578,993 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 2015. The remaining 140,869 thousands of Euros as non-current and 42,724 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2014 and 2015.

As referred in the note 2 aa), the concession contracts currently in force in EDP Group are based in the Mixed Model, namely in the electricity and gas distribution concessions in Portugal and electricity distribution in Brazil. Therefore, the caption Amounts receivable from concessions - IFRIC 12 in the amount of 850,516 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. The variation in the period includes: (i) the effect of the depreciation of Brazilian Real against Euro in the amount of 84,359 thousands of Euros; (ii) transfers from intangible assets assigned to concessions in the amount of 40,476 thousands of Euros (see note 17); and (iii) unwinding of the financial assets in Brazil in the amount of 8,689 thousands of Euros.

The variation in Receivables relating to other goods and services is mainly due to the recognition by Hidrocantábrico, of the amount estimated to be recovered following a court law decision. The Ministerial Order ITC 3315/2007 (MO) determined a reduction of retribution of electricity generation activity in 2006, in the amount equivalent to the CO2 emission allowances allocated free of charge by the Spanish State. Hidrocantábrico, like the remaining companies of sector, contested the figures settled by CNMC (former CNE) in particular with respect to the applicability of this MO to bilateral agreements. In the course of the third quarter, and following a favorable decision of the Supreme Court in Spain, Hidrocantábrico recorded a gain amounting to 40.6 millions of Euros, corresponding to the chargeback of such amounts paid to CNMC in this process.

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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 2014	1,056,572	1,237,623
Receipts through the electric energy tariff	-679,333	-
Partial sale of 2013 and 2014 over costs for the special regime generators	-1,032,857	-
Tariff adjustment of 2013	18,522	6,174
Tariff adjustment for the period	554,479	1,134,736
Transfer to/from tariff adjustment payable	2,094	-
Interest income	60,773	4,936
Transfer from Non-Current to Current	933,753	-933,753
Balance as at 30 September 2014	914,003	1,449,716
Receipts through the electric energy tariff	-216,606	-
Tariff adjustment of 2013	18,327	-6,174
Tariff adjustment for the period	429,377	26,876
Transfer to/from tariff adjustment payable	-2,276	-281
Interest income	20,642	-
Securitisation adjustment of 2012 CMEC	-228,826	-
Transfer from Non-Current to Current	129,020	-129,020
Balance as at 31 December 2014	1,063,661	1,341,117
Receipts through the electric energy tariff	-789,325	-
Partial sale of 2014 over costs for the special regime generators	-650,954	-
Tariff adjustment of 2014	30,320	9,929
Tariff adjustment for the period	285,108	840,127
Transfer to/from tariff adjustment payable	939	-
Interest income	57,513	230
Transfer from Non-Current to Current	797,732	-797,732
Balance as at 30 September 2015	794,994	1,393,671

The caption Amounts receivable from tariff adjustments - Electricity - Brazil corresponds to tariff adjustments booked in Bandeirante and Escelsa with the accumulated amount as at 30 September 2015 of 128,524 thousands of Euros (31 December 2014: 109,143 thousands of Euros) and 62,640 thousands of Euros (31 December 2014: 77,631 thousands of Euros), respectively. The period variation respects to tariff adjustment for the period of 182,843 thousands of Euros, unwinding of 10,223 thousands of Euros, receipts through the electric energy tariff with a negative impact of 120,700 thousands of Euros and exchange differences due to depreciation of Brazilian Real with a negative impact of 67,976 thousands of Euros (see note 6).

During the second quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, agreed to sell a portion of the 2014 tariff deficit, which resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs related to the acquisition of electricity from special regime generators (including the adjustments for 2012 and 2013), in the amount of 185,536 thousands of Euros. In this sale transaction of assets, EDP SU gave in fully and without recourse, the right to receive such amounts and interest. The sale price amounted to 200,000 thousands of Euros and generated a net gain of expenses with the transaction of 14,447 thousands of Euros (see note 13).

During the first quarter of 2015, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, sold without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of the 2014 tariff deficit in the amount of 465,418 thousands of Euros, and respective interest. The 2014 tariff deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2014 over costs (including the adjustments for 2012 and 2013) related to the acquisition of electricity from special regime generators. The sale price amounted to 499,461 thousands of Euros and generated a gain net of transaction costs of 31,737 thousands of Euros (see note 13 and 50).

On 22 December 2014, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the right to recover the correction portion of the compensation mechanism to maintain the contractual balance (CMEC) referring to 2012, in the amount of 228.826 thousands of Euros. The total sale price amounted to 239,832 thousands of Euros and generated gains net of transaction costs of 10,711 thousands of Euros. This transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. was a securitisation transaction through the issuance of senior notes (see note 50).

In 2014, EDP SU, sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2014 and 2013 overcost with the acquisition of electricity activity from special regime generators, in the amount of 1,032,857 thousands of Euros (832,857 thousands of Euros in 2013 and 200,000 thousands of Euros in 2014). In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 1,113,313 thousands of Euros and generated gains net of transaction costs of 67,007 thousands of Euros. From the three transactions, two of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 363,313 thousands of Euros and the other was a securitisation transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 750,000 thousands of Euros (see note 50).

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The following table provides details for the caption Amounts receivable from tariff adjustments - Electricity - Portugal, by nature and year of establishment, as well as presents the amounts of tariff deficit that have been securitised during the nine-month period ended 30 September 2015:

Thousands of Euros	Deficit	Tariff	Securiti- sation	Total
Year:				
2012	7,725	-	-	7,725
2013	244,031	98,281	-	342,312
2014	1,166,679	220,129	-650,954	735,854
2015	1,102,774	-	-	1,102,774
	2,521,209	318,410	-650,954	2,188,665

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,567,448	6,310,508
Loans to related parties	17,593	434,062	90	90
Guarantees rendered to third parties	46,082	61,884	-	5
Derivative financial instruments	265,275	236,174	474,726	340,270
Sundry debtors and other operations	75,331	48,757	-	-
	404,281	780,877	7,042,264	6,650,873
Debtors and other assets - Current				
Loans to subsidiaries	-	-	834,717	1,271,831
Loans to related parties	48,271	95,910	14,814	14,802
Receivables from the State and concessors	40,948	39,878	-	-
Derivative financial instruments	198,881	137,572	521,083	291,940
Subsidiary Companies	-	-	420,277	343,178
Guarantees rendered to third parties	9,757	6,779	-	-
Sundry debtors and other operations	57,648	38,709	13,892	3,898
	355,505	318,848	1,804,783	1,925,649
	759,786	1,099,725	8,847,047	8,576,522

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,396,463 thousands of Euros (31 December 2014: 4,332,139 thousands of Euros) of loans granted to EDP - Gestão da Produção de Energia, S.A. and 2,582,169 thousands of Euros (31 December 2014: 2,847,897 thousands of Euros) of loans granted to EDP Distribuição de Energia, S.A. (see note 45).

The movement in Loans to related parties - Non-Current and Current is mainly due to the conclusion of the acquisition of the remaining participation of Porto do Pecém de Energia S.A. and the control acquisition of the ENEOP wind farms portfolio, which start to consolidate as full. Additionally were reclassified to non-current assets held for sale 25,572 thousand Euros relating to loans granted by EDPR UK Limited to Inch Cape Offshore Limited (see note 42).

Subsidiary Companies - Current, for the company, mainly includes receivables from the EDP Group's financial system.

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Income tax	116,471	196,397	36,937	117,215
Value added tax (VAT)	154,017	154,378	43,312	20,951
Turnover tax (Brazil)	4,355	4,814	-	-
Other taxes	15,005	16,064	4,019	3,255
	289,848	371,653	84,268	141,421

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29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Cash	80	32	-	-
Bank deposits				
Current deposits	483,971	518,928	18,753	13,716
Term deposits	518,364	1,958,068	209,570	1,106,015
Specific demand deposits in relation to institutional partnerships	9,785	78,855	-	-
Other deposits	12	12	-	-
	1,012,132	2,555,863	228,323	1,119,731
Operations pending cash settlement				
Current deposits	-	15,000	190,000	225,000
Other short term investments	81,607	43,100	-	-
	1,093,819	2,613,995	418,323	1,344,731

Specific demand deposits in relation to institutional partnerships corresponds 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), under the accounting policy 2 v).

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at the trade date of each emission. This caption amounting to 190,000 thousands of Euros refers to commercial paper issued on 29 September 2015, acquired by EDP Finance B.V., and which settlement date occurred on 1 October 2015.

The caption Other short term investments includes very short term investments promptly convertible into cash.

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 China Three Gorges (Europe), S.A. (former - CWEI (Europe), S.A.), 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.

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.

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2015 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Capital Group Companies, Inc.	624,089,919	17.07%	17.07%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
BlackRock, Inc.	182,733,180	5.00%	5.00%
Senfora, BV	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	89,139,594	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
EDP (Treasury stock)	22,274,972	0.60%	-
Remaining shareholders	1,376,311,287	37.64%	-
	3,656,537,715	100.00%	

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Share capital and Share premium are analysed as follows:

Thousands of Euros	Group and Company	
	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 2015	Sep 2014	Sep 2015	Sep 2014
Net profit attributable to the equity holders of EDP (in Euros)	735,918,783	766,322,242	512,195,219	591,623,180
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	735,918,783	766,322,242		
Weighted average number of ordinary shares outstanding	3,634,176,412	3,631,888,726	3,635,689,412	3,633,401,726
Weighted average number of diluted ordinary shares outstanding	3,634,176,412	3,631,955,700	3,635,689,412	3,633,468,700
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.20	0.21		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.20	0.21		
Basic earnings per share from continuing operations (in Euros)	0.20	0.21		
Diluted earnings per share from continuing operations (in Euros)	0.20	0.21		

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 2015	Sep 2014	Sep 2015	Sep 2014
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	-22,361,303	-24,648,989	-20,848,303	-23,135,989
Average number of shares during the period	3,634,176,412	3,631,888,726	3,635,689,412	3,633,401,726
Effect of stock options	-	66,974	-	66,974
Diluted average number of shares during the period	3,634,176,412	3,631,955,700	3,635,689,412	3,633,468,700

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Book value of EDP, S.A. treasury stock (thousands of Euros)	65,661	69,931	59,566	63,836
Number of shares	22,274,972	23,488,399	22,274,972	21,975,399
Market value per share (in Euros)	3.271	3.218	3.271	3.218
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	72,861	75,586	72,861	70,717

Operations performed from 1 January to 30 September 2015:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,036,650	-
Average purchase price (in Euros)	3.274	-
Total purchase value (thousands of Euros)	6,668	-
Volume sold (number of shares)	-3,250,077	-
Average selling price (in Euros)	3.530	-
Total sale value (thousands of Euros)	11,473	-
Final position (number of shares)	22,274,972	-
Highest market price (in Euros)	3.731	-
Lowest market price (in Euros)	2.975	-
Average market price (in Euros)	3.404	-

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.

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32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Legal reserve	698,902	659,613	698,902	659,613
Fair value reserve (cash flow hedge)	-75,095	-62,953	-3,657	-17,157
Tax effect of fair value reserve (cash flow hedge)	18,773	15,172	1,040	5,019
Fair value reserve (available for sale investments)	50,366	46,977	19,669	14,783
Tax effect of fair value reserve (available for sale investments)	72	899	2,899	4,338
Exchange differences arising on consolidation	-406,548	-133,300	-	-
Treasury stock reserve (EDP, S.A.)	59,566	63,836	59,566	63,836
Other reserves and retained earnings	3,348,699	2,960,243	1,616,828	1,538,131
	3,694,735	3,550,487	2,395,247	2,268,563

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.

In 2015, with the acquisition of full control of Porto do Pecém and ENEOP, the amounts previously recognised under fair value reserve (cash flow hedge), regarding the shareholding previously held, were transferred to results, as referred in Note 51.

