third quarter 2012 report

index

edp

financial report

annexes

a better energy, a better future, a better world.

edp

edp in the world

Employees	250
Installed Capacity (MW)*	3,567
Net Generation (GWh)	7,204
Generation from renewable sources**	100%

edp renováveis

Employees	35
Installed Capacity (MW)*	363
Net Generation (GWh)	542
Generation from renewable sources**	100%

edp renováveis

Employees	19

edp renováveis

Employees	59
Installed Capacity (MW)*	475
Net Generation (GWh)	652
Generation from renewable sources**	100%

edp renováveis

Employees	15

edp renováveis

Employees	2,697
Electricity Costumers	2,903,697
Installed Capacity (MW)*	1,878
Net Generation (GWh)	6,054
Generation from renewable sources**	100%
Electricity Distribution (GWh)	18,611

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edp renováveis

Employees	7,181
Electricity Costumers	5,912,075
Gas Costumers	300,361
Installed Capacity (MW)*	10,284
Net Generation (GWh)	13,191
Generation from renewable sources**	35%
Electricity Distribution (GWh)	33,249
Gas Distribution (GWh)	5,520

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edp renováveis

Employees	2,041
Electricity Costumers	1,020,605
Gas Costumers	763,736
Installed Capacity (MW)*	6,167
Net Generation (GWh)	11,578
Generation from renewable sources**	36%
Electricity Distribution (GWh)	6,791
Gas Distribution (GWh)	42,866

edp hc energia

edp renováveis

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

vision, commitments and values

values

initiative
Demonstrated through behavior and attitude of our people.

trust
Of shareholders, customers, suppliers and other stakeholders.

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

excellence
In the way we implement.

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

vision

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

commitments

commitment with persons

- We join 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 provate and professional life is fundamental in order to be successful.

commitment with customer

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

commitment with sustainability

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

commitment with results

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

edp

recognition

Corporative

26th Jan - EDP is Gold Class by SAM (Sustainable Asset Management) and world leader of the electrical sector in 2012: The Sustainability Yearbook 2012 by SAM consultant was presented at the World Economic Forum, in Davos, Switzerland.

15th Mar - Ethisphere distinguished EDP as one of the 3 most ethical companies of the electrical sector in the world: The Group was worldwide recognised for the implementation of transparent practices in its businesses and in relation to all its stakeholders.

27th April - EDP distinguished with the International Award *Prevención PREVER 2011*: EDP was distinguished with one of the most renowned and ancient awards in Spain. This award is a reference not only in Spain but also in the European Union.

7th May - EDP acknowledged as reliable brand by the Reader's Digest Selections, in Public Utilities' category: Brands are directly nominated by respondents to the Reliable Brands inquiry, held annually.

16th May - EDP achieves Marketeer of the Year and Energy awards: In these awards' 4th edition, Paulo Campos Costa, Director for Brand and Communication at EDP Group, achieved the Marketeer of the Year Award. EDP was also distinguished with the Energy Award, with "Energia Douro" concert in 2011.

5th Jun - EDP is the most valuable portuguese brand: According to a survey by Brand Finance consultant, EDP maintains its leadership in the most valuable portuguese brands' ranking, with a brand value of 2.4 billion euro.

27th Jun - EDP was elected the best european company in Investor Relations at the Europe Awards 2012 by IR Magazine: EDP was distinguished as best company in Investor Relations in Portugal, and between european utilities. EDP Renewables was distinguished in Alternative Energy's category in Europe.

29th Jun - EDP acknowledged with Excellence in Communication by the Portuguese Association of Company's Communication: EDP achieved 3 awards, in intranet, corporate TV (4th consecutive year), and best corporate communication campaign categories. This campaign focused on the company's rebranding.

Aug - EDP is best in sustainability & corporate governance communication between world utilities: The independent survey Thomson Reuters Extel IRRI 2012 conducted by Thomson Reuters Extel and SRI-Connect, distinguished EDP, which is the sole portuguese company in the 30-best ranking. At the global and multisectorial ranking, EDP was ranked 24th.

13th Sep - EDP at the top of world sustainability in Dow Jones Index: For the 5th consecutive year, EDP is one of the utilities with best performance in the Dow Jones Sustainability Index, european and worldwide, matching the overall score of utilities' leader.

Portugal

26th Jan - InovGrid Project receives *Utility of the Year Award 2012*: EDP was recognised within the scope of the European Smart Metering Awards 2012. EDP Distribution was awarded on grounds of its contribution and impacts from the InovGrid Project on the subject of smart grids, energetic efficiency and its client-oriented approach.

Spain

17th Feb - HC Energía distinguished at the Annual Congress for Occupational Health and Work Risks' Prevention: Antonio Pereira and Alberto Cueto received the award for Best Oral Communication. Alberto Cueto, head of the Group's Work Risks and Prevention Department, also received the award for Occupational Risks' Prevention, in the individual category.

EDP Renewables

Mar - EDP Renewables received the Best Investor Relations Award in the renewable energies' sector: EDP Renewables was acknowledged at the 2012 All-Europe Executive Team by the Institutional Investor. In a total of 18 nominees in the renewable energies' sector, EDP ranked 1st in 3 categories: Best Investor Relations, Best CFO – Rui Teixeira (Sell Side + Buy Side) and Best Investor Relations Professional – Rui Antunes (Head of IR).

Apr - EDP Renewables is one of the Best Workplaces 2012, in Spain: The company ranked 6th in the list of Best Workplaces, made available by the Great Place to Work ®, in Spain.

12th Jun - EDP Renewables receives the 2012 EFR (Family Responsible Company) Certificate for Work-Family conciliation and equality of opportunities: EDP becomes part of the restricted set of companies credited with this certificate, developed by Másfamília Foundation.

21st Jun - EDP Renewables received the EMEA Finance Award for Best Sustainability Deal: This award recognised the funding of two wind farms developed in Romania: Cernavoda's and Pestera's wind farms.

EDP Brasil

30th Mar - EDP Bandeirante received the Solidarity Award 2012 in Guarulhos: The Distributor was distinguished by the Municipality of Guarulhos as one of the 15 companies which most assisted the city in 2011.

28th May - EDP Brasil among the most innovative in the south of the country at the 8th edition of the Innovation Champions Award: This award is held by *Amanhã* Magazine, in partnership with Edusys and with technical support from Dom Cabral Foundation. This award follows the Innovation Index, a methodology designed by Edward de Bono.

5th Jul - EDP Bandeirante earned the Abradee 2012 Award in Evolution's Improvement category: This award is promoted by the Brazilian Association of Electric Energy Distributors, and recognises the best practices from the Brazilian energetic sector companies.

17th Jul - Good Solar Energy Project receives award in Solar Heat Category: EDP Bandeirante was awarded in the context of the 9th Brazilian Congress of Energetic Efficiency, and Expoefficiency. The Good Solar Energy Project aims to install solar energy panels in houses belonging to low-income families.
program, which demonstrates EDP's integrity, responsibility and commitment towards the transparent disclosure of its GHG emissions.

21st Aug - EDP acknowledged in the 3rd Edition of the Sport-friendly Businessman Award, in Best Sport Friend category: EDP was recognised by the support to *Volley in Life* at Espírito Santo and *Football Society* at Tocantins, which promoted academic performance.

24th Aug - EDP among the Best from *Dinheiro 2012*: *Isto É Dinheiro* Magazine highlights EDP among the best companies in Brazil, in Innovation and Quality, Human Resources, and Corporate Governance areas.

13th Sep - EDP receives Child-Friendly Company Seal, attributed by Abring Foundation: EDP Bandeirante, EDP Escelsa and Enerpeixe renovated the certifications which acknowledge these companies' social and cultural responsibilities.

13th Sep - Gold Category on GHG Protocol: EDP received the Gold Seal certification on the Brazilian GHG Protocol Program (Greenhouse Gas Protocol). This is considered the highest recognition awarded by the

20th Sep - 100+ Innovative companies Award: The 12th edition of the 100+ Innovative Companies Award in the use of Information Technologies, promoted by IT Mídia, which evaluates the best entrepreneurial practices in the use of information technologies as an innovation strategy and investment, granted to EDP Energias do Brasil the award in the utilities' category.

28th Sep - EDP is one of the 10 Best companies in Human Resources Management: Organizational Climate, Staff Development and Strengthening of Leaders were some of the items evaluated by the Human Resources Management Award. The award recognised EDP Energias do Brasil among the 10 best companies in the country. EDP was highlighted in the Leadership Dimension, thus reflecting the commitment of the company in leaders' development, demonstrated by the *Executive Development Program*.

main events

Jan-4: Imputation to China Three Gorges of 21.35% of voting rights. The imputation of a qualifying holding results from the signature of the said agreement within the context of the implementation of EDP's 8th reprivatisation phase.

Feb-1: Standard & Poor's Ratings Services downgraded the long-term and short-term corporate credit ratings on EDP – Energias de Portugal S.A. and EDP Finance B.V. from "BBB" to "BB+" with negative outlook, removing the ratings from CreditWatch with negative implications, following the downgrade of the Republic of Portugal to "BB" with negative outlook, on January 13, 2012.

Feb-15: Moody's Investors Service downgraded EDP - Energias de Portugal SA, its finance subsidiary EDP Finance BV and its Spanish subsidiary, Hidroelectrica del Cantabrico to "Ba1" from "Baa3", also downgrading the short-term ratings of EDP, EDP Finance and HC Energía to "Not-Prime" from "Prime-3", and placing them with negative outlook. This downgrade follows Moodys's downgrade of the Republic of Portugal's sovereign rating to "Ba3" with a negative outlook from "Ba2" with a negative outlook, as announced on 13 February 2012.

Feb-20: General shareholders meeting was held, where it was approved: not to be regarded as a EDP competitor the shareholder that holds at least 20% of the share capital and maintains a strategic partnership with the company; the increase of the limit for the cast votes from 20% to 25%; election of the members of the General and Supervisory Board for the three year period 2012-2014; election of the members of the Executive Board of Directors for the three year period 2012-2014.