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:

Thousands of Euros	Group	
	Increases	Decreases
Balance as at 1 January 2014	536,272	-455,653
Changes in fair value	13,881	-1,152
Transfer of impairment to profit or loss	-	396
Balance as at 30 September 2014	550,153	-456,409
Changes in fair value	-4,627	-42,623
Transfer of impairment to profit or loss	-	857
Transfer to the income statement relating to assets sold	-374	-
Balance as at 31 December 2014	545,152	-498,175
Changes in fair value	6,279	-24,681
Transfer of impairment to profit or loss	-	21,996
Transfer to the income statement relating to assets sold	-205	-
Balance as at 30 September 2015	551,226	-500,860

Changes in fair value reserve attributable to the EDP Group during the period ended 30 September 2015 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-24,247
Zephyr Fund (Energia RE portfolio)	-	-159
REN - Redes Energéticas Nacionais, SGPS, S.A.	4,878	-
Others	1,401	-275
	6,279	-24,681

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Exchange differences on consolidation

Exchange differences on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary, joint ventures 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 Sep 2015		Exchange rates at Dec 2014		Exchange rates at Sep 2014	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate	Closing rates	Average exchange rate
US Dollar	USD	1.120	1.115	1.214	1.329	1.258	1.355
Brazilian Real	BRL	4.481	3.524	3.221	3.122	3.082	3.104
Macao Pataca	MOP	8.943	8.901	9.700	10.615	10.067	10.822
Canadian Dollar	CAD	1.503	1.404	1.406	1.466	1.406	1.482
Zloty	PLN	4.245	4.158	4.273	4.184	4.178	4.175
Romanian Leu	RON	4.418	4.442	4.483	4.444	4.410	4.447
Pound Sterling	GBP	0.739	0.727	0.779	0.806	0.777	0.812
Rand	ZAR	15.498	13.703	14.035	14.404	14.261	14.536
Mexican Peso	MXN	18.977	17.368	-	-	-	-
Hong Kong Dollar	HKD	8.682	8.618	-	-	-	-
Chinese yuan	CNY	7.121	7.147	-	-	-	-

In 2015, with the acquisition of full control of Porto do Pecém, the amount previously recognised under exchange differences on consolidation, regarding the shareholding previously held, were transferred to results, as referred in Note 51.

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 21 April 2015, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2014 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. and Energia RE in the amount of 3,871 thousands of Euros and 280 thousands of Euros, respectively). This distribution occurred on 14 May 2015.

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Non-controlling interests in income statement	240,068	223,362
Non-controlling interests in equity and reserves	3,167,025	3,064,317
	3,407,093	3,287,679

Non-controlling interests, by subgroup, are made up as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
EDP Renováveis Group	2,170,175	1,811,426
EDP Brasil Group	1,101,198	1,345,246
Other	135,720	131,007
	3,407,093	3,287,679

During the nine-month period ended 30 September 2015, EDP Group generated profits of 240,068 thousands of Euros attributable to non-controlling interests (31 December 2014: 223,362 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to: (i) profits attributable to non-controlling interests of 69,216 thousands of Euros; (ii) a negative impact of 48,875 thousands of Euros related to dividends; (iii) a positive impact of 6,746 thousands of Euros resulting from exchange differences; (iv) a negative impact resulting from share capital increases/decreases of 34,072 thousands of Euros; (v) acquisition without change of control of EDPR Spain subsidiaries attributable to non-controlling interests with a negative impact of 44,366 thousands of Euros (see note 5); (vi) sale without loss of control of EDPR NA subsidiaries attributable to non-controlling interests with a positive effect of 344,028 thousands of Euros (see note 5); and (vii) sale without loss of control of EDPR Brasil subsidiaries attributable to non-controlling interests with a positive effect of 53,857 thousands of Euros (see note 5).

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The movement booked in non-controlling interests of EDP Brasil Group includes: (i) 162,983 thousands of Euros of profits attributable to non-controlling interests; (ii) a decrease of 386,116 thousands of Euros resulting from exchange differences; (iii) a negative impact of 5,957 thousands of Euros related to dividends; (iv) a negative impact of 2,137 thousands of Euros from actuarial losses net of taxes recognised; and (v) a negative impact of 12,732 thousands of Euros arising from the control gaining of Porto do Pecém, in accordance with the accounting treatment of a step acquisition, the amounts previously recognised in reserves related to exchange differences and fair value reserve were recognised in EDP Group results (see note 51).

34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Sep 2015	Sep 2014
Balance at the beginning of the period	1,010	35,641
Amounts received/(paid) during the period	7,607	-26,730
Financial charges	153	835
Balance at the end of the period	8,770	9,746

35. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	426,639	976,269	433,471	985,944
- EDP Finance B.V.	2,320,237	2,643,765	-	-
- EDP Brasil Group	743,561	108,641	-	-
- EDP Renováveis Group	1,024,931	742,723	-	-
- EDP Produção	85,660	89,342	-	-
- Others	22,648	25,506	-	-
	4,623,676	4,586,246	433,471	985,944
Non-convertible bond loans:				
- EDP, S.A.	450,000	450,000	6,800,000	5,800,000
- EDP Finance B.V.	9,100,968	10,320,906	-	-
- EDP Brasil Group	219,335	449,394	-	-
	9,770,303	11,220,300	6,800,000	5,800,000
Hybrid bond:				
- EDP, S.A.	739,120	-	739,120	-
	739,120	-	739,120	-
Commercial paper:				
- EDP, S.A.	223,155	402,728	223,155	402,728
	223,155	402,728	223,155	402,728
Other loans:				
- Investco preference shares	11,461	15,657	-	-
- EDP Brasil Group	7,868	13,997	-	-
- EDP Renováveis Group	9,354	9,861	-	-
- Others	110	454	-	-
	28,793	39,969	-	-
	15,385,047	16,249,243	8,195,746	7,188,672
Accrued interest	1,841	-	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	175,314	151,584	-	-
Total Debt and borrowings	15,562,202	16,400,827	8,195,746	7,188,672
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-153,803	-311,990	-153,803	-311,990
Other collateral deposits	-61,118	-76,818	-	-
Total Collateral Deposits	-214,921	-388,808	-153,803	-311,990
	15,347,281	16,012,019	8,041,943	6,876,682

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Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	96,626	74,100	96,626	74,100
- EDP Finance B.V.	274,905	796,733	-	-
- EDP Brasil Group	83,297	173,697	-	-
- EDP Renováveis Group	111,779	144,023	-	-
- Others	13,049	13,775	-	-
	579,656	1,202,328	96,626	74,100
Non-convertible bond loans:				
- EDP, S.A.	-	247,019	-	247,019
- EDP Finance B.V.	2,248,213	1,581,236	-	-
- EDP Brasil Group	103,937	218,943	-	-
- EDP Renováveis Group	-	29,497	-	-
	2,352,150	2,076,695	-	247,019
Commercial paper:				
- EDP, S.A.	318,793	183,000	1,644,293	3,225,000
- EDP Brasil Group	167,381	-	-	-
- HC Energia Group	-	47,372	-	-
	486,174	230,372	1,644,293	3,225,000
Other loans	5,995	10,733	-	-
	3,423,975	3,520,128	1,740,919	3,546,119
Accrued interest	244,227	371,468	76,362	81,319
Other liabilities:				
- Fair value of the issued debt hedged risk	-	5,760	-	1,207
Total Debt and borrowings	3,668,202	3,897,356	1,817,281	3,628,645
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-29,601	-22,507	-29,601	-22,507
Other collateral deposits	-23,763	-17,855	-	-
Total Collateral Deposits	-53,364	-40,362	-29,601	-22,507
	3,614,838	3,856,994	1,787,680	3,606,138

(*) 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 2015 is 183,404 thousands of Euros (153,803 thousands of Euros non-current and 29,601 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit is reduced by the repayment of these loans. In addition, the Group has 84,881 thousands of Euros (61,118 thousands of Euros non-current and 23,763 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2015 and 31 December 2014 these loans amounted to 1,683,835 thousands of Euros (including 516,730 thousands of Euros of nominal debt of Porto do Pecém and 249,513 thousands of Euros of nominal debt of windfarms of ENEOP consortium) and 993,409 thousands of Euros, respectively (see note 44).

Following the acquisition of the remaining investment in Porto do Pecém, which began to be fully consolidated, Financial debt as at 30 September 2015 includes an amount of 515,870 thousands of Euros (466,102 thousands of Euros non-current and 49,768 thousands of Euros current) and Collateral deposits include an amount of 9,163 thousands of Euros.

Following the asset slip of ENEOP consortium in Portugal, the Group took control of an agreed windfarm portfolio. These windfarms have been consolidated by the full method, which resulted in an increase in Financial debt as at 30 September 2015 in the amount of 249,513 thousands of Euros (230,134 thousands of Euros non-current and 19,379 thousands of Euros current). Additionally, Collateral deposits include 9,559 thousands of Euros.

EDP Group has various credit facilities it uses to liquidity management. EDP Group has short-term credit facilities of 182,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, of which 172,000 thousands of Euros are available, as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2015. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of EUR, with a firm underwriting commitment and with maturity at 2019, a RCF of 100,000 thousands of EUR, with a firm underwriting commitment and with maturity at 2016 and a RCF of 500,000 thousands of EUR, with a firm underwriting commitment and with maturity at 2020, which as at 30 September 2015 are totally available.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period over to one year in the amount of 250,000 thousands of Dollars.

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The nominal value of outstanding Bond loans issued with external counterparts, as at 30 September 2015, is analysed as follows:

Issuer	Issue date	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 (iii)	n.a.	May-18	300,000	300,000
EDP, S.A.	Oct-13	Variable rate (iii)	n.a.	Oct-18	150,000	150,000
					450,000	450,000
Hybrid by EDP S.A.						
EDP, S.A. (iv)	Sep-15	Fixed rate EUR 5.375% (v)	n.a.	Sep-75	750,000	750,000
					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 (iii)	n.a.	Dec-22	93,357	-
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	892,618	-
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 (iii)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iii)	n.a.	Jun-19	93,341	-
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	892,618	-
EDP Finance B.V.	Feb-11	Fixed Rate EUR 5.875%	n.a.	Feb-16	750,000	-
EDP Finance B.V.	Sep-12	Fixed Rate EUR 5.75%	n.a.	Sep-17	750,000	-
			Fair Value/ Cash Flow			
EDP Finance B.V. (i)	Nov-12	Fixed Rate CHF 4.00%		Nov-18	103,922	-
EDP Finance B.V. (i)	Sep-13	Fixed Rate EUR 4.875%	Fair Value	Sep-20	750,000	-
EDP Finance B.V. (i)	Nov-13	Fixed Rate EUR 4.125%	Fair Value	Jan-21	600,000	-
EDP Finance B.V.	Jan-14	Fixed Rate USD 5.25%	Net Investment	Jan-21	669,464	-
EDP Finance B.V. (i)	Apr-14	Fixed Rate EUR 2.625%	Fair Value	Apr-19	650,000	-
EDP Finance B.V.	Jun-14	Variable rate (iii)	Net Investment	Jun-19	89,262	-
EDP Finance B.V. (i)	Sep-14	Fixed Rate EUR 2.625%	Fair Value	Jan-22	1,000,000	-
EDP Finance B.V. (i)	Nov-14	Fixed Rate EUR 4.125%	Net Investment	Jan-20	669,464	-
EDP Finance B.V. (i)	Apr-15	Fixed Rate EUR 2.00%	Fair Value	Apr-25	750,000	-
					11,444,360	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Bandeirante	Jul-10	CDI + 1.50%	n.a.	Jul-16	34,815	-
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	26,781	-
Energias do Brasil	Apr-13	CDI + 0.55%	n.a.	Apr-16	55,794	-
Lajeado Energia	Nov-13	CDI + 1.20%	n.a.	Nov-19	100,428	-
Bandeirante	Apr-14	CDI + 1.39%	n.a.	Apr-19	66,952	-
Escelsa	Aug-14	CDI + 1.50%	n.a.	Aug-20	39,457	-
					324,227	-
					12,968,587	1,200,000

(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) These issues correspond to private placements.

(iv) There is a call option exercisable at par by EDP at March 2021, March 2026 and subsequently on each date of interest payment.

(v) Fixed rate in the first 5.5 years, subsequently updated every 5 years.

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Financial Debt by maturity, is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Bank loans				
Up to 1 year	620,031	1,269,620	97,142	75,553
From 1 to 5 years	3,425,891	3,817,379	241,180	696,074
More than 5 years	1,199,626	768,867	192,291	289,870
	<u>5,245,548</u>	<u>5,855,866</u>	<u>530,613</u>	<u>1,061,497</u>
Bond loans				
Up to 1 year	2,553,297	2,384,768	72,963	325,524
From 1 to 5 years	6,150,967	6,744,535	4,950,000	4,950,000
More than 5 years	3,794,650	4,627,349	1,850,000	850,000
	<u>12,498,914</u>	<u>13,756,652</u>	<u>6,872,963</u>	<u>6,125,524</u>
Hybrid Bond				
Up to 1 year	1,652	-	1,652	-
More than 5 years	739,120	-	739,120	-
	<u>740,772</u>	<u>-</u>	<u>740,772</u>	<u>-</u>
Commercial paper				
Up to 1 year	487,227	232,234	1,645,524	3,227,568
From 1 to 5 years	223,155	402,728	223,155	402,728
	<u>710,382</u>	<u>634,962</u>	<u>1,868,679</u>	<u>3,630,296</u>
Other loans				
Up to 1 year	5,995	10,734	-	-
From 1 to 5 years	16,463	22,605	-	-
More than 5 years	12,330	17,364	-	-
	<u>34,788</u>	<u>50,703</u>	<u>-</u>	<u>-</u>
	<u>19,230,404</u>	<u>20,298,183</u>	<u>10,013,027</u>	<u>10,817,317</u>

The fair value of EDP Group's debt is analysed as follows:

Thousands of Euros	Sep 2015		Dec 2014	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,562,202	16,190,212	16,400,827	17,585,217
Debt and borrowings - Current	3,668,202	3,526,131	3,897,356	3,606,383
	<u>19,230,404</u>	<u>19,716,343</u>	<u>20,298,183</u>	<u>21,191,600</u>

In accordance with accounting policies - note 2 d) and f), the financial liabilities whose risks are being hedged by derivative financial instruments and that comply with hedge accounting requirements of IAS 39, are stated at fair value. The financial liabilities are booked at amortised cost.

For the purpose of fair value of debt the Hybrid issue it has been valued considering the maturity of the first call date (March 2021).

As at 30 September 2015, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2015	2016	2017	2018	2019	Following years	Total
Debt and borrowings - Non-current	-	54,471	1,583,640	2,023,655	2,760,709	9,139,727	15,562,202
Debt and borrowings - Current	486,790	3,181,412	-	-	-	-	3,668,202
	<u>486,790</u>	<u>3,235,883</u>	<u>1,583,640</u>	<u>2,023,655</u>	<u>2,760,709</u>	<u>9,139,727</u>	<u>19,230,404</u>

Estimated future payments of principal and interest and guarantees are detailed in note 44.

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36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Provisions for social liabilities and benefits	793,651	930,291
Provisions for medical liabilities and other benefits	916,058	949,982
	1,709,709	1,880,273

This caption is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Non-Current	1,517,673	1,682,988
Current	192,036	197,285
	1,709,709	1,880,273

As at 30 September 2015, Provisions for social liabilities and benefits include 791,980 thousands of Euros related to retirement pension defined benefit plans (31 December 2014: 927,141 thousands of Euros) and 1,671 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2014: 3,150 thousands of Euros).

The movement in Provisions for social liabilities and benefits is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Sep 2014
Balance at the beginning of the period	930,291	960,356
Charge for the period	21,990	27,970
Past service cost (Curtailement/Plan amendments)	-	-35,592
Actuarial (gains)/losses	-34,038	52,073
Charge-off	-122,403	-110,740
Transfers, reclassifications and exchange differences	-2,189	-35
Balance at the end of the period	793,651	894,032

The components of the consolidated net cost of this pension plans recognised during the period are as follows:

Thousands of Euros	Sep 2015			
	Portugal	Spain	Brazil	Group
Current service cost	7,277	2,347	-202	9,422
Operational component (see note 9)	7,277	2,347	-202	9,422
Net interest on the net pensions plan liability	10,784	1,243	541	12,568
Financial component (see note 13)	10,784	1,243	541	12,568
	18,061	3,590	339	21,990

Thousands of Euros	Sep 2014			
	Portugal	Spain	Brazil	Group
Current service cost	8,609	798	-321	9,086
Past service cost (Curtailement/Plan amendments)	-35,592	-	-	-35,592
Operational component (see note 9)	-26,983	798	-321	-26,506
Net interest on the net pensions plan liability	16,980	1,829	75	18,884
Financial component (see note 13)	16,980	1,829	75	18,884
	-10,003	2,627	-246	-7,622

The movement in Provisions for medical liabilities and other benefits is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Sep 2014
Balance at the beginning of the period	949,982	974,179
Charge for the period	26,986	37,062
Past service cost (Curtailement/Plan amendments)	-	-93,428
Actuarial (gains)/losses	1,506	66,213
Charge-off	-32,709	-33,575
Transfers, reclassifications and exchange differences	-29,707	9,574
Balance at the end of the period	916,058	960,025

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The components of the consolidated net cost of this medical and other benefits plans recognised during the period are as follows:

Thousands of Euros	Sep 2015			Sep 2014		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	5,761	413	6,174	5,778	636	6,414
Past service cost (Curtailment/Plan amendments)	-	-	-	-93,428	-	-93,428
Operational component (see note 9)	5,761	413	6,174	-87,650	636	-87,014
Net interest on the net medical liabilities and other benefits	11,874	8,938	20,812	17,321	13,327	30,648
Financial component (see note 13)	11,874	8,938	20,812	17,321	13,327	30,648
Net cost for the period	17,635	9,351	26,986	-70,329	13,963	-56,366

As at 30 September 2015, the net movement for the period in Provisions for social liabilities and benefits amounts to 136,640 thousands of Euros (30 September 2014: 66,324 thousands of Euros), from which 125,091 thousands of Euros correspond to the net movement occurred in Portugal (30 September 2014: 61,334 thousands of Euros) and 11,549 thousands of Euros correspond to the net movement occurred in Spain and Brazil (30 September 2014: 4,990 thousands of Euros). The variation in Portugal relates essentially to actuarial gains arising from return on assets in the amount of 40,600 thousands of Euros, 18,061 thousands of Euros of charge for the period and 102,420 thousands of Euros related to benefit payments.

The net movement for the period in Provisions for medical liabilities and other benefits amounts to 33,924 thousands of Euros (30 September 2014: 14,154 thousands of Euros), from which 6,218 thousands of Euros correspond to the net movement decrease occurred in Portugal (30 September 2014: decrease 37,953 thousands of Euros) and 27,706 thousands of Euros correspond to the net movement occurred in Brazil (30 September 2014: 23,799 thousands of Euros).

As at 30 September 2015, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2014.

On 16 July of 2014, EDP Group formalised and concluded the signature of the new agreement that had been intensely negotiated since September 2012 with the several unions representing its employees, namely the new Collective Labour Agreement (ACT 2014), that covers the 23 companies over which EDP exercises control, based in Portugal. This agreement covers approximately 6,700 employees of EDP Group in Portugal.

On 30 June 2014, the relevant aspects of the New ACT 2014 were already concluded and agreed, including among others, the following main changes in comparison with the previous collective agreement in force, with impact in the future liabilities:

- i) Co-payment in the acquisition moment of 22.5% for the drugs not supported by the SNS (National Healthcare Service) and 24% in the specialist medical consultations;
- ii) Payment of 24% of the costs not included in the first bullet through a monthly payment ("mútua"); and
- iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (previously 60/36 years).

The changes in the post-employment benefits described above are, in accordance with IAS 19, a plan amendment which determines a decrease in the present value of future liabilities. These changes were measured and recognised in the income statement in the amount of 129,020 thousands of Euros (see note 9).

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Provision for legal and labour matters and other contingencies	65,426	69,817	-	-
Provision for customer guarantees under current operations	2,176	3,837	-	-
Provision for dismantling and decommissioning	261,100	240,630	-	-
Provision for other liabilities and charges	147,653	171,255	24,311	22,811
	476,355	485,539	24,311	22,811

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Non-Current	453,203	463,975	24,040	22,540
Current	23,152	21,564	271	271
	476,355	485,539	24,311	22,811

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.

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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 in the amount of 8,618 thousands of Euros (31 December 2014: 10,905 thousands of Euros). These requests result from the application of Administrative Orders DNAEE no. 38 of 27 February 1986 and no. 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) 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 2015, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filed by EDP Produção; and
- iii) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

In accordance with IFRS 3, in the course of an acquisition, the acquiring company must recognize, at the acquisition date, a contingent liability for the present obligations resulting from past events which fair value can be reliably measured. In the acquisition of control of Porto do Pecém, the Board identified a contingency in these circumstances which estimated responsibility amounts to 4,853 thousands of Euros (21,745 thousands of Reais) as at 30 September 2015 (see note 51).

As at 30 September 2015, Provision for dismantling and decommissioning includes the following situations:

- i) The Group holds a provision of 35,274 thousands of Euros (31 December 2014: 34,682 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. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;
- ii) Provisions for dismantling of wind farms of 113,183 thousands of Euros (31 December 2014: 96,676 thousands of Euros) to cover the costs of returning the sites to their original state, of which 56,601 thousands of Euros refer to the wind farms of the EDPR NA Group, 55,853 thousands of Euros to the wind farms of the EDPR EU Group, 452 thousands of Euros to the wind farms of the EDPR Brasil Group and 277 thousands of Euros to the wind farms of the EDPR Canada Group; and
- 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 decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 30 September 2015, the provision which amounts to 69,037 thousands of Euros (31 December 2014: 68,015 thousands of Euros) and 41,871 thousands of Euros (31 December 2014: 41,258 thousands of Euros) for the electric power plants located in Portugal and Spain, respectively.

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 2015, there were no significant changes compared to 31 December 2014 with the following exceptions:

- i) During April 2015, Energy Services Regulatory Entity (ERSE) notified EDP Distribuição and EDP Comercial about the decision to open an administrative infraction proceeding for each company, within the framework of the sanction regime of the energy sector (RSSE) requesting several information. In July 2015, ERSE sent EDP Comercial a non-compliance statement, which response with the defence arguments was prepared for submission in accordance with deadlines defined by law. As at 30 September 2015, the legal advisors and the Board have considered this contingency risk as possible, however, considering the initial stage of the process and the absence of jurisprudence on this matter, the corresponding risk value is uncertain as of the present date;
- ii) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 27,601 thousands of Euros (31 December 2014: 33,495 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 the customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints. In June 2015, the decision was favorable to Bandeirante. As White Martins, SA is still entitled to appeal against this decision, this contingency has been maintained as possible; and
- iii) During 2015 fiscal year, Porto do Pecém was subject to a tax execution procedure in the amount of 15,452 thousands of Euros, related to an alleged non-taxation under Corporate Income Tax (CIT) and Contribution on Net Profits (CSLL) of prior years' financial income and exchange rate gains. According with the company legal advisors, the risk of loss is classified as possible.

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As at 30 September 2015, there were no significant changes in the contingencies presented as at 31 December 2014, being the most relevant the following:

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 2015, the amount of this tax contingency totals 252 millions of Euros (31 December 2014: 245 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 number 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.

38. INSTITUTIONAL PARTNERSHIPS IN USA

The caption Institutional partnership in USA is analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Deferred income related to benefits provided	773,922	735,260
Liabilities arising from institutional partnerships in USA	1,113,909	1,066,703
	1,887,831	1,801,963

EDPR North America books the receipts of institutional investors associated with wind and solar 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 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 13).

During the nine-month period ended 30 September 2015 EDPR Group, through its subsidiary EDPR NA, has secured 117 millions of USD (approximately 105 millions of Euros) of institutional equity financing from MUFG Union Bank N.A. and another institutional investor in exchange for an interest in the Vento XIII portfolio and 43 millions of USD (approximately 39 millions of Euros) of institutional equity financing from Bankers Commercial Corporation (Union Bank) in exchange for an interest in the Vento XII portfolio.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Sep 2015	Dec 2014
Government grants for investment in fixed assets	623,572	610,561
Amounts payable for tariff adjustments - Electricity - Portugal	34,816	15,409
Amounts payable for tariff adjustments - Electricity - Brazil	6,099	-
Energy sales contracts - EDPR NA	26,004	30,827
Deferred income - CMEC	237,106	306,153
Amounts payable for concessions	214,262	226,832
Other creditors and sundry operations	95,604	79,694
	1,237,463	1,269,476

Trade and other payables from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Suppliers	849,240	1,123,667	165,388	343,696
Accrued costs related with supplies	422,931	405,260	213,638	241,880
Property, plant and equipment suppliers and accruals	580,395	689,946	793	5,630
Holiday pay, bonus and other charges with employees	147,562	154,522	21,539	15,897
CO2 emission licences	92,785	100,688	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	129,124	214,227	-	-
Deferred income - CMEC	46,730	45,669	-	-
Other creditors and sundry operations	495,997	448,276	26,062	31,717
	2,764,764	3,182,255	427,420	638,820

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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 2014	285,274	-
Payment through the electricity tariff	-214,138	-
Tariff adjustment of the period	200,455	37,246
Interest expense	1,281	281
Transfer to/from tariff adjustment receivable	2,094	-
Balance as at 30 September 2014	274,966	37,527
Payment through the electricity tariff	-71,380	-
Tariff adjustment of 2013	106	-
Tariff adjustment of the period	12,272	-21,837
Interest expense	539	-
Transfer to/from tariff adjustment receivable	-2,276	-281
Balance as at 31 December 2014	214,227	15,409
Payment through the electricity tariff	-162,729	-
Tariff adjustment of the period	63,981	30,759
Interest expense	1,149	205
Transfer to/from tariff adjustment receivable	939	-
Transfer from Non-Current to Current	11,557	-11,557
Balance as at 30 September 2015	129,124	34,816

The caption Amounts payable for tariff adjustments - Electricity - Brazil, corresponds to tariff adjustments booked in Bandeirante in the amount of 6,099 thousands of Euros. The variation occurred includes the tariff deficit for the period in the amount of 7,606 thousands of Euros, unwinding in the amount of 150 thousands of Euros and the exchange differences due to depreciation of Brazilian Real with a positive impact of 1,657 thousands of Euros (see note 6).

Government grants for investment in fixed assets 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 12). This caption includes grants received by EDPR NA subgroup under the American Recovery and Reinvestment Act promoted by the United States of America Government. This programme 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 allowed the companies to receive 30% of the amount 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 included an extension for one year of the ITC, which allows the companies in the sector to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012. In 2013 and 2014, the US Congress approved the extension of PTC to the projects with beginning of construction until the end of 2013 and for the projects with the beginning of construction until the end of 2014, respectively.