Feb-27: Appointment of Representatives for the General Supervisory Board. The members of the General and Supervisory Board Cajastur Inversiones, S.A., José de Mello Energia, S.A. and Senfora SARL, elected in the Annual General Shareholders Meeting held on February 20, 2012, appointed Mr. Felipe Fernández Fernández, Mr. Luís Filipe da Conceição Pereira and Mr. Mohamed Al Fahim, respectively, as representatives to exercise the office.

Feb–27: Bemposta's and Picote's new powerplants enhancing domestic hydroelectric production in 4%. These projects represent a total investment of 300 million euros, and are the first to start operating among 12. These two projects recover 1200 hm3 of flows whose discharges will be stopped, and will contribute with more 375 GWh/year to the domestic electrical production system.

Feb–27: EDP supports dam-owning municipalities with 5 million euros. EDP signed a Protocol with the National Association of Portuguese Municipalities for an annual voluntary support of 5 million euros to municipal initiatives regarding sustainability in municipalities where hydroelectric power stations on ordinary regime are located. This support by EDP relates to the fact that the legal framework for annual rents to be paid to municipalities in the zone of influence of the hydroelectric units, approved in 1983, is maladjusted, thus affecting municipalities.

Mar-13: Appointment of Representatives for the General Supervisory Board. The members of the General and Supervisory Board Sonatrach and Parpública – Participações Públicas, (SGPS), S.A., elected in the Annual General Shareholders Meeting held on February 20, 2012, appointed Mr. Harkat Abderrezak and Mr. Joaquim José de Oliveira Reis, respectively, as representatives to exercise the office.

Energy Co., Ltd. elected in the General Shareholders Meeting held on February 20th, 2012, appointed as representatives to exercise the office, Mr. Dingming Zhang, Guojun Lu, Shengliang Wu and Ya Yang, respectively.

Mar-14: Norges Bank decreases its ownership interest in the share capital of EDP. Norges Bank notified EDP regarding the decrease of a qualifying holding of 2.01% to 1.96% of the EDP share capital.

Apr-3: Fitch Ratings has placed all Spanish utilities and those utilities with sizeable exposure to Spain on Rating Watch Negative, among which EDP – Energias de Portugal, S.A., its finance subsidiary EDP Finance BV and its Spanish subsidiary, Hidroelectrica del Cantabrico, maintaining long-term Issuer Default Ratings and senior unsecured ratings at "BBB+", following the measures adopted by the Spanish government as part of its 2012 budget presentation.

Apr-5: EDP Renwables inaugurated Tramandaí's Wind Farm (70MW), in Brazil.

Apr-17: Annual General Shareholders Meeting. Approval of the 2011 individual and consolidated financial statements and approval of the proposed distribution of EDP's 2011 net profit for the period. Election of the statutory auditor and of its alternate, of the members of the Board of the General Shareholders' Meeting, the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting and the members of the Environment and Sustainability Board, for the three year period 2012-2014.

May-4: EDP issues €250 million 3 year bond, maturing in May 2015.

May-7: Barclays notifies significant shareholding in EDP. Barclays Plc notified EDP -Energias de Portugal,S.A., about an increase of its participation in the EDP share capital, in which Barclays holds 75,223,922 ordinary shares of EDP, which corresponds to 2.06% of EDP's share capital and 2.06% of the respective voting rights.

May-11: CTG acquires and Parpublica reduces qualified shareholding in EDP. China Three Gorges International (Europe), S.A., notified EDP - Energias de Portugal,S.A., that on the present date, it has acquired, through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP which are the object of the reference direct sale that pursued the 8th reprivatization phase of EDP, therefore, concluding the Reference Direct Sale Agreement entered into with Parpública – Participações Públicas (SGPS), S.A., on 30 December 2011. Accordingly, Parpública has reduced its qualified shareholding in EDP from 25.49% of the respective share capital and voting rights to 4.14% of the share capital and voting rights in EDP, holding a total amount of 151,517,000 shares in EDP, all of which correspond to category B shares.

May-11: Appointment of Representatives for the General Supervisory Board. The members of the General and Supervisory Board China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges International (Europe) Limited and China Three Gorges New

May-14: JP Morgan Chase notifies qualifying holding in EDP. JP Morgan Chase & Co. notified EDP - Energias de Portugal, S.A., about an increase of its participation in the EDP share capital, in which it holds 89,517,028 ordinary shares of EDP, which corresponds to 2.45% of EDP's share capital and 2.45% of the respective voting rights.

May-16: Payment of gross dividend of EUR 0.185 per share for the 2011 financial year (net dividend of EUR 0.139).

May-17: Portuguese Government announces set of measures for the power sector, which mostly provide for two changes of immediate effects with economic and financial impact in the EDP Group: adjustment to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the contractual balance (CMEC), for the period 2013 to 2027 and the revision of the amounts regarding the incentive to investment in power generation resulting from capacity payments.

May-24: Barclays and JP Morgan decrease their ownership interest in the share capital of EDP. Barclays Plc notified EDP regarding the decrease of a qualifying holding of 2.06% to 1.82% of the EDP share capital. JP Morgan Chase & Co. notified EDP regarding the decrease of a qualifying holding of 2.45% to 1.43% of the EDP share capital.

Jun–14 EDP partners with the United Nations Foundation in the context of Rio + 20 conference.

Jun–16 EDP and its partners inaugurate the first portuguese offshore wind power platform. EDP, Repsol, InovCapital and Principle Power, Inc. inaugurated the first offshore wind power platform in Portugal. The WindFloat system, standing off Aguçadoura's coast, is equipped with a wind generator of 2 MW, which is already producing and supplying energy to the network. To date, 1.7 GWh have already been produced.

Jul-3: MFS notifies qualified shareholding in EDP. Massachusetts Financial Services Company notified EDP that, it came to hold 73,495,461 ordinary shares of EDP, which corresponds to 2.01% of EDP's share capital and 2.01% of the respective voting rights.

Jul-20: EDP sells its gas transmission business in Spain to Enagás. EDP, through its gas sector subsidiary in Spain, Naturgas Energía Grupo, S.A. has reached an agreement with Enagás, S.A., for the sale of the gas transmission business owned by EDP Group in Spain, with a transaction price representing an enterprise value of €262.5 million.

Jul-26: China Development Bank Corporation agrees on €1,000 million loan to EDP. China Development Bank Corporation approved the terms of a loan to be provided to EDP and EDP Finance BV for a total of €1,000 million. The loan is senior and unsecured, with a 5 year tenor.

Jul-30: EDP proposes new collective labour agreement. EDP informs the trade unions that integrate employees of its group companies, that are parties of the Collective Labour Agreement (CLA), that these companies will terminate the CLA in force since year 2000 and present a proposal for a new collective labour agreement. The new proposal aims to assure the sustainability of the existing social protection system, namely regarding healthcare and pensions, and reinforce the instruments for employees professional development, considering the current context of the Portuguese Electricity Sector.

Jul–31: Sustainable Supplier EDP Award. In the 2nd edition of this award, 38 new companies in five districts in the Lower Sabor hydroelectric plant's zone of influence were created. Initiated in 2010, at Lower Sabor, the award benefitted a total of 170 potential entrepreneurs, and helped launching more than 60 new local business projects.

Aug-1: MFS decreases its ownership interest in the share capital of EDP. Massachusetts Financial Services Company notified EDP regarding the decrease of a qualifying holding of 2.01% to 1.989% of the EDP share capital.

Aug-2: Fitch downgrades EDP to "BBB-" with outlook negative. Fitch downgraded EDP, its finance subsidiary EDP Finance BV and its Spanish subsidiary, HC Energía long-term Issuer Default Ratings to "BBB-" from "BBB+", with negative outlook. EDP and HC Energía's ratings have been removed from Rating Watch Negative.

Set-14: EDP issues EUR 750 million 5 year bond.

Oct-18: Resignation of member of the General and Supervisory Board. Due to the resignation as Chairman of the Board of Directors of Parpublica - Participações Públicas (SGPS), S.A., Mr. José Joaquim de Oliveira Reis has presented by letter on the 11th October, his resignation as member of the General and Supervisory Board.

Oct-22: Bank of China signs €800 million loan with EDP. EDP and EDP Finance BV signed a €800 million Multicurrency Term Facility Agreement with Bank of China. The loan is senior and unsecured, with a 3 year tenor.

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objectives and goals

Areas of Action	Objectives	Goals	Date
Economic and Social Value	To focus in growth	EBITDA CAGR: ~5% per year	2011-2015
		Net Profit CAGR: low single digit.	2011-2015
		Payout ratio between 55% and 65% of the recurrent Net Profit (min. €0.185/share)	2012-2015
		Annual average Operational Investment: € 2,000M	2012-2015
		Total investment on renewable energies (60% annual average)	2012-2015
		Installed Capacity of 26 GW	2015
	To promote internal efficiency	OPEX reduction of € 75M in 2012 and € 130M in 2015	2012-2015
	To control risk exposure	Ratio Adjusted Net Debt/EBITDA lower than 3.0x	2015
	To improve the integration of sustainability practices in the internal management	Keep the SAM Gold Class	2012
Eco-efficiency and Environmental Protection	Focus the growth to a cleaner production	Reduce CO2 specific emissions by 56% in 2012 in comparison with 2005 values, and by 70% in 2020 in comparison with 2008 values	2012-2020
	Improve eco-efficiency	5% growth in primary energy consumption	2012
	Strenghten an appropriate environmental management of EDP's activities	Increase 1300 MW of installed capacity certified by ISO 14001; Increase 945 MVA (20 Substations) certified by ISO 14001, in the Distribution activity	2012
Innovation	To promote the competitiveness and productivity through innovation	Finance Research & Development and Innovation projects of at least € 60M	2012
Integrity and Good Governence	Strenghten the ethics in all EDP's employees' culture	Incorporate the list of the World's Most Ethical Companies by Etisphere Institute	2012
Transparency and Dialogue	Report transparently and ensure an open and trusting relation with the stakeholders	Review the relation model with the stakeholder Publish a multifunctional and atractive Annual Report in a web format	2012
Human Capital and Diversity	Strenghten health and safety management in all EDP's Group	Having a certified Corporate Safety Management System	2013
	Work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers, by 5% compared to 2011	2012
	Strengthen the internal mobility of EDP's employees	Percentage to be determined in each company	2012
	Keep a high level of employee satisfaction	Keep the Global Satisfaction level of employees above 80%	2013
Access to Energy	Keep or improve the quality levels of technical and commercial services provided to our clients	Ensure that ICEIT and EIDC are above the levels set by Regulators	2012-2015
		Ensure energy distribution between 135 and 139 TWh to 11 million supply points	2012-2015
Social Development and Citizenship	Enhance a close relation between the company and the society	Budget allocated to Fundação EDP up to 0.1% of the Group's 2011 turnover. Ensure to Fundação HC Energía an amount of at least 70% of the Net Profit, and to Institute EDP up to 0.1% of the Net Profit in 2011. Extend the Volunteer Program to all the Group and increase the number of Volunteer partnerships in 30%. Integrate social and cultural announcements	2012