The caption CO2 emission licenses includes the CO2 consumptions made during 2015 in Portugal and Spain, in the amount of 48,248 thousands of Euros and 44,537 thousands of Euros, respectively. The decrease relates to the delivery in 2015 of the 2014 licences consumption, which are returned to regulatory authorities until April of the year following its consumption.

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 in Other operating income (see note 7).

Deferred income - CMEC current and non-current in the amount of 283,836 thousands of Euros (31 December 2014: 351,822 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 2015 and including unwinding (see note 13).

Amounts payable for concessions non-current amounts includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 154,324 thousands of Euros (31 December 2014: 146,618 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 59,129 thousands of Euros (31 December 2014: 78,305 thousands of Euros).

The variation of the caption Other creditors and sundry operations - Current includes the increase of 131,637 thousands of Reais (29,378 thousands of Euros) related with the Generation Scaling Factor (GSF) accrual effect for the months May to September 2015. The EDP Energias do Brasil generation companies, through the Associação Brasileira dos Produtores Independentes de Energia Elétrica (APINE), have appealed in June 2015 a legal action against the Brazilian State which contests a claim due to the losses incurred since January 2014, as a consequence of objective and judicial condition changes related with the working of the electrical sector, and which have resulted in very high amounts of GSF. On 1 July 2015, was accepted a protective order which suspend the GSF effects and determine that Câmara de Comércio de Energia Elétrica (CCEE) abstain from the settlements since that date. This instruction being accomplish by CCEE, wherefore the EDP Group did not carry the payments related with GSF and specialized this cost for the period. Additionally, this caption includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2014: 14,317 thousands of Euros).

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40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	236,395	266,026	-	-
Put options over non-controlling interest liabilities	27	89	-	-
Derivative financial instruments	273,800	197,223	207,533	148,630
Group companies	-	-	1,650,693	1,529,974
Amounts payable for acquisitions and success fees	11,529	10,707	-	-
Other creditors and sundry operations	26,643	43,441	3,314	6,626
	548,394	517,486	1,861,540	1,685,230
Other liabilities and other payables - Current				
Loans from non-controlling interests	98,569	77,691	-	-
Dividends attributed to related companies	43,368	68,393	-	-
Derivative financial instruments	102,603	64,616	179,770	102,710
Group companies	-	-	890,939	777,132
Put options over non-controlling interest liabilities	3,690	3,658	-	-
Amounts payable for acquisitions and success fees	51,601	14,150	-	-
Other creditors and sundry operations	23,306	7,287	13,035	33,069
	323,137	235,795	1,083,744	912,911
	871,531	753,281	2,945,284	2,598,141

The caption Loans from non-controlling interests includes the 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 acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and its interest is paid half-yearly. At 30 September 2015 this loan amounts to 87,208 thousands of Euros, from which 10,745 thousands of Euros are classified as current and 76,463 thousands of Euros as non-current (see note 45). This caption also includes loans from Sonatrach to Central Térmica Ciclo Combinado Grupo 4 in the amount of 58,220 thousands of Euros, from which 44,229 thousands of Euros are classified as current and 13,991 thousands of Euros as non-current.

Additionally, the caption Loans from non-controlling interests Non-Current includes the amount 85,191 thousands of Euros of loans payable to Vortex, following the sale of 49% of several interests of EDPR France and the fixed rates used for these loans vary between 3.10% and 7.18%.

The Amounts payable for acquisitions and success fees Current and Non-Current includes the amounts related to the contingent prices of several European (mainly in Italy and Poland), U.S.A and Brazilian projects. Additionally, this caption includes the impact of ENEOP of 49,932 thousands of Euros (see note 51).

The caption Group companies Non-Current on a company basis, of 1,650,693 thousands of Euros (31 December 2014: 1,529,974 thousands of Euros), corresponds to the financing obtained through EDP Finance BV 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 (see note 45).

The caption Group companies Current on a company basis includes 811,529 thousands of Euros (31 December 2014: 777,132 thousands of Euros) related to the debt financing obtained by EDP S.A. Sucursal en España through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively. Additionally, this caption includes the amounts to be paid under the EDP Group's financial system (see note 45).

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41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Income tax	100,641	40,725	-	2,386
Withholding tax	41,570	54,721	559	364
Value added tax (VAT)	99,054	105,939	445	2,158
Turnover tax (Brazil)	43,842	49,741	-	-
Social tax (Brazil)	30,293	25,104	-	-
Other taxes	200,406	139,591	531	295
	515,806	415,821	1,535	5,203

As at 30 September 2015, for the Group, the caption Other taxes includes essentially taxes regarding HC Energia Group (include NG Energia) of 104,512 thousands of Euros (31 December 2014: 100,834 thousands of Euros) and EDP Brasil Group of 3,081 thousands of Euros (31 December 2014: 5,511 thousands of Euros). Additionally, includes the amount of 60,863 thousands of Euros, related with the Extraordinary Contribution to the Energy Sector (CESE), approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget for 2014) and the Law n.º 82-B/2014, 31 December (State Budget for 2015) which extended this contribution for the year 2015. The contribution is due by EDP companies that operate in the generation, distribution and supply of electricity and in the distribution and commercialization of natural gas and it is calculated based on the value of the companies' assets as provided under the law.

42. ASSETS AND LIABILITIES 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	
	Sep 2015	Dec 2014
Assets held for sale		
Assets of the business of gas transmission - Naturgas	-	164,402
Assets of the business of electricity generation - Pantanal	26,389	-
Assets of the business of wind energy generation - Inch-Cape	39,916	-
	66,305	164,402
Liabilities held for sale		
Liabilities of the business of gas transmission - Naturgas	-	-11,328
Liabilities of the business of electricity generation - Pantanal	-2,134	-
	-2,134	-11,328
	64,171	153,074

On 15 July 2015, EDP – Energias do Brasil S.A. (EDP Brasil), 51% controlled by EDP, signed a sale and purchase agreement with Cachoeira Escura Energética S.A. for the sale of 100% of Pantanal Energética Ltda (Pantanal). The conclusion of the transaction is expected to occur until the end of the first quarter of 2016 and is subject to regulatory approvals.

On 30 September 2015 the assets and liabilities related to this transaction were presented as non-current assets and liabilities held for sale, being the major reclassification relating to property, plant and equipment and intangible assets (19,545 thousands of Euros). These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets and liabilities, being expected that the fair value less costs to sell is higher than the book value of these assets and liabilities in accordance with IFRS 5.

On 20 July 2015, EDPR UK Limited signed a sale and purchase agreement with Repsol Nuevas Energías S.A. for the sale of 49% of Inch Cape Offshore Limited (see note 47). The conclusion of the transaction is subject of the approval of the "The Crown Estate" and other regulatory approvals.

On 30 September 2015, the financial interest registered in accordance with the equity method (14,344 thousands of Euros) and the loans granted (25,572 thousands of Euros) to Inch Cape Offshore Limited were presented as non-current assets held for sale. These reclassifications were made only for financial statements presentation purposes, without changing the measurement criteria of these assets, being expected that the fair value less costs to sell is higher than the book value of these assets in accordance with IFRS 5.

On 16 December 2014, Naturgas Energía Grupo, S.A. has reached an agreement with Redexis Gas, S.A., a Spanish gas transmission and distribution company held by Goldman Sachs Infrastructure Partners, for the sale of assets in Murcia and in other regions owned by EDP Group in Spain. The transaction perimeter comprises essentially gas distribution assets held by Gas Energía Distribucion Murcia as well as in other Spanish regions (mainly in Extremadura and Gerona), which are not contiguous to Naturgas' existing operations (mostly located in the Basque Country, Cantabria and Asturias regions).

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The sale of the assets held by Gás Energía Distribución Murcia, S.A. has occurred on the 30 January of 2015 with a sale price of 125,775 thousands of Euros, deducted of 2,925 thousands of Euros of transaction fees (see note 5), generating a gain of 79,183 thousands of Euros (see note 7). In this operation, Redexis also paid an intercompany debt of 63,722 thousands of Euros. At the transaction date, Gás Energía Distribución Murcia, S.A. held 1,846 thousands of Euros in Cash and cash equivalents. On June 2015 the remaining distribution assets were sold for 51,131 thousands of Euros, generating a gain of 9,825 thousands of Euros (see note 7).

43. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with IAS 39, the Group classifies derivative financial instruments as fair value hedge of a recognised asset or liability (Fair value hedge), as cash flow hedge of recognised liabilities and highly probable future transactions (Cash flow hedge) and as net investment hedge in a foreign operations (Net investment hedge).

The fair value of the derivative financial instruments portfolio as at 30 September 2015 and 31 December 2014 is analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Derivatives held for trading	8,393	-42,890	88,316	55,104
Fair value hedge	212,408	215,169	523,847	342,231
Cash flow hedge	-82,000	-47,407	-3,657	-16,465
Net Investment hedge	-51,048	-12,965	-	-
	87,753	111,907	608,506	380,870

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, as such, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 46) and no changes of level were made during this period. These entities use generally accepted discounted cash flow techniques 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.

During the nine-month period ended 30 September 2015 and the year 2014 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Libor 3M, Libor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 3M, Wibor 6M, CAD Libor 3M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, EUR/BRL, USD/JPY and EUR/CAD.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Henry Hub, TTF, Coal, Freights, CER and CO2.
OMIP futures	Fair value indexed to the quotes from electricity markets.

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2015 and 31 December 2014, are analysed as follows:

Thousands of Euros	Group		Company	
	Sep 2015	Dec 2014	Sep 2015	Dec 2014
Financial guarantees				
EDP, S.A.	29,480	162,144	29,480	162,144
HC Energia Group	7,322	4,005	-	-
EDP Brasil Group	1,155,186	1,096,945	-	-
EDP Renováveis Group	11,899	3,706	-	-
	1,203,887	1,266,800	29,480	162,144
Operating guarantees				
EDP, S.A.	498,639	492,379	498,639	492,379
HC Energia Group	266,769	267,796	-	-
EDP Brasil Group	314,594	317,774	-	-
EDP Renováveis Group	1,882,947	1,453,944	-	-
Other	7,066	7,491	-	-
	2,970,015	2,539,384	498,639	492,379
Total	4,173,902	3,806,184	528,119	654,523
Real guarantees	27,476	53,878	-	-

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The financial guarantees contracted as at 30 September 2015 and 31 December 2014 amounts to 1,203,887 thousands of Euros and 1,266,800 thousands of Euros, respectively. These guarantees include 877,769 thousands of Euros and 437,679 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. As at 30 September 2015, the difference between the amount of financial guarantees and the relating loans already included in the consolidated debt respects mainly to the guarantees provided by companies in the EDP Group related to financings contracted by Cachoeira Caldeirão and Jari which are being accounted by the equity method under IFRS 11. As at 31 December 2014, Porto do Pecém was also being accounted by the equity method.

The financial guarantees contracted by EDP S.A. as at 31 December 2014 included an amount of 114,792 thousand Euros related with contracted bank loans, which were reimbursed during 2015.

Operating guarantees contracted as at 30 September 2015 and 31 December 2014 amounts to 2,970,015 thousands of Euros and 2,539,384 thousands of Euros, respectively. These guarantees include, 411,117 thousands of Euros and 142,867 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renováveis relating to EDPR Renováveis Group commercial commitments already reflected in the Statement of Financial Position.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 September 2015 and 31 December 2014, 307.696 thousands of Euros and 316,722 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Additionally to the information disclosed above:

- i) The Group also has project finance loans with the usual guarantees for such loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2015 and 31 December 2014 these loans amounted to 1,683,835 thousands of Euros (including 516,730 thousands of Euros of nominal debt of Porto do Pecém, for which exists financial guarantees already identified in the table above, and 249,513 thousands of Euros of nominal debt of windfarms of ENEOP consortium) and 993,409 thousands of Euros, respectively (see note 44).
- ii) 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 2015 and 31 December 2014, EDPR's obligations under the tax equity agreements, in the amount of 1,132,401 thousands of Euros and 948,216 thousands of Euros, respectively, are reflected under the Institutional Partnerships in USA; and
- iii) EDP has constituted an escrow deposit in the amount of 183,404 thousands of Euros (153,803 thousands of Euros non-current and 29,601 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 consolidated statement of financial position) and purchase obligations and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, by maturity, as follows:

	Sep 2015				
	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)	22,419,119	4,232,525	4,618,210	7,366,944	6,201,440
Finance lease commitments	7,646	3,482	3,862	302	-
Operating lease commitments	993,188	42,890	81,353	80,020	788,925
Purchase obligations	19,381,049	4,654,650	4,915,319	2,999,938	6,811,142
Other long term commitments	2,152,730	275,944	494,121	449,694	932,971
	44,953,732	9,209,491	10,112,865	10,896,898	14,734,478

	Dec 2014				
	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)	23,272,366	4,346,053	7,150,585	5,919,990	5,855,738
Finance lease commitments	7,316	3,207	3,731	378	-
Operating lease commitments	779,398	32,876	62,604	63,812	620,106
Purchase obligations	21,784,070	4,387,274	5,189,739	3,256,461	8,950,596
Other long term commitments	2,152,878	276,060	494,153	449,694	932,971
	47,996,028	9,045,470	12,900,812	9,690,335	16,359,411

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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. In the case of the subordinated debt (hybrid) the interest was calculated until the first call date (March 2021).

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 9,490,523 thousands of Euros essentially related with very long-term contracts for energy acquisition which are updated with the respective projected rates and discounted at present value using the weighted average cost of capital (WACC) of the EDP Group, as follows:

Thousands of Euros	Sep 2015	Dec 2014
Purchase obligation - Present value	9,490,523	12,335,667
Purchase obligation - Notional value	18,238,836	23,512,536

The decrease of purchase obligations results mainly from the depreciation of Brazilian Real (BRL) against the Euro during 2015.

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. The nature of this type of commitments is related with:

Thousands of Euros	Sep 2015	Dec 2014
Fuels acquisition	5,609,616	6,455,474
Electricity acquisition	9,067,382	11,841,454
O&M contracts	889,265	764,144
Fixed assets, equipment and miscellaneous materials acquisition	2,195,960	1,723,301
Work contracts	1,225,346	685,383
Other supplies and services	393,480	314,314
	19,381,049	21,784,070

Other long term commitments relate to Group's liabilities relating essentially to pension and medical plans and other benefits, classified in the caption benefits to employees in the consolidated statement of financial position (see note 36).

As at 30 September 2015, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- 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 this option is 7,500 thousands of Euros. The option can be exercised: (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus or (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 Ribeiradio-Ermida hydroelectric plants. 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 wind farm; and
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

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45. RELATED PARTIES

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 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. 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 2015, this loan amounts to 87,208 thousands of Euros (see note 40).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 131,457 thousands of Euros (408,011 thousands of Reais), recognised in the income statement (see note 7).

On 19 May 2015, EDP Renováveis has completed the sale to CTG, of a 49% equity shareholding in selected wind farms in Brazil. This transaction was recognised as a sale without loss of control, having the Group recognised non-controlling interests of 53,857 thousands of Euros and an impact in reserves attributable to the Group of 11,758 thousands of Euros (see note 5).

Balances and transactions with subsidiaries, joint ventures and associates

In the normal course of its business, EDP Group companies established commercial transactions and operations with other Group companies, whose terms reflect normal market conditions.

The credits and debits over subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

Credits held

Thousands of Euros	September 2015			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	6,989	204,134	24	211,147
EDP Comercial	50,046	45,232	192,929	288,207
EDP Distribuição	91,384	2,582,169	87,229	2,760,782
EDP Finance BV	-	-	115,839	115,839
EDP Produção	249,272	4,396,463	95,073	4,740,808
EDP Imobiliária e Participações	-	106,944	205	107,149
EDP Renováveis	-	-	530,159	530,159
Others	12,601	82,036	227,727	322,364
	410,292	7,416,978	1,249,185	9,076,455

Thousands of Euros	December 2014			
	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	-	210,000	24	210,024
EDP Comercial	24,777	45,471	194,828	265,076
EDP Distribuição	4,711	2,847,897	29,352	2,881,960
EDP Finance BV	-	-	59,975	59,975
EDP Produção	334,618	4,332,139	206,128	4,872,885
EDP Imobiliária e Participações	383	120,741	82	121,206
EDP Renováveis	-	-	350,446	350,446
Others	14,796	45,181	174,593	234,570
	379,285	7,601,429	1,015,428	8,996,142

Debits held

Thousands of Euros	September 2015			
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,133,377	108,586	10,241,963
EDP Produção	-	-	248,753	248,753
EDP Soluções Comerciais	40,624	-	108	40,732
Pebble Hydro	-	67,517	1,050	68,567
Naturgas Comercializadora	-	-	73,211	73,211
Others	38,786	2	98,215	137,003
	79,410	10,200,896	529,923	10,810,229

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The amount of 10,133,377 thousands of Euros includes three intragroup bonds issuance by EDP Finance BV to EDP SA as at 30 September 2015, in the total amount of 6,412,993 thousands of Euros, of variable rate at medium-long term (5 and 7 years).

Thousands of Euros	December 2014			Total
	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	
EDP Finance BV	-	10,668,797	91,815	10,760,612
EDP Produção	-	-	420,542	420,542
EDP Serviço Universal	-	-	99,641	99,641
Pebble Hydro	-	78,038	927	78,965
Naturgas Comercializadora	-	-	37,093	37,093
Others	81,982	24,704	153,652	260,338
	81,982	10,771,539	803,670	11,657,191

Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

Expenses

Thousands of Euros	September 2015			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	
EDP Finance BV	-	-277,422	-67,713	-345,135
EDP Produção	-	-	-874,452	-874,452
Naturgas Comercializadora	-	-	-51,446	-51,446
Others	-973	-328	-103,411	-104,712
	-973	-277,750	-1,097,022	-1,375,745

Thousands of Euros	September 2014			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Losses	
EDP Finance BV	-	-288,400	-73,057	-361,457
EDP Produção	-303	-	-807,667	-807,970
Naturgas Comercializadora	-	-	-39,126	-39,126
Others	-122	-1,672	-109,909	-111,703
	-425	-290,072	-1,029,759	-1,320,256

Income

Thousands of Euros	September 2015			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	
EDP Comercial	187	1,155	737,680	739,022
EDP Distribuição	1,332	130,606	141,998	273,936
EDP Gás.Com	51	-	101,208	101,259
EDP Produção	1,737	173,555	384,350	559,642
EDP Renováveis	-	-	51,957	51,957
Others	449	10,172	339,014	349,635
	3,756	315,488	1,756,207	2,075,451

Thousands of Euros	September 2014			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Gains	
EDP Comercial	772	409	643,096	644,277
EDP Distribuição	9,050	124,469	184,348	317,867
EDP Produção	2,621	223,544	408,459	634,624
EDP Renováveis	-	-	220,031	220,031
Outras	3,252	17,672	360,243	381,167
	15,695	366,094	1,816,177	2,197,966

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Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and Liabilities

Thousands of Euros	September 2015		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioelétrica	16,208	3,457	12,751
Cide HC Energía	11,792	16,123	-4,331
HC Tudela Cogeneración	3,608	3,503	105
Others	10,374	1,256	9,118
	41,982	24,339	17,643
Associates			
Seaenergy Renewables Inch Cape Limited	25,572	-	25,572
Setgás	9,399	346	9,053
Parque Eólico Sierra del Madero	13,236	-	13,236
Others	4,655	1,546	3,109
	52,862	1,892	50,970
	94,844	26,231	68,613

Thousands of Euros	December 2014		
	Assets	Liabilities	Net Value
Joint Ventures			
EDP Produção Bioelétrica	15,204	5,055	10,149
Cide HC Energía	4,254	1,310	2,944
Porto do Pecém	141,545	2,260	139,285
Others	8,577	7,549	1,028
	169,580	16,174	153,406
Associates			
ENEOP - Eólicas de Portugal	393,463	-	393,463
Seaenergy Renewables Inch.Cape	21,541	-	21,541
Setgás	9,032	-	9,032
Parque Eólico Sierra del Madero	14,198	-	14,198
Others	14,675	531	14,144
	452,909	531	452,378
	622,489	16,705	605,784

Transactions

Thousands of Euros	September 2015			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,369	182	-29,654	-
Cide HC Energía	71,886	16	-42	-
HC Tudela Cogeneración	49	88	-3,661	-4
Porto do Pecém	20,486	2,368	-8,722	-
Others	1,716	107	-1,014	-
	95,506	2,761	-43,093	-4
Associates				
ENEOP - Eólicas de Portugal	-	15,427	-	-
Korsokuntza, AIE	3,490	-	-	-
Setgás	4	361	-3,285	-
Others	1,410	978	-658	-2
	4,904	16,766	-3,943	-2
	100,410	19,527	-47,036	-6

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Thousands of Euros	September 2014			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Joint Ventures				
EDP Produção Bioelétrica	1,395	227	-30,090	-
Cide HC Energia	63,018	18	-58	-
Porto do Pecém	50,102	4,437	-16,717	-
Others	910	29	-2,888	-1
	<u>115,425</u>	<u>4,711</u>	<u>-49,753</u>	<u>-1</u>
Associates				
ENEOP - Eólicas de Portugal	-	15,294	-	-
Korsokuntza AIE	3,849	-	-	-
Setgás	283	377	-241	-
Others	2,055	792	-584	-2
	<u>6,187</u>	<u>16,463</u>	<u>-825</u>	<u>-2</u>
	<u>121,612</u>	<u>21,174</u>	<u>-50,578</u>	<u>-3</u>

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities as at 30 September 2015 and 31 December 2014, is analysed as follows:

Thousands of Euros	Group Sep 2015			Group Dec 2014		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	207,321	207,321	-	224,457	224,457	-
Trade receivables	1,798,390	1,798,390	-	2,119,694	2,119,694	-
Debtors/other assets from commercial activities	4,588,062	4,588,062	-	4,786,268	4,786,268	-
Other debtors and other assets	295,630	295,630	-	725,979	725,979	-
Derivative financial instruments	464,156	464,156	-	373,746	373,746	-
Financial assets at fair value through profit or loss	10,242	10,242	-	10,665	10,665	-
Collateral deposits/financial debt	268,285	268,285	-	429,170	429,170	-
Cash and cash equivalents	1,093,819	1,093,819	-	2,613,995	2,613,995	-
	<u>8,725,905</u>	<u>8,725,905</u>	<u>-</u>	<u>11,283,974</u>	<u>11,283,974</u>	<u>-</u>
Financial liabilities						
Financial debt	19,230,404	19,716,343	485,939	20,298,183	21,191,600	893,417
Suppliers and accruals	1,429,635	1,429,635	-	1,813,613	1,813,613	-
Institutional partnerships in USA	1,887,831	1,887,831	-	1,801,963	1,801,963	-
Trade/other payables from commercial activities	1,949,020	1,949,020	-	2,027,557	2,027,557	-
Other liabilities and other payables	495,128	495,128	-	491,442	491,442	-
Derivative financial instruments	376,403	376,403	-	261,839	261,839	-
	<u>25,368,421</u>	<u>25,854,360</u>	<u>485,939</u>	<u>26,694,597</u>	<u>27,588,014</u>	<u>893,417</u>

Considering the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature and level 2, 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.

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According to IFRS 13 requirements, 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 active 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; and
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

Thousands of Euros	30 September 2015			31 December 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	97,014	60,425	49,882	116,383	59,584	48,490
Derivative financial instruments	-	464,156	-	-	373,746	-
Financial assets at fair value through profit or loss	-	-	10,242	-	-	10,665
	97,014	524,581	60,124	116,383	433,330	59,155
Financial liabilities						
Derivative financial instruments	-	376,403	-	-	261,839	-
	-	376,403	-	-	261,839	-

The movement in available for sale investments included in level 3 is analysed as follows:

Thousands of Euros	Available for sale investments	
	Sep 2015	Sep 2014
Balance at beginning of period	48,490	47,729
Change in fair value	930	1,617
Acquisitions	914	1,056
Disposals	-405	-2
Impairment	-9	-92
Transfers and other changes	-38	-476
Balance at the end of the period	49,882	49,832

The assumptions used in the determination of Available for sale investments fair value are described in note 21, as stated in IFRS 13.

47. RELEVANT OR SUBSEQUENT EVENTS

EDPR informs about wind offshore projects in the UK

On 21 July 2015, EDP Renováveis S.A. (EDPR) announced that has reached agreements with Repsol Nuevas Energías S.A. (Repsol) by which, under the terms of the contracts, EDPR agreed to buy from Repsol 33% equity interest in Moray offshore project, and to sell to Repsol 49% equity interest in Inch Cape offshore project.

With the conclusion of these transactions EDPR will fully own the Moray offshore project, while Repsol will fully own the Inch Cape offshore project. Both projects are located in the UK and the completion of these transactions are subject to approval by The Crown Estate and other customary regulatory approvals.

EDP Renováveis signs agreement to acquire licenses for 216 MW of wind energy in Portugal

On 7 October 2015, EDP Renováveis S.A. (EDPR), 77.5% controlled by EDP, informed that it has reached an agreement with Ventinveste S.A. (Ventinveste), a consortium led by Galp Energia, SGPS, S.A. and Martifer, SGPS, S.A., for the acquisition of a group of special purpose vehicles (SPVs) that hold licenses and interconnection rights corresponding to a total of 216.4 MW of wind energy capacity in Portugal, for a reference price of around 17 millions of Euros.