edp

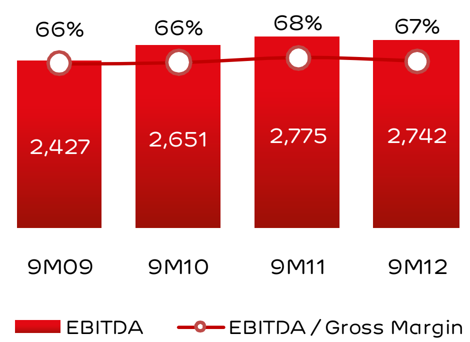
summary of key metrics

Financial Indicators

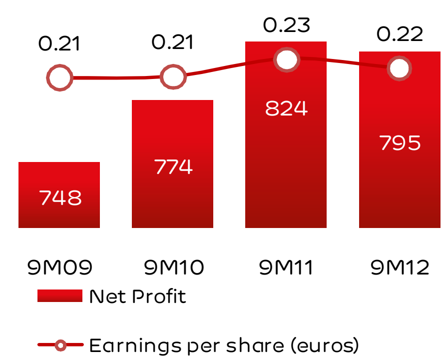
EUR thousands

EDP Group	9M12	9M11	9M10	9M09
Turnover	12,089,966	11,161,907	10,238,609	8,855,663
EBITDA	2,742,440	2,775,028	2,650,769	2,427,123
EBIT	1,678,589	1,720,374	1,502,697	1,472,158
Net profit*	794,526	823,630	774,272	748,082
Operating Cash-flow	1,371,122	2,352,275	1,065,021	3,019,471
Operating investment	1,197,439	1,352,821	1,958,650	2,527,708
Investment in renewables	57%	58%	65%	73%
Financial Investment /(Divestiture)	55,751	-136,455	-40,421	-8,552
Net assets	42,083,336	39,775,327	39,523,957	39,329,613
Equity**	8,110,404	7,761,268	7,520,996	7,006,058
Net debt***	18,248,001	16,591,740	16,246,375	14,389,488
OPEX savings	57,553	-	-	-
Net debt/Gross operating profit (x) ****	5.0	4.5	4.6	4.4
Adjusted Net debt/Gross operating profit (x)****	4.3	4.0	4.2	4.0
Financial liabilities/Equity	255%	236%	235%	241%
Earnings per share (EUR)	0.22	0.23	0.21	0.21
Dividend Yield	8.6%	7.3%	6.2%	4.5%
Payout ratio	60%	58%	55%	47%
Market capitalisation	7,832,304	8,464,885	9,192,536	11,444,963

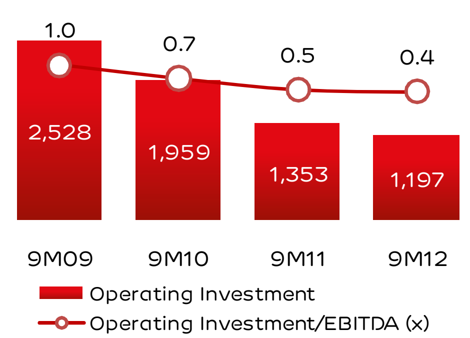
Gross Operating Profit (€M)



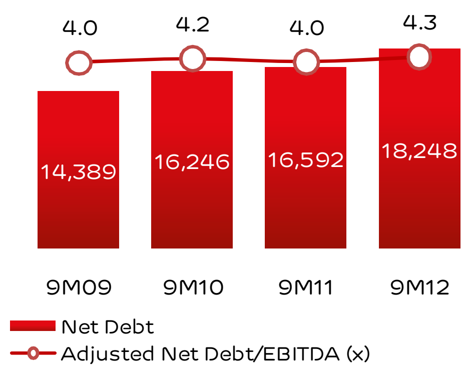
Net Profit* (€M)



Operating Investment (€M)



Net Debt*** (€M)



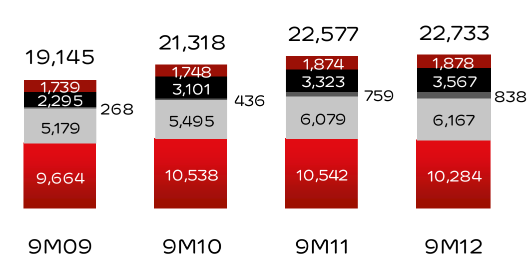
* Net Profit atributable to EDP Equity holders ** Does not include Non Controlling Interests
*** Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value and net investment hedges **** Annualised indicator
Note: the figures before 2012 are not restated according to changes in accounting policy 2a) from Annual Report.

edp

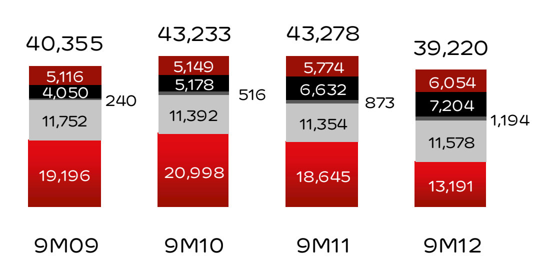
Operacional Indicators (1/2)

	9M12	9M11	9M10	9M09
Installed Capacity (MW)	**22,733**	**22,577**	**21,318**	**19,145**
Hydro	7,236	6,795	6,739	6,730
Thermal	7,643	8,354	7,925	7,078
Conventional Thermal (Coal e fuel)	3,587	3,587	4,060	4,116
CCGT	3,736	3,736	3,308	2,405
Other*	321	1,031	557	557
Wind	7,388	6,959	6,181	4,882
Other Renewables	192	195	198	198
Other	275	275	275	257
Net Electricity Generation (GWh)	**39,220**	**43,278**	**43,233**	**40,355**
Hydro	9,562	14,550	17,410	11,199
Thermal	14,679	14,980	14,120	20,337
Conventional Thermal (Coal e fuel)	11,504	8,349	6,066	12,036
CCGT	2,284	5,759	7,202	7,507
Other**	891	872	853	795
Wind	13,345	11,975	9,818	7,295
Other Renewables	301	495	613	320
Other	1,333	1,279	1,272	1,204
Steam	1,593	1,577	1,504	1,800
Electricity Distributed (GWh)	**58,649**	**60,555**	**60,158**	**56,069**
Portugal	33,249	34,879	35,539	33,836
Spain	6,791	7,220	6,837	6,704
Brazil	18,610	18,457	17,782	15,529
Electricity Supply Points (#th)	**9,667**	**9,616**	**9,504**	**9,371**
Portugal	6,107	6,154	6,144	6,108
Spain	657	655	649	642
Brazil	2,903	2,808	2,711	2,621
Installed Capacity Equivalent Interruption Time (min)				
Portugal	38	53	73	72
Spain	23	28	50	119
Equivalent Interruption Time per Consumer (hours) - Brazil				
Bandeirante	8.7	10.4	15.7	9.6
Escelsa	9.8	10.4	11.4	9.0
Gas Distributed (GWh)	**48,386**	**40,692**	**39,251**	**18,735**
Portugal	5,520	5,296	5,048	4,343
Spain	42,866	35,396	34,202	14,392
Gas Supply Points (#th)	**1,289**	**1,254**	**1,220**	**917**
Portugal	285	264	241	215
Spain	1,004	989	979	702

Installed Capacity (MW)



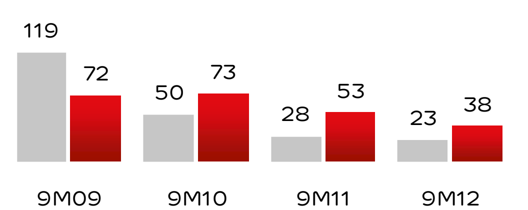
Net Generation (GWh)



Portugal Spain Rest of Europe North America Brazil

Electricity Distributed (GWh)

ICEIT (min)

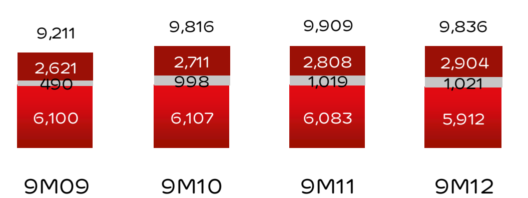


* Includes 156MW from Nuclear powerplant (Trillo) in Spain ** Includes 891GWh from Nuclear powerplant (Trillo) in Spain

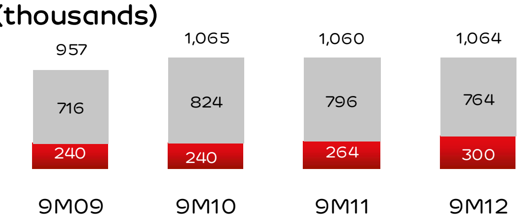
Operacional Indicators (2/2)