This wind energy capacity was awarded with a long-term feed-in tariff in 2007, under the Phase B of a tender launched by the Portuguese Government. Following the agreement reached between the Portuguese Government and several operators in the wind energy sector in September 2012, the 216.4 MW will be remunerated according to a feed-in-tariff for a 20-year period (or a maximum of 44 GWh/MW).

With this transaction EDPR intends to maximize the value created from projects since the early stages of development by applying its distinctive technical and wind assessment know-how. The commissioning and beginning of operations of EDPR's new wind farms is expected to occur through 2018.

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Standard & Poor's affirmed EDP at "BB+" with positive outlook

On 14 October 2015, Standard & Poor's Ratings Services (S&P) affirmed its "BB+" long-term and "B" short-term corporate credit ratings on EDP. The outlook is positive.

This affirmation reflects S&P's view that country risk in Portugal and Spain has improved on the back of better economic conditions. S&P considers that these improving economic prospects have strengthened EDP's credit fundamentals and continues to see potential for the company's credit metrics to strengthen to levels they consider commensurate with a higher rating.

ERSE announces its proposal for tariffs and prices for electricity in 2016

On 15 October 2015, the Portuguese Electricity Regulator (ERSE) announced its proposal for electricity tariffs in 2016, which includes a 2.5% increase for final normal low voltage (NLV) electricity tariffs in Portugal mainland, applicable to all residential consumers out of the Social Tariff.

For 2016, ERSE proposed regulated gross profit for EDP's regulated activities (excluding previous year adjustments) of: (i) 1.182 millions of Euros for electricity distribution (operated by our subsidiary EDP Distribuição), in line with the expected amount of 1.182 millions of Euros for 2015; and (ii) 38 millions of Euros for last resort electricity supply (operated by our subsidiary EDP Serviço Universal).

According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to decline by 374 millions of Euros over 2016, in line with the expected decrease of Portuguese electricity system medium to long-term debt (the overall impact of previous year adjustments of regulated activities' allowed revenues is close to zero).

According to electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its nonbinding opinion until 15 November 2015. Following that, ERSE will approve the final tariffs and parameters until 15 December 2015.

ANEEL approves an average tariff increase of 16.14% at EDP Bandeirante's periodic tariff revision

On 20 October 2015, the Brazilian electricity regulator, ANEEL, approved the 4th Periodic Tariff Revision for EDP Bandeirante, a subsidiary of EDP - Energias do Brasil, S.A., in which EDP holds a 51% stake. The approval is to be applied from 23 October 2015 onwards and comprised an average tariff increase of 16.14%.

In the periodic tariff review process, that occurs on every 4 years for EDP Bandeirante, ANEEL recalculates the regulatory costs that can be managed by the distributor (Parcel B) which includes: (i) operational costs and (ii) capital costs (remuneration and depreciation). Non-manageable costs (Parcel A), that includes energy purchases from generators, cost of energy transportation, sector charges and financial adjustments are adjusted based on price variation during the preceding twelve months.

In this regard, the net Regulatory Asset Base was set at 1.667 billions of Reais (from the previous 1.545 billions of Reais) for the starting 4 year regulatory period. Additionally, the rate of return on the Regulatory Asset Base was recently reviewed from 7.5% to 8.1% net of taxes.

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 are the following:

- IFRIC 21 - Levies

During the second quarter of 2015 and according with the sector tendencies, EDP Group reassessed the applicability of this interpretation which impacts are presented on the notes 10, 14 and 15.

- Annual Improvement Project (2011-2013)

No significant impact in the Group resulted from the adoption of these amendment.

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Standards, amendments and interpretations issued but not yet effective for the Group:

- IFRS 9 - Financial Instruments;
- IFRS 10 (Amended) and IAS 28 (Amended) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 10 (Amended), IFRS 12 (Amended) and IAS 28 (Amended) - Investment Entities: Applying the consolidation exception;
- IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 15 - Revenue from the Contracts with Customers;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 1 (Amended) - Initiative Disclosures;
- IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
- IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions;
- IAS 27 (Amended) - Equity Method in Separate Financial Statements;
- Annual Improvement Project (2010-2012); and
- Annual Improvement Project (2012-2014).

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 in Spain, namely the Department of M&A ("Direção de Análise de Negócios"), Department of Legal Affairs ("Direção de Assessoria Jurídica"), Department of Internal Audit ("Direção de Auditoria"), Department of Administration and Finance ("Direção de Administração e Finanças"), Department of Human Resources ("Direção de Recursos Humanos"), Department of Commercial Shared Services ("Direção de Serviços Partilhados Comerciais"), Department of EDP Spain Foundation ("Direção da Fundação EDP Espanha") and IT Department ("Direção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory, being provided with 160 human resources as at 30 September 2015, including 84 in its own payroll. 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.

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The condensed statement of financial position of the Branch is analysed as follows:

Thousands of Euros	EDP Branch	
	Sep 2015	Dec 2014
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,105,002	2,093,601
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP International Investments and Services, S.L.	281,854	281,854
Deferred tax assets	46,416	21,599
Other debtors and others assets	199,957	130,772
Total Non-Current Assets	6,055,813	5,950,410
Trade receivables	10,417	7,892
Debtors and other assets	375,149	268,288
Tax receivable	21,178	85,350
Cash and cash equivalents	1,462	1,391
Total Current Assets	408,206	362,921
Total Assets	6,464,019	6,313,331
Equity	3,952,264	3,948,525
Employee benefits	1,233	1,346
Trade and other payables	1,650,693	1,529,974
Provisions	5,596	4,791
Total Non-Current Liabilities	1,657,522	1,536,111
Trade and other payables	853,618	826,283
Tax payable	615	2,412
Total Current Liabilities	854,233	828,695
Total Liabilities	2,511,755	2,364,806
Total Equity and Liabilities	6,464,019	6,313,331

50. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitisation companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

- In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);
- In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;
- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 1,883 thousands of Euros, as at 30 September 2015;
- In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, generating a gain of 50,141 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5,588 thousands of Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,669 thousands of Euros, as at 30 September 2015;

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- In December 2014, EDP Distribuição - Energia, S.A., sold without recourse to Tagus, the right to recover part of the 2012 CMEC compensation adjustment in the amount of 228,826 thousands of Euros. The transaction was performed by the amount of 239,832 thousands of Euros generating a gain of 10,711 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Distribuição of Expense Reserve Notes issued by Tagus at par value in the amount of 317 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,690 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a reserve for administrative expenses and a liquidity reserve account and are booked under financial assets at fair value through profit or loss, by the net amount of 1,994 thousands of Euros, as at 30 September 2015; and

- In March 2015, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the tariff adjustment related to the 2014 overcost of the acquisition of electricity activity from special regime production, in the amount of 465,418 thousands of Euros. The transaction was performed by the amount of 499,461 thousands of Euros, generating a gain of 31,737 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal of Class R Notes issued by Tagus at par value in the amount of 410 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 2,488 thousands of Euros, both maturing in 2019. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 2,696 thousands of Euros, as at 30 September 2015.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the Statement of Financial Position of EDP Group.

51. BUSINESS COMBINATIONS

Porto do Pecém acquisition

On 9 December 2014, EDP Energias do Brasil signed a contract for the acquisition of 50% of Porto do Pecém share capital owned by Eneva, for an amount of 300 millions of Reais.

According to the terms of the contract, this acquisition comprised 2 stages:

- a share capital increase from Eneva in Porto do Pecém through the conversion of Eneva's shareholders loans and amounts payable for coal and energy acquisitions, in the amount of 399 millions of Reais, this way diluting EDP's 50% stake to 41.27% and holding Eneva a stake of 58.73%; and
- acquisition, for an amount of 300 millions of Reais, of Eneva's 58.73% stake in Porto do Pecém.

This operation was subject to the approval and authorisation of the competition authority, of ANEEL, of the funding banks (BNDES and BID) of Porto do Pecém and Eneva, as well as other creditors of Eneva. The closing of the operation occurred on the 15 May 2015, so from this date on EDP Brasil has become the owner of 100% of Porto do Pecém share capital and voting rights. Consequently, under IFRS, from this date on, EDP Group has begun to consolidate Porto do Pecém financial statements in its consolidated financial statements.

Since the date of acquisition of full control over this subsidiary, Porto do Pecém has contributed for the consolidated financial statements with Revenues from energy sales in the amount of 123,844 thousands of Euros and with a Net profit for the period (attributable to Equity holders of EDP) in the amount of 3,105 thousands of Euros. If this acquisition had occurred in the beginning of the exercise, Porto do Pecém would have contributed for the consolidated financial statements with Revenues from energy sales in the amount of 252,868 thousands of Euros and with a Net loss for the period (attributable to Equity holders of EDP) in the amount of 17,499 thousands of Euros, referring to the nine-month period ended at 30 September 2015. Until the date of acquisition of the remaining 50% share, the shareholding previously held was being consolidated under the equity method, therefore Porto do Pecém losses were incorporated under this method until this date.

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At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a valuation performed by an independent third party. This valuation, which was based on the discounted cashflow method, came to a fair value of Porto do Pecém in the amount of 1,610 millions of Reais. Fair value of identifiable assets and liabilities at the acquisition date (15 May 2015), is presented as follows:

Thousands of Reais	Book value at acquisition date	Fair value adjustment	Fair value at acquisition date
Assets			
Property, plant and equipment	3,358,535	560,275	3,918,810
Intangible assets	2,632	107,933	110,565
Deferred tax assets	550,953	-223,812	327,141
Inventories	111,041	-44,192	66,849
Other debtors and other assets	455,553	56,000	511,553
Cash and cash equivalents	6,274	-	6,274
Total Assets	4,484,988	456,204	4,941,192
Liabilities			
Financial Debt	2,209,329	-	2,209,329
Provisions	5,107	21,745	26,852
Other liabilities and other payables	1,094,762	-	1,094,762
Total liabilities	3,309,198	21,745	3,330,943
Net Assets	1,175,790	434,459	1,610,249
Previously held investment	485,210	179,287	664,496
Acquisition of Eneva's stake	690,580	255,172	945,753
Net assets acquired	1,175,790	434,459	1,610,249
Acquisition cost of the remaining investment			-300,000
Gain with a bargain purchase			645,753
Gain with the remeasurement to fair value of the previously held investment			147,910
Dilution gain			91,034
Acquisition gain at EDP Brasil level			884,697
Acquisition gain at EDP Brasil level - thousands of Euros			267,325
Exchange impact on the historical conversion of equity of Porto do Pecém at EDP Group level - thousands of Euros			27,613
Acquisition gain at EDP Group level - thousands of Euros (see note 7)			294,938
Acquisition cashflow:			
Cash and cash equivalents of Porto do Pecém			6,274
Net assets acquired			-300,000
Net cash outflow			-293,726

Porto do Pecém valuation has determined a fair value for Property, plant and equipment in the amount 3,918,810 thousands of Reais, based on the replacement cost, generating a fair value adjustment of 560,275 thousands of Reais. In the process of identifying intangible assets, an amount of 106,855 thousands of Reais was recognised as the concession contract which authorises the generation of energy in Porto do Pecém's facility (concession right). In inventories, an impairment loss in the amount of 44,192 thousands of Reais was recognised regarding a broken generator which will be recovered as an insurance compensation until December 2015. This indemnity fair value has also been identified under Other debtors and other assets, in the amount of 56,000 thousands of Reais.

According to IFRS 3, a contingent liability in the amount of 21,745 thousands of Reais was recognised under Provisions, as Group EDP Board estimates this to be a present obligation resulting from a litigation set up by a service supplier claiming contractual default in the construction of the facility. This process is in evaluation phase in order to identify service supply breaches and its respective financial impacts, so the fair value is the best estimated potential future outflow. The tax impact of all identified assets and liabilities' fair value adjustments is recorded under Deferred tax assets.

This acquisition resulted in a gain with a bargain purchase in the amount of 195,125 thousands of Euros (645,753 thousands of Reais). This gain with a bargain purchase arises from certain circumstances that created this business opportunity, which can be resumed as follows: i) fragile financial situation of the seller, which was in risk of default of its financial obligations and of other creditors under the impendence of a recovery legal process, which, altogether, have forced the sale; ii) EDP Energias do Brasil had the ability to solve the situation in time and had also preferential conditions to buy the company under these special conditions, as it was the seller's partner in this Porto do Pecém project and it is a solid market player with recognised experience in energy generation, so it would be the natural buyer according to the creditors banks.

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As EDP Energias do Brasil had already a 50% stake in Porto do Pecém, this transaction was treated as a step acquisition under IFRS 3. Consequently, the previously held investment in Porto do Pecém was remeasured to fair value, and the corresponding difference for its book value, in the amount of 147,910 thousands of Reais, was recorded under Other income. Additionally, following a share capital increase only subscribed by Eneva, EDP Energias do Brasil has recorded a gain with the dilution of its share in Porto do Pecém's share capital from 50% to 41,27%, in the amount of 91,034 thousands of Reais. These gains include the derecognition of concession rights in the amount of 3,302 thousands of Reais and the transfer to results of cashflow hedge reserves previously recognised under Other comprehensive income at EDP Energias do Brasil level, in the amount of 34,015 thousands of Reais. In summary, EDP Energias do Brasil has recorded a total gain with the control acquisition of Porto do Pecém in the amount of 884,697 thousands of Reais.

Given the control acquisition, at EDP Group level, previously recognised reserves (cash flow hedge and exchange differences arising on consolidation) related to the previously held investment in Porto do Pecém, in the amount of 27,613 thousands of Euros, were transferred to results.

Consequently, this transaction originated a total gain at EDP Group level of 294,938 thousands of Euros (884,697 thousands of Reais at EDP Energias do Brasil level), which is recorded under Other income (note 7). To be noted that, under the applicable Brazilian tax rules, EDP Energias do Brasil has recognised a tax effect associated with this gain in the amount of 36,293 thousands of Euros (120,109 thousands of Reais).

Acquisition-related costs were recognised under Supplies and services, in the amount of 3,543 thousands of Reais (1,071 thousands of Euros).

Asset Split ENEOP

In 2006, EDP Group (through its subsidiary EDP Renováveis Portugal) entered into a joint business with Generg, Finerge (together with EDP the "Wind Promoters") and Enercon to develop 1,200 Mw of renewable energy in Portugal. At that moment it was agreed that at the time that all the assets would be in production, the "Consortium" (ENEOP) would be split once the pertinent authorities would authorize it.

The consortium (ENEOP), through two different subsidiaries fully held by ENEOP, carried the following two activities connected with the industrial and wind farm project:

- ENEOP 2: construction, maintenance and exploitation of the wind farms;
- ENEOP 3: construction and exploitation of the industrial part of the project.

It has been agreed that the split will be performed on three steps:

- Merger of Eneop 2 and Eneop;
- Demerger of ENEOP, with its dissolution, and incorporation of 4 NewCos (that issue shares to all the shareholders of ENEOP on a proportional basis), to which each one of the respective portfolios of wind farm SPVs and ENEOP 3 are transferred; and
- Cross-sell disposal of the investment in the NewCos between the ind promoters and Enercon, such that each owns 100% of the respective portfolio of wind farm SPVs (in respect to the WPs) and ENEOP 3 (regarding Enercon).

On September 19th, even though the above transactions has not yet been legally performed, all the conditions needed for the asset split to be performed have been obtained, namely the decision of non-opposition from the competition authority (AdC), Direção Geral de Energia e Geologia (DGEG) and banks (BEI and other commercial banks). This, together with the shareholders agreement signed between the wind promoters and the change of the corporate bodies of the SPVs, gave EDP the effective control over the agreed portfolio, as the pending issues to be closed for the legal Asset Split to take place are merely administrative procedures, and therefore not relevant in terms of control assesment.

For simplification purposes, and considering this does not have a material effect, the Group used the financial statements as at 31st of August, 2015, of the twelve companies, to determine pre-acquisition results and, consequently, these companies have been fully consolidated from the 1st of September, 2015.

Since the date of acquisition of full control over this portfolio, it has contributed to the consolidated financial statements with Revenues from energy sales in the amount of 5,850 thousands of Euros and with a Net loss for the period (attributable to Equity holders of EDP) in the amount of 1,396 thousands of Euros. If this acquisition had occurred in the beginning of the exercise, it would have contributed to the consolidated financial statements with Revenues from energy sales in the amount of 74,631 thousands of Euros and with a Net profit for the period (attributable to Equity holders of EDP) in the amount of 4,422 thousands of Euros, referring to the nine-month period ended at 30 September 2015. Until the date of the took of control, the shareholding previously held was being consolidated under the equity method, therefore the result was incorporated under this method until this date in the amount of 5,986 thousand of Euros.

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At the acquisition date, EDP Group has determined the fair value of the assets acquired and liabilities assumed, based on a preliminary valuation performed by an independent third party. This preliminary valuation, which was based on the discounted cashflow method, came to an equity fair value of the portfolio in which EDP Group takes control in the amount of 208,474 thousand of Euros. Fair value of identifiable assets and liabilities at the acquisition date is presented as follows:

Thousands of Euros	Book value at acquisition date	Fair value adjustment	Fair value at acquisition date
Assets			
Property, plant and equipment	594,507	224,018	818,525
Intangible assets	22,437		22,437
Deferred tax assets	2,621		2,621
Inventories	301		301
Other debtors and other assets	21,907		21,907
Cash and cash equivalents	108,882		108,882
Total Assets	750,655	224,018	974,673
Liabilities			
Financial Debt	250,805		250,805
Provisions	7,361		7,361
Other liabilities and other payables	458,193	49,840	508,033
Total liabilities	716,359	49,840	766,199
Net Assets	34,296	174,178	208,474

Gain with the remeasurement to fair value of the previously held investment in Eneop (netted of the cash-compensation)	102,479
Control acquisition gain at EDP level	102,479

Acquisition cashflow:

Cash and cash equivalents of Eneop	108,882
Acquisition payment (*)	-
Net cash outflow	108,882

(*) The cash compensation will be paid at the legal asset split transaction, in an estimated amount of 49,932 thousand Euros.

The above mentioned Eneop's preliminary valuation has determined a fair value for Property, plant and equipment in the amount of 818,525 thousand Euros, based on discounted cash-flows method, generating a fair value adjustment of 224,018 thousand Euros and a corresponding deferred tax liability in the amount of 49,840 thousand Euros (see note 23).

As EDPR Group had already a 35,95% stake in Eneop, this transaction was treated as a step acquisition under IFRS 3. Consequently, the previously held investment in Eneop was remeasured to fair value, and the corresponding difference for its book value, was recorded under Other income (see note 7). The total impact of the transaction gain also include the transfer to results of cashflow hedge reserves previously recognised under Other comprehensive income at EDPR level, in the amount of 11,955 thousand Euros.

As it was mentioned above, the valuation report is a preliminary version, therefore the described operation impacts will be reviewed/adjusted with the issuing of the final version of the report, which is expected to occur until 31st December, 2015.

Acquisition-related costs were expensed and are recognised under Supplies and services, in the amount of 420 thousand Euros.

52. OPERATING SEGMENTS REPORT

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).

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The Executive Board of Directors regularly reviews segmental reports, using Operating Profit to assess and release each business operating performance, as well as to allocate resources.

The management of financial activities of all EDP Group entities (except Brazil) is undertaken centrally by the Financial Department at holding level, in accordance with policies approved by the Executive Board of Directors. As a result of this management, all financial operations and financial results are disclosed only at Group level.

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; and
- 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);
- Fisigen - Empresa de Cogeração, S.A.; and
- Pebble-Hydro – Consultoria, Investimentos e Serviços, Lda.

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.;
- Hidroeléctrica Del Cantábrico, S.A.U.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- Naturgás Comercializadora, S.A.;
- EDP Gás.Com - Comércio de Gás Natural, S.A.;
- Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A.; and
- EDP Energía Gás S.L.

Additionally, this segment includes the Iberian energy management business unit (UNGE) as well as the elimination of transactions between companies identified above. UNGE is the EDP Group unit responsible for the management of purchases and sales of energy in the Iberian market, and also for the related hedging transactions.

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 - 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.; and
- 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 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.

Segment Definition

The amounts reported in each operating 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.

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The income statement captions for each operating 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 each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licences and Green certificates, net of increases in Government grants, customers contributions for investment and sales of properties in the period.

The EDP Group by operating segment report is presented in Annex I.

53. 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 Operating Segments Report
30 September 2015**

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Total Segments
	LT Contracted Generation	Liberalised Activities	Regulated Networks			
Receipts from energy sales and services and others	847,691	6,806,406	4,048,153	978,424	2,031,588	14,712,262
Gross Profit	560,962	656,177	1,263,792	962,005	610,160	4,053,096
Other income	6,788	2,727	120,534	243,074	278,714	651,837
Supplies and services	-42,277	-152,562	-252,084	-208,746	-111,313	-766,982
Personnel costs and employee benefits	-46,416	-54,094	-108,235	-60,549	-82,906	-352,200
Other costs	-13,330	-176,601	-213,567	-153,722	-39,516	-596,736
Gross Operating Profit	465,727	275,647	810,440	782,062	655,139	2,989,015
Provisions	285	-616	-2,956	151	-6,194	-9,330
Amortisation and impairment	-116,682	-149,650	-247,024	-408,128	-95,523	-1,017,007
Operating Profit	349,330	125,381	560,460	374,085	553,422	1,962,678
Equity method in joint ventures and associates	2,315	1,246	171	463	-33,984	-29,789
Assets (30 September 2015)	3,839,600	7,299,368	8,832,467	14,056,381	3,274,649	37,302,465
Liabilities (30 September 2015)	765,269	1,360,408	2,193,582	1,136,034	602,029	6,057,322
Operating Investment	16,669	267,670	223,388	595,168	69,846	1,172,741

Reconciliation of information between Operating Segments and Financial Statements for September 2015

Thousands of Euros

Total Receipts from energy sales and services and others of Reported Segments	14,712,262
Receipts from energy sales and services and others from Other Segments	354,321
Adjustments and Inter-segments eliminations	-3,461,806
Total Receipts from energy sales and services and others of EDP Group	11,604,777
Total Gross Profit of Reported Segments	4,053,096
Gross Profit from Other Segments	337,845
Adjustments and Inter-segments eliminations	-330,528
Total Gross Profit of EDP Group	4,060,413
Total Gross Operating Profit of Reported Segments	2,989,015
Gross Operating Profit from Other Segments	-16,632
Adjustments and Inter-segments eliminations	18,712
Total Gross Operating Profit of EDP Group	2,991,095
Total Operating Profit of Reported Segments	1,962,678
Operating Profit from Other Segments	-36,483
Adjustments and Inter-segments eliminations	-2,510
Total Operating Profit of EDP Group	1,923,685
Total Assets of Reported Segments (30 September 2015)	37,302,465
Assets Not Allocated	3,968,004
Financial Assets	2,298,399
Taxes Assets	547,707
Other Assets	1,121,898
Assets from Other Segments	764,737
Inter-segments assets eliminations	-550,056
Total Assets of EDP Group	41,485,150
Total Liabilities of Reported Segments (30 September 2015)	6,057,322
Liabilities Not Allocated	23,727,658
Financial Liabilities	19,232,537
Institutional partnership in USA	1,887,831
Taxes Liabilities	1,363,642
Other payables	1,234,877
Hydrological correction account	8,771
Liabilities from Other Segments	824,649
Inter-segments Liabilities eliminations	-1,057,026
Total Liabilities of EDP Group	29,552,603
Total Operating Investment of Reported Segments	1,172,741
Operating Investment from Other Segments	45,412
Total Operating Investment of EDP Group	1,218,153

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	651,837	29,307	1,918	683,062
Supplies and services	-766,982	-220,944	329,962	-657,964
Personnel costs and employee benefits	-352,200	-133,599	14,070	-471,729
Other costs	-596,736	-29,241	3,290	-622,687
Provisions	-9,330	-106	400	-9,036
Amortisation and impairment	-1,017,007	-19,745	-21,622	-1,058,374
Equity method in joint ventures and associates	-29,789	879	3,701	-25,209

**EDP Group Operating Segments Report
30 September 2014**

Thousands of Euros	Iberia			EDP Renováveis	EDP Brasil	Total Segments
	LT Contracted Generation	Liberalised Activities	Regulated Networks			
Receipts from energy sales and services and others	843,385	6,516,985	4,493,551	854,719	1,960,656	14,669,296
Gross Profit	587,717	678,178	1,302,821	842,129	469,088	3,879,933
Other income	7,430	16,208	48,706	108,903	136,637	317,884
Supplies and services	-48,930	-142,587	-289,240	-184,451	-108,789	-773,997
Personnel costs and employee benefits	-23,079	-43,486	-30,150	-50,307	-90,245	-237,267
Other costs	-11,226	-142,614	-216,044	-74,468	-32,917	-477,269
Gross Operating Profit	511,912	365,699	816,093	641,806	373,774	2,709,284
Provisions	-7,549	-1,866	-936	-	-6,452	-16,803
Amortisation and impairment	-116,517	-176,033	-252,073	-335,637	-85,573	-965,833
Operating Profit	387,846	187,800	563,084	306,169	281,749	1,726,648
Equity method in joint ventures and associates	806	2,019	112	7,525	4,477	14,939
Assets (31 December 2014)	4,034,487	7,520,887	9,164,652	12,584,855	3,172,425	36,477,306
Liabilities (31 December 2014)	860,932	1,410,455	2,595,834	1,183,479	662,920	6,713,620
Operating Investment	19,775	410,659	245,711	277,986	92,815	1,046,946