	9M12	9M11	9M10	9M09
Electricity Supplied (GWh)	**56,752**	**60,494**	**63,716**	**61,141**
Portugal	22,009	25,333	29,453	32,152
Free Market	7,189	6,843	6,480	3,254
Last resort supply	14,820	18,490	22,974	28,899
Spain	15,355	16,225	17,236	12,834
Free Market	14,804	15,588	16,361	12,510
Last resort supply	551	637	876	324
Brazil	19,388	18,936	17,026	16,155
Free Market	8,150	7,555	6,039	6,243
Last resort supply	11,238	11,381	10,987	9,912
Electricity Supplied -Green Tariff (GWh)	**10,854**	**10,439**	**8,808**	**7,508**
Portugal	8	10	10	6
Spain	3,643	3,797	3,620	3,451
Brazil	7,204	6,632	5,178	4,050
Electricity Supplied - Special Needs (GWh)	**0.9**	**0.8**	**0.7**	**0.2**
Electricity Supplied - Social Tariff (GWh)	**283**	**320**	**284**	**222**
Portugal	31	0	0	0
Spain	89	94	74	7
Brazil	162	225	210	215
Number of electricity costumers (#)	**9,836,377**	**9,909,309**	**9,816,151**	**9,210,736**
Portugal	5,912,075	6,082,643	6,106,981	6,100,312
Free Market	547,590	292,646	304,507	246,428
Last resort supply	5,364,485	5,789,997	5,802,474	5,853,884
Spain	1,020,605	1,018,902	998,438	489,813
Free Market	731,499	695,243	615,211	489,813
Last resort supply	289,106	323,659	383,227	n/d
Brazil	2,903,697	2,807,764	2,710,732	2,620,611
Free Market	233	121	84	107
Last resort supply	2,903,464	2,807,643	2,710,648	2,620,504
Number of electricity costumers - Green Tariff (#)	**519,191**	**348,884**	**386,884**	**181,440**
Portugal	4,627	5,334	5,635	3,665
Spain	514,564	343,550	381,249	177,775
Brazil	n.d.	n.d.	n.d.	n.d.
Number of electricity costumers - Special Needs (#)	**842**	**863**	**718**	**790**
Number of electricity costumers - Social Tariff (#)	**260,935**	**392,988**	**424,870**	**411,471**
Portugal	72,766	76,905	7,123	6,424
Spain	60,766	60,973	54,756	42,268
Brazil	127,403	255,110	362,991	362,779
Gas Supplied (GWh)	**26,214**	**26,868**	**30,293**	**19,977**
Portugal	5,515	6,246	9,693	4,874
Free Market	4,525	5,203	4,644	531
Last resort supply	990	1,043	5,048	4,343
Spain	20,699	20,622	20,600	15,104
Free Market	20,389	20,287	19,931	14,088
Last resort supply	310	335	670	1,016
Number of Gas costumers (#)	**1,064,097**	**1,060,287**	**1,064,954**	**956,720**
Portugal	300,361	264,302	240,474	240,297
Free Market	29,237	708	177	0
Last resort supply	271,124	263,594	240,297	240,297
Spain	763,736	795,985	824,480	716,423
Free Market	673,171	679,842	676,421	622,793
Last resort supply	90,565	116,143	148,059	93,630

Number of Electricity Costumers (thousands)



Number of Gas Costumers (thousands)



Portugal Spain Brazil

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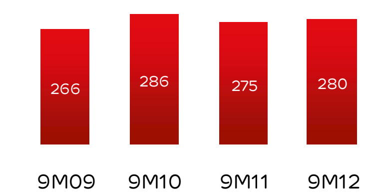
Economic Indicators

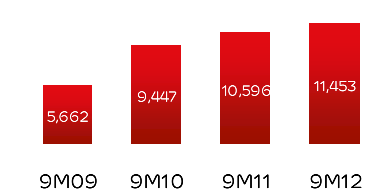
Economic Indicators	9M12	9M11	9M10	9M09
Sustainability Index (SI) *	**127**	**129**	**129**	**123**
Main factors (SI evolution)				
Renewable investment importance (%)	56.7	57.0	65.4	73.3
Revenues from ISO 14001 certified installations (%)	34.7	27.9	24.1	30.0
CO_2 specific emissions (t/MWh)	0.34	0.28	0.24	0.38
NOx specific emissions (g/kWh)	0.28	0.26	0.27	0.47
SO_2 specific emissions (g/kWh)	0.30	0.12	0.15	0.31
Waste specific production (g/kWh) (2)	12.2	8.8	8.2	11.1
% of working women in total employees	22	20	21	21
Training hours/ Working hours (%)	2.1	1.9	1.9	1.5
Severity rate	121	178	119	147
Economic Indicators (EUR thousands)				
GVA per employee **	**280**	**275**	**286**	**266**
Direct economic value generated ***	**12,889,920**	**12,014,299**	**11,014,766**	**8,527,854**
Economic value distributed ***	**11,453,176**	**10,596,027**	**9,446,874**	**5,662,261**
Supplier costs	673,325	648,446	621,633	529,772
Staff costs	432,819	432,198	525,256	518,433
Community contributions	139,494	223,793	194,079	258,933
Dividends	670,829	616,581	561,819	507,153
Economic Value Retained ***	**1,436,745**	**1,418,272**	**1,567,892**	**2,865,593**
Fines and penalties	**43.54**	**60.33**	**3,447.52**	**87.82**
Support from Public Authorities ****	**392,296**	**662,341**	**810,738**	**176,957**
Billing of energy services	**32,632,140**	**14,773,692**	**15,279,474**	**7,658,944**

Base Sustainability Index 100:2006

GVA per employee (EUR thousands)



Economic value distributed (EUR thousands)



*The Sustainability Index was designed by EDP, and considers 26 performance indicators regarding sustainability.
(http://www.edp.pt/pt/sustentabilidade/abordagemasustentabilidade/Pages/default_new.aspx
**The 2009 and 2010 figures for the "GVA" indicator were revised according to what is stipulated in the Global Reporting Initiative.
The 2009 and 2010 figures for the "Employees" indicator were revised due to changes in methodology "headcount", so as to include Executive Governing Bodies.

***The 2009 and 2010 figures for "Economic value generated, distributed and retained" were revised in accordance with what is stipulated in the Global Reporting Initiative. ****Only refering to Portugal

Direct impacts (some)
- 10,900,474 customers
- 107,036 GWh energy distributed
- 82,966 GWh energy supplied

Indirect impacts (some)
- Development of smart grids;
- Development of energy efficiency campaigns.

Direct impacts (some)
- 12,297 employees
- EUR millions 481 employees costs
- EUR millions 1,197 invested
- EUR millions 7,832 "Market capitalisation"

Direct impacts (some)
- Protocols with stakeholders to develop sustainability initiatives

Economic value generated (1)
EUR millions 12,890

Economic value distributed (1)
EUR millions 11,453

Economic value accumulated (1)
EUR millions 1,437

(1) Generated Economic Value (GEV): Turnover + other operating income + gains/losses with the sale of financial assets + gains/losses from associated companies + financial income
Distributed Economic Value (DEV): COGS + operating costs + other operating costs + current tax + financial costs + dividend payment; Accumulated Economic Value (AEV): GEV - DEV.

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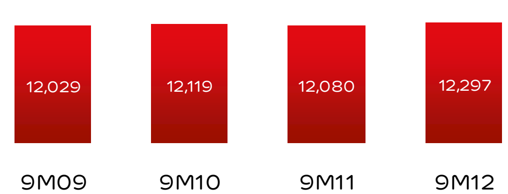
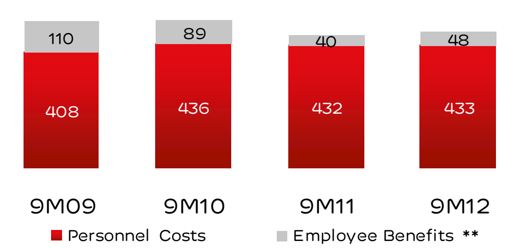
Social Indicators

Social Indicators	9M12	9M11	9M10	9M09
Employment				
Employees (#) *	12,297	12,080	12,119	12,029
Portugal	7,122	7,154	n/k	n/k
Spain	1,649	1,682	n/k	n/k
EDP Renewables	850	2,435	n/k	n/k
EDP Brazil	2,676	809	n/k	n/k
Female employees (#) *	2,690	2,397	n/k	n/k
Portugal	1,447	1,421	n/k	n/k
Spain	382	144	n/k	n/k
EDP Renewables	269	584	n/k	n/k
EDP Brazil	593	248	n/k	n/k
Staff turnover (%)	4.57	4.41	4.07	4.61
Absenteeism (%)	3.14	3.44	3.57	3.33
Personnel costs (EUR thousands)	432,819	432,198	435,913	408,303
Social Benefits (EUR thousands) **	48,068	39,567	89,342	110,130
Training				
Total training hours	323,806	314,877	276,601	218,810
Total training rate (%) (h/p)	26.3	26.1	22.8	18.2
Employees trained (%) *	78	70	88	60
Total training costs (EUR thousands)	4,227	4,560	4,670	3,830
Work productivity (€/h) ***	221	205	234	189
Prevention and safety				
On-duty accidents (#)	25	31	32	32
On-duty death accidents (#)	1	1	1	1
PSE On-duty death accidents (#)	10	2	2	6
EDP severity index (Tf)	1.60	1.92	2.06	2.07
EDP frequency index (Tg)	121	178	119	147
Total lost days due to accidents (#)	1,890	2,873	1,851	2,269
PSE frequency index (Tf)	4.53	4.67	7.23	6.65
EDP+ PSE frequency index (Tf)	3.65	3.80	5.07	4.52

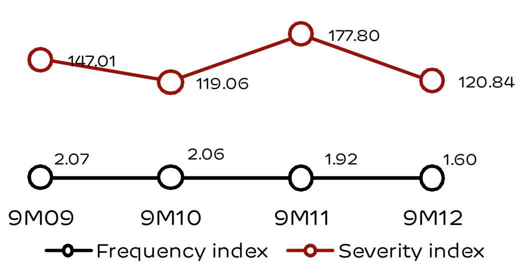
Number of employees



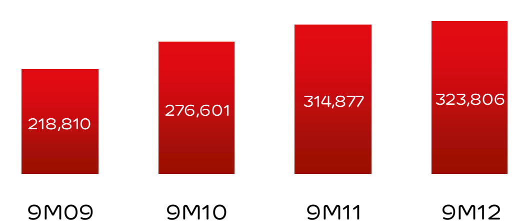
Costs and Benefits with employees ** (EUR millions)



EDP severity and frequency indexes



Training volume (h)



* The figure from 2011 was revised due to changes in "headcount" methodology, so as to include Executive Social Bodies.
** In September, 2011, financial costs from pension funds were reclassified.
*** The figure from 2011 was changed regarding to what has been reported due to a change in GVA calculation methodologies.

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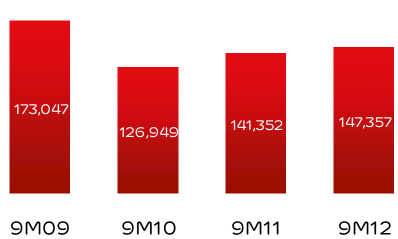
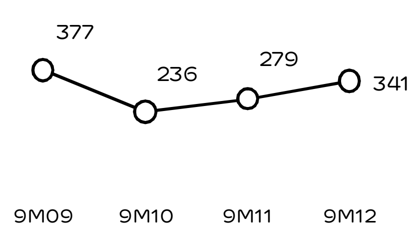
Environmental Indicators (1/2)

	9M12	9M11	9M10	9M09
Primary energy consumption (TJ) *	**147,357**	**141,352**	**126,949**	**173,047**
Total for generation, transportation and distribution *	147,182	141,100	126,730	172,901
Coal	107,405	75,888	54,557	107,067
Fuel-oil	510	522	729	4,780
Natural gas *	29,150	51,119	59,678	54,155
Diesel	113	63	329	70
Forestry waste	2,394	3,762	3,165	543
Residual gases (steel plant gas, blast furnace gas, coke gas)	7,611	9,746	8,307	6,287
Vehicle fleet fuel	175	253	184	146
Electricity consumption (MWh)				
Production consumption **	1,919,743	1,465,266	1,244,904	1,811,497
Administrative services ***	23,874	25,222	23,769	14,776
Losses over network (%)	9.0%	7.2%	8.3%	8.2%
Atmospheric emissions				
Total Emissions (kt)				
CO_2 ****	13,599	12,279	10,373	15,578
SO_2	12.1	5.1	6.6	16.2
NOx	11.2	11.3	12.0	26.4
Particles	0.5	0.5	0.3	1.0
Overall specific emissions (g/kWh)				
CO_2 *****	341	279	236	377
SO_2	0.30	0.12	0.15	0.31
NOx	0.28	0.26	0.27	0.47
Particles	0.01	0.01	0.01	0.02
Specific emissions from thermal power stations (g/kWh)				
CO_2 *****	801	718	641	688
SO_2	1.09	0.30	0.41	0.71
NOx	1.01	0.66	0.74	1.16
Particles	0.05	0.00	0.02	0.04
CO_2 avoided through the use of renewable energies (kt)	11,059	12,937	15,174	9,279
CO_2 intensity (g/€)	1,125	1,100	1,013	1,759
Direct emissions (scope 1) (kt CO_2 eq)	13,630	12,309	10,388	14,374
Indirect emissions (scope 2) (kt CO_2 eq)	1,141	713	7	0

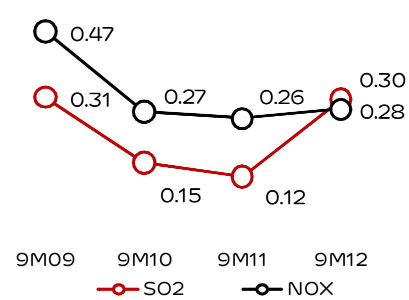
Primary Energy Consumption (TJ)



CO_2 Specific Emissions (g/kWh)



Specific Emissions (g/kWh)

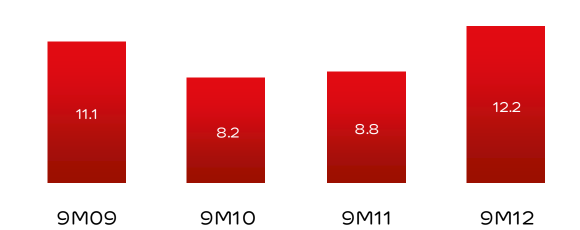


* Figure for 2011 was changed to include gas consumption in gas transportation and distribution activities.
** Figure for 2011 was revised to include backfeed power.
*** Figure for 2011 was revised because it did not include a set of buildings which changed their supplier.
**** Not including vehicle fleet.
***** Calculated for net generation, as stipulated in the Global Reporting Initiative.

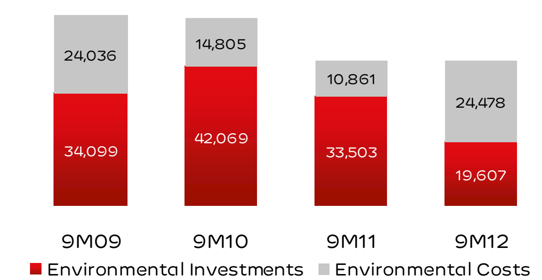
Environmental Indicators (2/2)

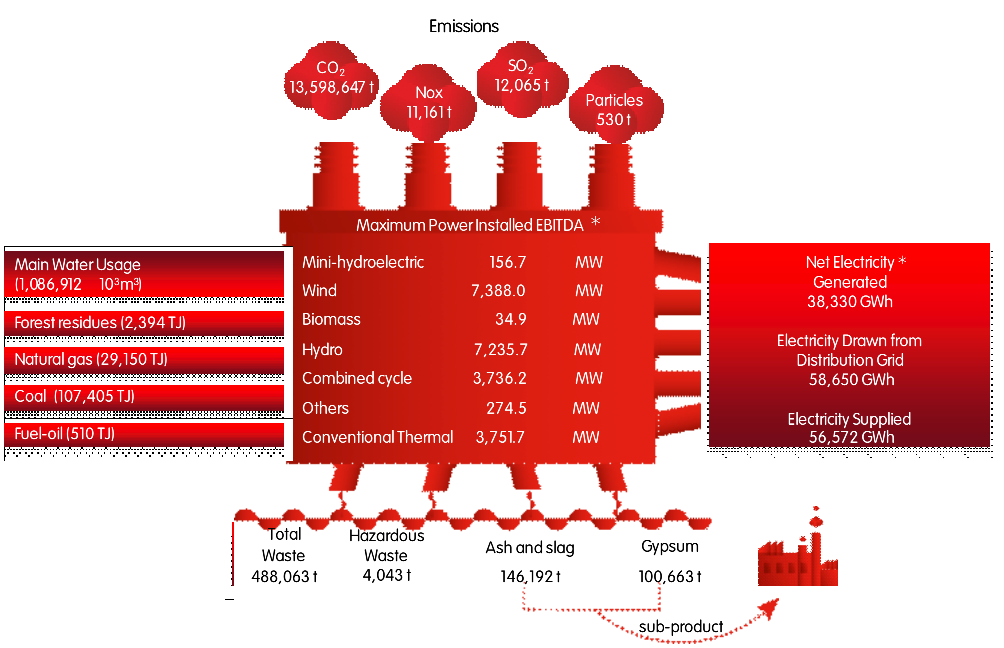
	9M12	9M11	9M10	9M09
Water				
Refrigeration water	1,080,760	1,011,744	747,521	1,332,162
Raw water	5,977	5,244	3,892	4,411
Drinking water	175	256	229	195
Waste				
Total waste (t)	488,063	385,515	360,033	459,264
Total hazardous waste (t)	4,043	20,884	3,770	1,463
Recovered waste (%)	63%	72%	91%	70%
Sub-products (t)	246,855	298,076	n/a	n/a
Environmental Expenses				
Environmental expenses (EUR thousands)	44,084	44,364	56,874	58,135
Environmental income (EUR thousands)	2,796	4,491	6,928	972
Environmental investment as a proportion of total investment (%)	1.6%	2.5%	2.1%	1.3%
Environmental fines and penalties (EUR thousands)	211	0	4	37
Environamental Certification (ISO 14001)				
Number of certified production facilities	166	108	83	78
Net maximum of certified installed capacity (%)	72	70	68	64
Number of certified substations	128	43	21	3
Installed capacity of certified substations (%)	24	7	3	0
Certified gas distribution (%)	100	100	100	100

Waste per generated electricity unit (g/kWh)



Environmental Expenses (EUR thousands)





* Excludes nuclear

financial report

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Condensed Financial Statements

30 September 2012

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the nine months periods ended 30 September 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	12,089,966	11,161,907
Cost of electricity	6	-6,128,295	-5,377,165
Cost of gas	6	-1,044,847	-961,129
Changes in inventories and cost of raw materials and consumables used	6	-817,001	-741,095
		4,099,823	4,082,518
Revenue from assets assigned to concessions	7	285,765	308,839
Expenditure with assets assigned to concessions	7	-285,765	-308,839
		-	-
Other operating income / (expenses):			
Other operating income	8	219,849	233,426
Supplies and services	9	-673,325	-650,161
Personnel costs and employee benefits	10	-480,887	-471,765
Other operating expenses	11	-423,020	-418,990
		-1,357,383	-1,307,490
		2,742,440	2,775,028
Provisions	12	-3,410	-1,733
Depreciation, amortisation expense and impairment	13	-1,079,511	-1,078,202
Compensation of amortisation and depreciation	13	19,070	25,281
		1,678,589	1,720,374
Gains / (losses) on the sale of financial assets		2,857	10,280
Financial income	15	559,808	591,257
Financial expenses	15	-1,075,478	-1,137,196
Share of profit in associates		17,440	17,429
Profit before income tax		1,183,216	1,202,144
Income tax expense	16	-273,133	-242,165
Net profit for the period		910,083	959,979
Attributable to:			
Equity holders of EDP		794,526	823,630
Non-controlling Interests	33	115,557	136,349
Net profit for the period		910,083	959,979
Earnings per share (Basic and Diluted) - Euros	30	**0.22**	**0.23**