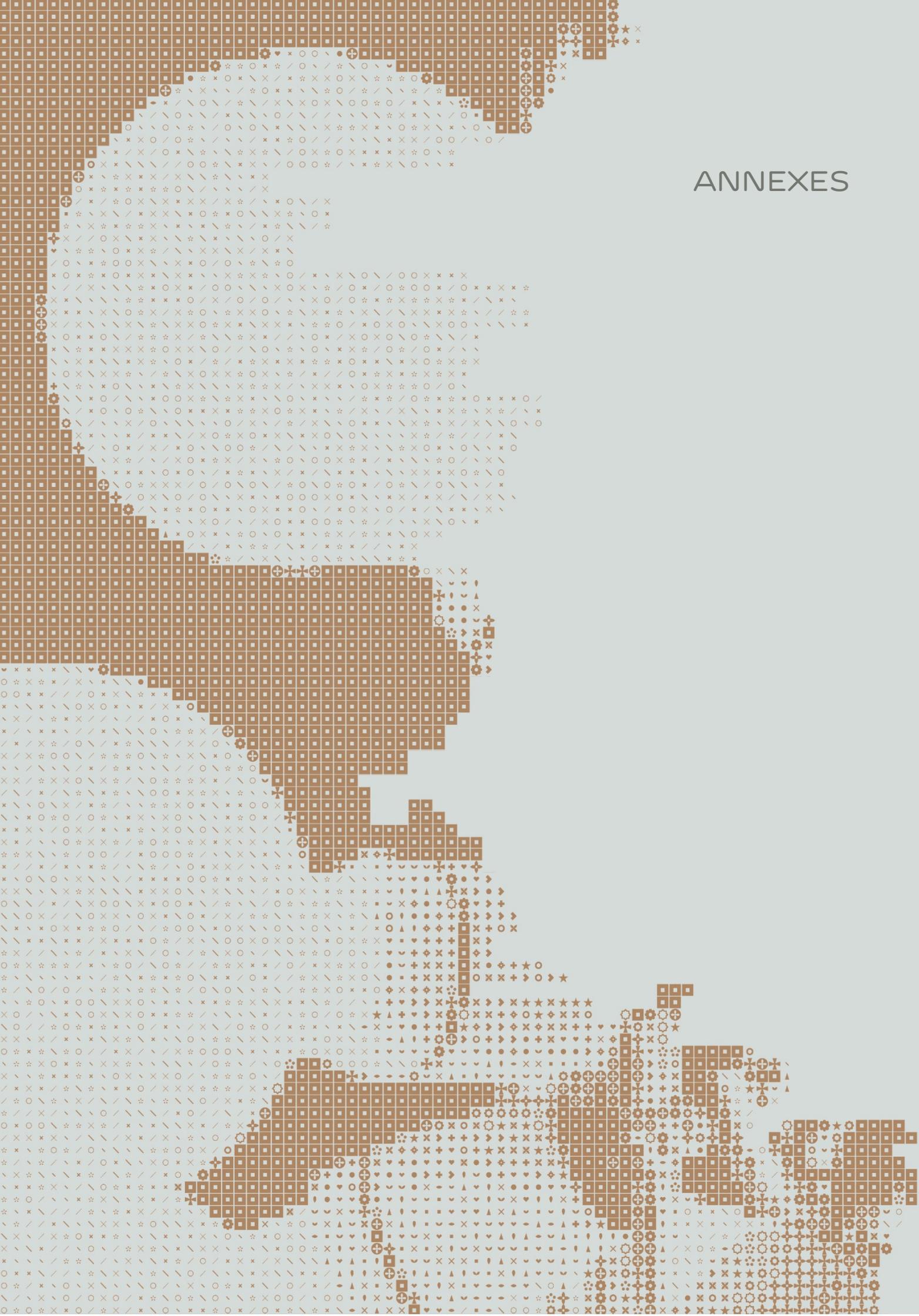
Reconciliation of information between Operating Segments and Financial Statements for September 2014

Thousands of Euros

Total Revenues from energy sales and services and other of Reported Segments	14,669,296
Revenues from energy sales and services and other from Other Segments	371,316
Adjustments and Inter-segments eliminations	-3,217,380
Total Revenues from energy sales and services and other of EDP Group	11,823,232
Total Gross Profit of Reported Segments	3,879,933
Gross Profit from Other Segments	347,041
Adjustments and Inter-segments eliminations	-348,238
Total Gross Profit of EDP Group	3,878,736
Total Gross Operating Profit of Reported Segments	2,709,284
Gross Operating Profit from Other Segments	2,297
Adjustments and Inter-segments eliminations	-4,026
Total Gross Operating Profit of EDP Group	2,707,555
Total Operating Profit of Reported Segments	1,726,648
Operating Profit from Other Segments	-21,821
Adjustments and Inter-segments eliminations	-33,028
Total Operating Profit of EDP Group	1,671,799
Total Assets of Reported Segments (31 December 2014)	36,477,306
Assets Not Allocated	6,321,542
Financial Assets	4,315,663
Taxes Assets	590,400
Other Assets	1,415,479
Assets from Other Segments	867,344
Inter-segments assets eliminations	-793,175
Total Assets of EDP Group	42,873,017
Total Liabilities of Reported Segments (31 December 2014)	6,713,620
Liabilities Not Allocated	24,436,208
Financial Liabilities	20,309,511
Institutional partnership in USA	1,801,963
Taxes Liabilities	1,220,565
Other payables	1,103,159
Hydrological correction account	1,010
Liabilities from Other Segments	1,093,707
Inter-segments Liabilities eliminations	-1,339,662
Total Liabilities of EDP Group	30,903,873
Total Operating Investment of Reported Segments	1,046,946
Operating Investment from Other Segments	42,912
Total Operating Investment of EDP Group	1,089,858

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	317,884	30,674	-31,583	316,975
Supplies and services	-773,997	-224,879	355,699	-643,177
Personnel costs and employee benefits	-237,267	-125,898	15,519	-347,646
Other costs	-477,269	-24,641	4,577	-497,333
Provisions	-16,803	-4,571	-11	-21,385
Amortisation and impairment	-965,833	-19,546	-28,992	-1,014,371
Equity method in joint ventures and associates	14,939	10,522	-706	24,755





ANNEXES

AN ENERGY THAT TRANSFORMS OPPORTUNITIES

Making a difference to our customers' lives, offering them innovative solutions, and also to the lives of employees and shareholders, combining rigorous ethical conduct with enthusiasm and initiative.



THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade

Miguel Nuno Simões Nunes Ferreira Setas

Rui Manuel Rodrigues Lopes Teixeira



**KPMG & Associados - Sociedade de Revisores
Oficiais de Contas, S.A.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

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 nine month period ended 30 September 2015, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 41,485,150 thousand and total equity attributable to the shareholders of Euros 8,525,454 thousand including a consolidated net profit of Euros 735,919 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.

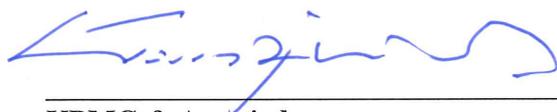
Scope

- 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 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 2015, 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, 29 October 2015



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.**
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11º
1069-006 Lisboa
Portugal

Telephone: +351 210 110 000
Fax: +351 210 110 121
Internet: www.kpmg.pt

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(This report is a free translation to English from the Portuguese version)

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- 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;
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 - d) the maintenance of an appropriate internal control system; and
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- 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.

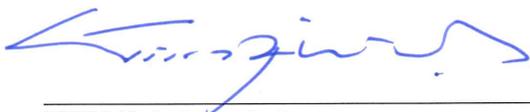
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 - the presentation of the interim financial information;
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Conclusion

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Lisbon, 29 October 2015



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vitor Manuel da Cunha Ribeirinho (ROC nr. 1081)

CONTACTS

HEAD OFFICE

EDP – Energias de Portugal
Avenida 24 de Julho, 12
1249-300 Lisboa
Portugal
Tel.: +351 21 001 25 00
Fax: +351 21 001 14 03
Online contact: www.edp.pt> about edp> contacts

INVESTORS

DRI – Investor Relations Department
Avenida 24 de Julho, 12
1249-300 Lisboa
Portugal
Tel.: +351 21 001 28 34
Fax: +351 21 001 28 99
Online contact: www.edp.pt> investors

CLIENTS

EDP Lines
Customer Service: 808 505 505
Meter Reading: 808 507 507
Emergency Service: 808 506 506
EDP Conforto: 800 501 501
Online contact: www.edp.pt> about edp> contacts

SUPPLIERS

Rua Camilo Castelo Branco, 46, 4º
1050-045 Lisboa
Portugal
Tel.: +351 21 001 53 00
Online contact: www.edp.pt> suppliers

SUGGESTIONS:

www.edp.pt> about edp> contacts

MEDIA

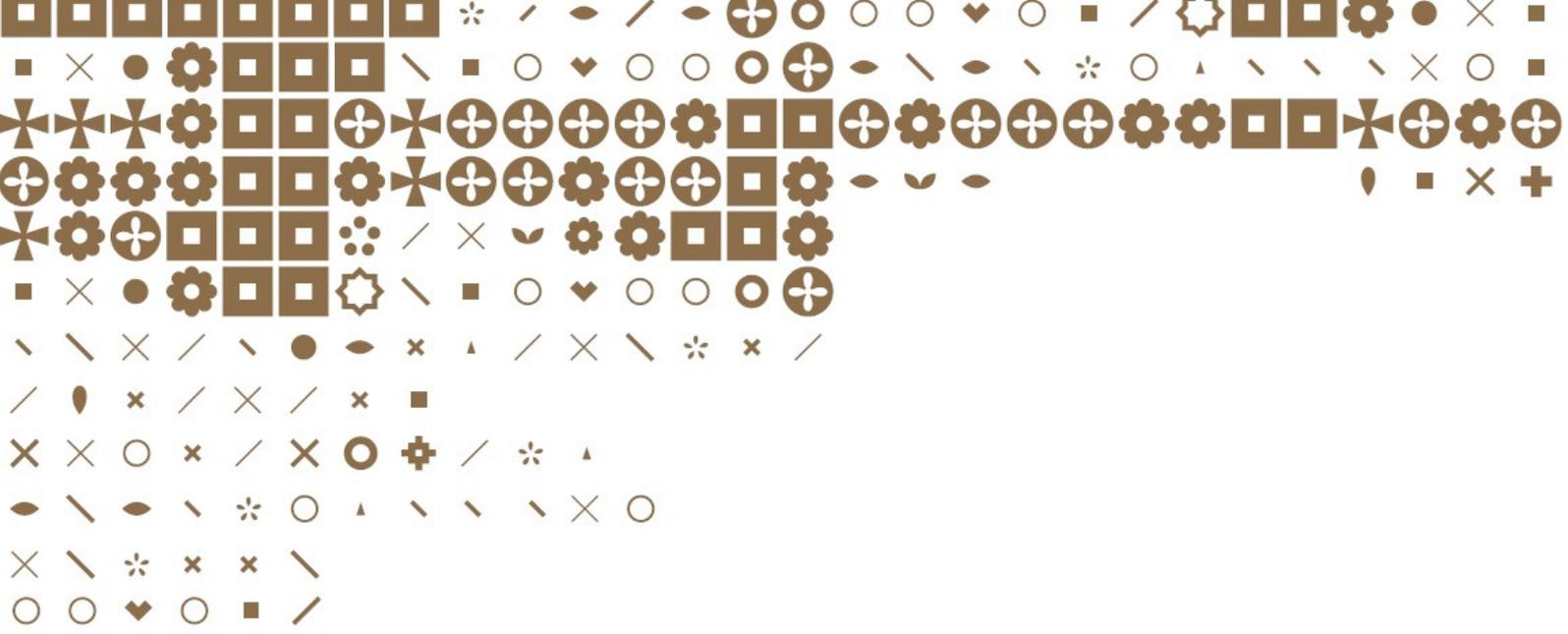
DMC – Brand and Communication Department
Avenida 24 de Julho, 12
1249-300 Lisboa
Portugal
Tel.: +351 21 001 26 80
Fax: +351 21 001 29 10
Online contacts: www.edp.pt> about edp> contacts

COMMUNITY

NGO Channel
Online contact: www.edp.pt> sustainability> stakeholders> ngo
E-mail: sustentabilidade@edp.pt
Fundação EDP
Av. de Brasília, Central Tejo
1300-598 Lisboa
Portugal
Tel.: +351 21 002 81 30
Fax: +351 21 002 81 04
Online contact: www.fundacaoedp.pt
E-mail: fundacaoedp@edp.pt
ECO – Energy Efficiency
Contactos online: www.eco.edp.pt
E-mail: eficienciaenergetica@edp.pt
ppec@edp.pt
Human Resources
Tel.: +351 21 002 25 89
Fax: +351 21 002 29 11

INSTITUTIONAL RELATIONS AND STAKEHOLDERS

DRIS - Institutional Relations and Stakeholder
Department
Avenida 24 de Julho, 12
1249-300 Lisboa
Tel.: +351 21 001 28 54
E-mail: stakeholders@edp.pt



edp