LISBON, 6 NOVEMBER 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Condensed Consolidated Statement of Comprehensive Income as at 30 September 2012 and 2011

Thousands of Euros	2012 Equity holders of EDP	2012 Non-controlling Interests	2011 Equity holders of EDP	2011 Non-controlling Interests
Net profit for the period	794,526	115,557	823,630	136,349
Exchange differences arising on consolidation	-72,589	-134,425	-153,213	-209,492
Fair value reserve (cash flow hedge)	-85,579	-17,772	-63,788	-9,730
Tax effect from the fair value reserve (cash flow hedge)	24,045	4,843	17,083	2,556
Fair value reserve (available for sale investments)	-255	-341	-135,699	-1,906
Tax effect from the fair value reserve (available for sale investments)	363	116	14,002	-21
Actuarial gains / (losses)	12,692	3,889	4,266	13,504
Tax effect from the actuarial gains / (losses)	-2,533	-1,322	-6,623	-4,591
Other comprehensive income for the period, net of income tax	-123,856	-145,012	-323,972	-209,680
Total comprehensive income for the period	670,670	-29,455	499,658	-73,331

LISBON, 6 NOVEMBER 2012

THE OFFICIAL 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 2012 and 31 December 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	20,649,601	20,708,313
Intangible assets	18	6,539,680	6,800,478
Goodwill	19	3,339,082	3,327,257
Investments in associates	21	163,280	160,306
Available for sale investments	22	171,779	171,313
Deferred tax assets	23	321,243	511,414
Trade receivables	25	101,136	108,610
Debtors and other assets from commercial activities	26	2,669,747	2,108,393
Other debtors and other assets	27	560,819	402,025
Total Non-Current Assets		34,516,367	34,298,109
Inventories	24	317,968	346,060
Trade receivables	25	2,059,559	2,043,671
Debtors and other assets from commercial activities	26	1,953,078	1,495,616
Other debtors and other assets	27	333,375	505,694
Tax receivable	28	464,940	644,819
Financial assets at fair value through profit or loss		10,404	212
Cash and cash equivalents	29	2,207,537	1,731,524
Assets classified as held for sale	42	220,108	201,924
Total Current Assets		7,566,969	6,969,520
Total Assets		42,083,336	41,267,629
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-104,913	-111,430
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,260,330	2,935,840
Consolidated net profit attributable to equity holders of EDP		794,526	1,124,663
Total Equity attributable to equity holders of EDP		8,110,404	8,109,534
Non-controlling Interests	33	3,167,823	3,277,245
Total Equity		11,278,227	11,386,779
Liabilities			
Financial debt	35	17,652,553	15,786,411
Employee benefits	36	1,743,949	1,823,158
Provisions	37	364,976	415,149
Hydrological correction account	34	59,691	69,142
Deferred tax liabilities	23	895,893	954,002
Institutional partnerships in USA wind farms	38	1,736,132	1,783,861
Trade and other payables from commercial activities	39	1,315,207	1,289,436
Other liabilities and other payables	40	396,146	361,101
Total Non-Current Liabilities		24,164,547	22,482,260
Financial debt	35	2,993,429	2,998,698
Trade and other payables from commercial activities	39	2,719,028	3,296,680
Other liabilities and other payables	40	422,317	535,077
Tax payable	41	480,776	546,806
Liabilities classified as held for sale	42	25,012	21,329
Total Current Liabilities		6,640,562	7,398,590
Total Liabilities		30,805,109	29,880,850
Total Equity and Liabilities		42,083,336	41,267,629

LISBON, 6 NOVEMBER 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three month periods from 1 July to 30 September 2012 and 2011

Thousands of Euros	2012	2011
Turnover	3,876,434	3,618,923
Cost of electricity	-1,955,953	-1,711,317
Cost of gas	-331,751	-326,771
Changes in inventories and cost of raw materials and consumables used	-278,149	-286,064
	1,310,581	1,294,771
Revenue from assets assigned to concessions	106,912	113,379
Expenditure with assets assigned to concessions	-106,912	-113,379
	-	-
Other operating income / (expenses):		
Other operating income	65,480	50,827
Supplies and services	-227,736	-229,117
Personnel costs and employee benefits	-150,656	-150,704
Other operating expenses	-140,337	-136,007
	-453,249	-465,001
	857,332	829,770
Provisions	3,341	18,689
Depreciation, amortisation expense and impairment	-362,404	-354,080
Compensation of amortisation and depreciation	5,941	5,404
	504,210	499,783
Gains / (losses) on the sale of financial assets	-	-92
Financial income	193,621	194,074
Financial expenses	-356,250	-429,049
Share of profit in associates	6,976	5,640
Profit before income tax	348,557	270,356
Income tax expense	-114,193	-21,676
Net profit for the period	234,364	248,680
Attributable to:		
Equity holders of EDP	212,758	214,968
Non-controlling Interests	21,606	33,712
Net profit for the period	234,364	248,680
Earnings per share (Basic and Diluted) - Euros	**0.06**	**0.06**

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EDP - Energias de Portugal

Condensed Consolidated Statement of Changes in Equity as at 30 September 2012 and 31 December 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**
Comprehensive income:											
Net profit for the period	959,979	-	-	-	823,630	-	-	-	-	823,630	136,349
Changes in the fair value reserve (cash flow hedge) net of taxes	-53,879	-	-	-	-	-46,705	-	-	-	-46,705	-7,174
Changes in the fair value reserve (available for sale investments) net of taxes	-123,624	-	-	-	-	-	-121,697	-	-	-121,697	-1,927
Actuarial gains/(losses) net of taxes	6,556	-	-	-	-2,357	-	-	-	-	-2,357	8,913
Exchange differences arising on consolidation	-362,705	-	-	-	-	-	-	-153,213	-	-153,213	-209,492
Total comprehensive income for the period	426,327	-	-	-	821,273	-46,705	-121,697	-153,213	-	499,658	-73,331
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-68,475	-	-	-	-	-	-	-	-	-	-68,475
Purchase and sale of treasury stock	1,342	-	-	-	-1,116	-	-	-	2,458	1,342	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions/sales and equity increases	-1,148	-	-	-	1,487	-	-	-	-	1,487	-2,635
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	-779	-	-	-	-786	-	-	-	-	-786	7
Balance as at 30 September 2011	**10,922,911**	**3,656,538**	**503,923**	**539,145**	**3,046,671**	**-9,915**	**43,371**	**92,762**	**-111,227**	**7,761,268**	**3,161,643**
Comprehensive income:											
Net profit for the period	372,000	-	-	-	301,033	-	-	-	-	301,033	70,967
Changes in the fair value reserve (cash flow hedge) net of taxes	-18,176	-	-	-	-	-17,173	-	-	-	-17,173	-1,003
Changes in the fair value reserve (available for sale investments) net of taxes	-670	-	-	-	-	-	-2,011	-	-	-2,011	1,341
Actuarial gains/(losses) net of taxes	14,390	-	-	-	37,945	-	-	-	-	37,945	-23,555
Exchange differences arising on consolidation	108,660	-	-	-	-	-	-	28,707	-	28,707	79,953
Total comprehensive income for the period	476,204	-	-	-	338,978	-17,173	-2,011	28,707	-	348,501	127,703
Dividends attributable to non-controlling interests	-54,966	-	-	-	-	-	-	-	-	-	-54,966
Purchase and sale of treasury stock	-201	-	-	-	2	-	-	-	-203	-201	-
Changes resulting from acquisitions/sales and equity increases	42,625	-	-	-	-177	-	-	-	-	-177	42,802
Other reserves arising on consolidation	206	-	-	-	143	-	-	-	-	143	63
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	910,083	-	-	-	794,526	-	-	-	-	794,526	115,557
Changes in the fair value reserve (cash flow hedge) net of taxes	-74,463	-	-	-	-	-61,534	-	-	-	-61,534	-12,929
Changes in the fair value reserve (available for sale investments) net of taxes	-117	-	-	-	-	-	108	-	-	108	-225
Actuarial gains/(losses) net of taxes	12,726	-	-	-	10,159	-	-	-	-	10,159	2,567
Exchange differences arising on consolidation	-207,014	-	-	-	-	-	-	-72,589	-	-72,589	-134,425
Total comprehensive income for the period	641,215	-	-	-	804,685	-61,534	108	-72,589	-	670,670	-29,455
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-83,331	-	-	-	-	-	-	-	-	-	-83,331
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	-	4,501	-1,388	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Changes resulting from acquisitions/sales and equity increases	3,300	-	-	-	-	-	-	-	-	-	3,300
Other reserves arising on consolidation	150	-	-	-	100	-	-	-14	-	86	64
Balance as at 30 September 2012	**11,278,227**	**3,656,538**	**503,923**	**578,435**	**3,474,709**	**-88,622**	**41,468**	**48,866**	**-104,913**	**8,110,404**	**3,167,823**

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The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal

Condensed Consolidated and Non-Consolidated Statement of Cash Flows
as at 30 September 2012 and 2011

Thousands of Euros	Group Sep 2012	Group Sep 2011	Company Sep 2012	Company Sep 2011
Operating activities				
Cash receipts from customers	10,926,286	10,855,736	1,409,810	1,585,666
Proceeds from tariff adjustments securitization	167,936	615,941	-	-
Payments to suppliers	-8,693,805	-8,047,287	-1,632,445	-1,626,755
Payments to personnel	-667,997	-540,853	-20,264	-42,301
Concession rents paid	-182,584	-177,129	-	-
Other receipts / (payments) relating to operating activities	-108,549	-296,720	9,445	-5,006
Net cash from operations	1,441,287	2,409,688	-233,454	-88,396
Income tax received / (paid)	-70,165	-57,413	28,224	13,762
Net cash from operating activities	1,371,122	2,352,275	-205,230	-74,634
Investing activities				
Cash receipts relating to:				
Financial assets	9,071	415,645	-	353,267
Property, plant and equipment and intangible assets	5,962	42,011	2,903	1,817
Investment grants	37,668	12,263	-	-
Interest and similar income	64,386	91,458	249,834	243,655
Dividends	18,636	16,558	708,264	831,436
	135,723	577,935	961,001	1,430,175
Cash payments relating to:				
Financial assets	-64,822	-279,190	-2,733	-483,916
Changes in cash resulting from consolidation perimeter variations	4,176	666	-	-
Property, plant and equipment and intangible assets	-1,552,458	-1,775,957	-12,105	-48,624
	-1,613,104	-2,054,481	-14,838	-532,540
Net cash from investing activities	-1,477,381	-1,476,546	946,163	897,635
Financing activities				
Receipts / (payments) relating to loans	1,986,475	517,019	-31,863	545,276
Interest and similar costs including hedge derivatives	-551,952	-471,008	-210,414	-287,349
Governmental grants received	4,516	1,571	-	-
Share capital increases by non-controlling interests	-	4,507	-	-
Receipts / (payments) relating to derivative financial instruments	-42,195	-37,661	17,335	-17,596
Dividends paid to equity holders of EDP	-670,829	-616,581	-670,829	-616,581
Dividends paid to non-controlling interests	-109,519	-97,933	-	-
Treasury stock sold / (purchased)	-1,388	1,280	662	3,326
Receipts / (payments) from wind activity institutional partnerships - USA	-11,089	71,820	-	-
Net cash from financing activities	604,019	-626,986	-895,109	-372,924
Changes in cash and cash equivalents	497,760	248,743	-154,176	450,077
Effect of exchange rate fluctuations on cash held	-21,747	-64,150	-38	-5
Cash and cash equivalents at the beginning of the period	1,731,524	1,588,163	661,609	142,675
Cash and cash equivalents at the end of the period (*)	2,207,537	1,772,756	507,395	592,747

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

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EDP - Energias de Portugal, S.A.

Company Condensed Income Statement
for the nine months periods ended 30 September 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	1,566,209	1,734,483
Cost of electricity	6	-1,259,924	-1,330,844
Changes in inventories and cost of raw materials and consumables used	6	-250,564	-331,191
		55,721	72,448
Other operating income / (expenses):			
Other operating income	8	10,419	7,677
Supplies and services	9	-137,678	-132,418
Personnel costs and employee benefits	10	-9,410	-10,780
Other operating expenses	11	-10,276	-11,017
		-146,945	-146,538
		-91,224	-74,090
Provisions	12	3,077	3,882
Depreciation, amortisation expense and impairment	13	-10,247	-6,922
		-98,394	-77,130
Gains / (losses) on the sale of financial assets	14	87,945	110,362
Financial income	15	1,186,905	1,046,387
Financial expenses	15	-532,211	-619,672
Profit before income tax		644,245	459,947
Income tax expense	16	86,572	147,581
Net profit for the period		730,817	607,528

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The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at 30 September 2012 and 2011

Thousands of Euros	2012	2011
Net profit for the period	730,817	607,528
Fair value reserve (cash flow hedge)	-21,017	-17,993
Tax effect from the fair value reserve (cash flow hedge)	6,087	5,202
Fair value reserve (available for sale investments)	-1,947	-128,282
Tax effect from the fair value reserve (available for sale investments)	729	13,156
Other comprehensive income for the period, net of income tax	-16,148	-127,917
Total comprehensive income for the period	714,669	479,611

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Financial Position as at 30 September 2012 and 31 December 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	198,644	200,749
Intangible assets	18	10	16
Investments in subsidiaries	20	9,796,953	9,708,783
Available for sale investments	22	40,539	42,544
Investment property		11,433	11,468
Deferred tax assets	23	75,363	18,344
Debtors and other assets from commercial activities	26	1,609	179
Other debtors and other assets	27	5,246,099	4,848,129
Total Non-Current Assets		15,370,650	14,830,212
Inventories	24	2,251	807
Trade receivables	25	147,346	149,073
Debtors and other assets from commercial activities	26	257,012	260,829
Other debtors and other assets	27	4,174,497	2,645,774
Tax receivable	28	164,397	162,377
Cash and cash equivalents	29	507,395	661,609
Total Current Assets		5,252,898	3,880,469
Total Assets		20,623,548	18,710,681
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-98,818	-105,335
Share premium	30	503,923	503,923
Reserves and retained earnings	32	1,988,828	1,895,855
Net profit for the period		730,817	785,804
Total Equity		6,781,288	6,736,785
Liabilities			
Financial debt	35	1,840,287	1,777,527
Provisions	37	27,728	72,172
Hydrological correction account	34	59,691	69,142
Trade and other payables from commercial activities	39	2,787	3,410
Other liabilities and other payables	40	2,415,749	2,447,314
Total Non-Current Liabilities		4,346,242	4,369,565
Financial debt	35	7,421,807	5,700,385
Trade and other payables from commercial activities	39	391,190	508,693
Other liabilities and other payables	40	1,682,422	1,393,531
Tax payable	41	599	1,722
Total Current Liabilities		9,496,018	7,604,331
Total Liabilities		13,842,260	11,973,896
Total Equity and Liabilities		20,623,548	18,710,681

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The following notes form an integral part of these condensed financial statements

EDP - Energias de Portugal, S.A.

Company Condensed Income Statement
for the three month periods from 1 July to 30 September 2012 and 2011

Thousands of Euros	2012	2011
Turnover	530,696	548,048
Cost of electricity	-418,777	-437,318
Changes in inventories and cost of raw materials and consumables used	-89,584	-94,976
	22,335	15,754
Other operating income / (expenses):		
Other operating income	3,110	4,363
Supplies and services	-45,388	-45,743
Personnel costs and employee benefits	-3,228	-3,712
Other operating expenses	-886	-1,643
	-46,392	-46,735
	-24,057	-30,981
Provisions	8,951	289
Depreciation, amortisation expense and impairment	-3,415	-2,518
	-18,521	-33,210
Gains / (losses) on the sale of financial assets	87,945	110,362
Financial income	212,103	67,948
Financial expenses	-161,819	-104,862
Profit before income tax	119,708	40,238
Income tax expense	-13,801	102,206
Net profit for the period	105,907	142,444

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at 30 September 2012 and 31 December 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**
Comprehensive income:								
Net profit for the period	607,528	-	-	-	607,528	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-12,791	-	-	-	-	-12,791	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-115,126	-	-	-	-	-	-115,126	-
Total comprehensive income for the period	479,611	-	-	-	607,528	-12,791	-115,126	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	1,342	-	-	-	-1,116	-	-	2,458
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 30 September 2011	**6,568,567**	**3,656,538**	**503,923**	**539,145**	**1,951,551**	**5,022**	**17,520**	**-105,132**
Comprehensive income:								
Net profit for the period	178,276	-	-	-	178,276	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-2,554	-	-	-	-	-2,554	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-7,303	-	-	-	-	-	-7,303	-
Total comprehensive income for the period	168,419	-	-	-	178,276	-2,554	-7,303	-
Purchase and sale of treasury stock	-201	-	-	-	2	-	-	-203
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	730,817	-	-	-	730,817	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-14,930	-	-	-	-	-14,930	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-1,218	-	-	-	-	-	-1,218	-
Total comprehensive income for the period	714,669	-	-	-	730,817	-14,930	-1,218	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	4,501
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 30 September 2012	**6,781,288**	**3,656,538**	**503,923**	**578,435**	**2,144,673**	**-12,462**	**8,999**	**-98,818**

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The following notes form an integral part of these condensed financial statements

1. ECONOMIC ACTIVITY OF EDP GROUP

The Group's parent company, EDP — Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Praça Marquês de Pombal, 12. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

The Group's businesses are currently focused on the generation, distribution and supply of electricity and distribution and supply of gas. Although complementary, the Group also operates in related areas such as engineering, laboratory tests, vocational training, energy services and property management.

The EDP Group operates essentially in the European (Portugal, Spain and France) and American (Brazil and the United States of America) energy sectors.

During the nine months period ended 30 September 2012 the following significant changes occurred in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

It is expected an adjustment to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the contractual balance (CMEC), for the period 2013 to 2027, by an average amount of 13 millions of Euros per year, corresponding to a present value of 120 millions of Euros. This adjustment results from the calculation mechanism of the CMEC fixed amount interest rate established under Decree-Law no. 240/2004, of 27 December.

On 20 August 2012, the Law 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guarantee by the operation of the normal market mechanisms. Availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

The Portuguese wind sector and the Portuguese Government reached an agreement in principles that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy developers in the Portuguese economy. The wind farm operators can voluntarily invest to obtain further remuneration visibility, through the acquisition of a new tariff scheme to be applied upon the initial 15 years established by law. The proceeds will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: i) alternative cap and floor selling prices; ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently iii) alternative levels of investment (on a per MW basis) to acquire the new scheme.

Activity in the energy sector in Spain

On 30 March 2012, it was endorsed the Royal Decree 13/2012 which aims to establish guidelines for the internal electricity and gas market and established a set of measures to address the tariff deficits in both sectors.

The main measures that impact the activity of the EDP Group are:

- Reduction of the remuneration for the distribution companies with effect from 1 January 2012 regarding their distribution and trading activities;

- As a temporary measure for 2012, the maximum volume of coal to be consumed under the domestic coal incentive for consumption (Royal Decree 134/2010) was reduced by 10%;

- For 2012 the incentive for combined cycle plants was reduced to € 23,400/MW/year and the environmental investments incentive for coal-fired power stations was reduced to € 7,875/MW/year.

The Spanish Government announced a package of measures (mostly tax) effective from Januray 2013 after the parliament approval, which aims the financial and environmental sustainability of the electricity sector. Among other measures, the package includes a 6% levy on electricity generation revenues.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of nine months ended 30 September 2012 and consolidated and company statement of financial position as at 30 September 2012.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 6 November 2012. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the nine months period ended 30 September 2012 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2012 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 2011.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 49.

These financial statements also present the third quarter income statement of 2012 with comparative figures for the third quarter of previous year.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 — Business Combinations, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, acquired ("Purchase Price Allocations") with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative information, reflecting these adjustments on the income statement and balance sheet, with effect from the date of the acquisition.

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 3 (Critical accounting estimates and judgments in preparing the financial statements).

Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset. For consistency purposes, this presentation has been applied to all statements of financial position presented (see note 38).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements.

b) Basis of consolidation

The accompanying consolidated financial statements reflect the assets, liabilities and results of EDP, S.A. and its subsidiaries (Group or EDP Group) and the equity and results attributable to the Group, through the investments in associates.

As from 1 January 2010 onwards, the EDP Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Subsidiaries

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Control also exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of the entity to obtain benefits from its activities, even if the percentage of shareholding is less than 50%.

Until 31 December 2009, when the accumulated losses of a subsidiary attributable to non-controlling interests exceed the non-controlling interests in its equity, the excess was attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary were recognised as profits of the Group until the losses attributable to the non-controlling interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to non-controlling interests, implying that the Group can recognise negative non-controlling interests.

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

Investments in associates are accounted for by the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies. Generally, when the Group holds more than 20% of the voting rights of the investee it is presumed to have significant influence. If the Group holds, directly or indirectly, less than 20% of the voting rights of the investee, it is presumed not to have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of associates, accounted for under the equity method. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to zero and recognition of further losses is discontinued, except to the extent that the Group has a legal or constructive obligation to cover such losses on behalf of the associate.

Jointly controlled entities

Jointly controlled entities, which are consolidated under the proportionate consolidation method, are entities over which the Group has joint control defined by a contractual agreement. The consolidated financial statements include the Group's proportional share of the joint ventures' assets, liabilities, revenue and expenses, from the date the joint control begins and until it ceases.

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

Investments in subsidiaries and associates not classified as held for sale or not included in a disposal group which is classified as held for sale are accounted for at cost in the company's financial statements, and are subject to periodic impairment tests, whenever indication exists that certain financial investment may be impaired.

Goodwill

Following the transition to International Financial Reporting Standards (IFRS) on 1 January 2004 and as permitted under IFRS 1 - First-time Adoption of International Financial Reporting Standards, the EDP Group decided to maintain the goodwill resulting from business combinations that occurred prior to the transition date, calculated in accordance with the Group's previous accounting policies.

Business combinations that occurred after 1 January 2004 are accounted for using the purchase method of accounting. The acquisition cost corresponds to the fair value determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December 2009.

As from 1 January 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the corresponding share of the fair value of the net assets acquired.

As from 1 January 2010 onwards, the EDP Group has the possibility to book non-controlling interests at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the non-controlling interests, against non-controlling interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the period the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless of the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes in the estimate booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement.

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

The financial statements of the foreign subsidiaries and associates of the Group are prepared using their functional currency, defined as the currency of the primary economic environment in which they operate. In the consolidation process, the assets and liabilities of foreign subsidiaries are translated into Euros at the official exchange rate at the balance sheet date.

Regarding the investments in foreign operations that are consolidated using the full consolidation method, proportionate or equity method, the exchange differences between the amount of equity expressed in Euros at the beginning of the period and the amount translated at the official exchange rates at the end of the period, on a consolidated basis, are booked against reserves.

Foreign currency goodwill arising on the acquisition of these investments is remeasured at the official exchange rate at the balance sheet date directly against reserves.

The income and expenses of foreign subsidiaries are translated into Euros at the approximate exchange rates at the dates of the transactions. Exchange differences from the translation into Euros of the net profit for the period, arising from the differences between the rates used in the income statement and those prevailing at the balance sheet date are recognised in reserves.

On disposal of a foreign subsidiary, the related exchange differences previously recognised in reserves, are accounted for in the income statement.

Balances and transactions eliminated on consolidation

Inter-company balances and transactions, including any unrealised gains and losses on transactions between Group companies, are eliminated in preparing the consolidated financial statements. Unrealised gains and losses arising on transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in those entities.

c) Foreign currency transactions

Foreign currency transactions are translated at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are translated into Euros at the exchange rates at the balance sheet date. These exchange differences arising on translation are recognised in the income statement.

Foreign currency non-monetary assets and liabilities accounted for at historical cost are translated using the exchange rates at the dates of the transactions. Foreign currency non-monetary assets and liabilities stated at fair value are translated into Euros at the exchange rates at the dates the fair value was determined.

d) Derivative financial instruments and hedge accounting

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is remeasured on a regular basis, being the gains or losses on remeasurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments. Recognition, in the income statement, of the resulting gains and losses on remeasurement of hedging derivatives depends on the hedge model used.

The fair value of derivative financial instruments corresponds to their market value, when available, or is determined by external entities using valuation techniques.

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting under IAS 39 are accounted for as trading instruments.

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

(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets and liabilities or group of hedged assets and liabilities that are attributable to the hedged risk. When the hedging relationship ceases to comply with the requirements for hedge accounting, the accumulated gains or losses concerning the fair value of the risk being hedged are amortised over the residual period to maturity of the hedged item.

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

The Group classifies its other financial assets at acquisition date, considering the underlying intention, in the following categories:

Financial assets at fair value through profit or loss

This category includes: (i) financial assets held for trading, acquired for the purpose of being traded in the short term, and (ii) financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets which: (i) the Group intends to hold for an undetermined period of time, or (ii) are designated as available for sale on initial recognition.

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

After initial recognition, financial assets at fair value through profit or loss are subsequently carried at fair value, being the gains or losses arising from changes in their fair value recorded in the income statement.

Available-for-sale investments are also subsequently carried at fair value, however, gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received are recognised in the income statement.

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

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

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (fair value option).

Impairment

At each balance sheet date an assessment is performed as to whether there is objective evidence of impairment, namely those resulting in an adverse effect on estimated future cash flows of the financial asset or group of financial assets, and every time it can be reliably measured.

If there is objective evidence of impairment, the recoverable amount of the financial asset is determined, and the impairment loss is recognised in the income statement.

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition, such as: (i) in the case of listed securities, a significant or prolonged decline in the listed price of the security, and (ii) in the case of unlisted securities, when that event (or events) has an impact on the estimated amount of the future cash flows of the financial asset or group of financial assets, that can be reliably estimated.

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed to the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. In the case of equity instruments, the reversal of the impairment is recognised in equity under fair value reserves.

f) Financial liabilities

An instrument is classified as a financial liability when it contains a contractual obligation to liquidate capital and/or interests, through delivering cash or other financial asset, independently of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

g) Equity instruments

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, independently of its legal form, and there is a residual interest in the assets of an entity after deducting all its liabilities.

Costs directly attributable to the issuance of equity instruments are recognised in equity, as a deduction to the amount issued. Amounts paid or received relating to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Distributions related to equity instruments are deducted from equity, as dividends, when declared.

Preference shares issued by the Group are considered as an equity instrument when the Group has no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are included under non-controlling interest.

h) Property, plant and equipment

Items of Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, on 1 January 2004, the Group decided to consider as deemed cost the revalued amount of Property, plant and equipment in accordance with the Group's previous accounting policy, which was comparable in general terms to the depreciated cost determined in accordance with IFRS.

Subsequent costs are recognised as property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group. Repair and maintenance costs are charged to the income statement as incurred, according to the accrual principle.

The Group carries out impairment tests whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment recognised in the income statement.

The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Land is not depreciated. Depreciation of tangible assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	25
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change occurs in the expected economic benefits flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes ocurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the income statement over the related assets useful life.

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

The Group adopted this interpretation for the allowances received from clients, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

The Group's intangible assets are booked at acquisition cost less accumulated amortisation and impairment losses.

The Group performs impairment reviews whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement. The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

Acquisition and development of software

The costs of purchasing software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the software.

Costs incurred by the Group directly related to the development of software, that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over the estimated useful life of the software.

Software maintenance costs are charged to the income statement when incurred.

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and depreciated on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

Portuguese concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever these compensations are paid and for all the Group subsidiaries.

The accounting policy related to intangible assets attributed to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

Industrial property and other rights are depreciated on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

j) Leases

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

Finance leases

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments.

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, by the net amount invested in the lease.

Lease payments include the financial income and the amortisation of the outstanding principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

Determining whether an Arrangement contains a Lease

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

k) Investment property

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will arise when compared to initial recognition.

l) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

The cost of inventories is determined by using the weighted average method.

CO_2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

Impairment losses are recorded based on the regular assessment of the existence of objective evidence of impairment resulting from doubtful accounts receivable as of the balance sheet date. Impairment losses are recognised in the income statement, being subsequently reversed through the income statement if the estimated losses decrease, in a later period.

n) Employee benefits

According with 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 retirement complementary benefits for age, disability and surviving pensions, as well as early retirement pensions.

Defined benefit plans

In Portugal, the defined benefit plan is funded through a closed Pension Fund complemented by a specific provision. The Pension Fund covers the liabilities for retirement pension complements as well as for early retirement.

In Brazil, Bandeirante has two defined benefit plans managed by the CESP Foundation, a closed complementary welfare entity with its own assets, segregated from those of its sponsors. Escelsa has a defined benefit plan that grants complementary benefits for retirement due to age, disability and survival pensions. Escelsa also has a special complementary benefit plan for retired employees who served in the Brazilian army.

The Group's pension plans are defined benefit plans, since the criteria used to determine the amount of the pension to be received by employees on retirement is usually dependent on one or more factors such as age, years of service and salary level.

In compliance with IFRS 1, the Group decided, on the transition date on 1 January 2004, to recognise the full amount of the deferred actuarial losses on that date against reserves.

The Group's pension liability for each plan is calculated annually at the balance sheet date, by independent experts individually for each plan, using the projected unit credit method. The discount rate used in the calculation is determined based on market interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have similar maturity to the related pension liability.

Actuarial gains and losses resulting from (i) differences between financial and actuarial assumptions used and actual amounts and (ii) changes in the actuarial assumptions, are recognised against equity, in accordance with the alternative method defined by IAS 19.

The increase in past service costs arising from early retirements (retirements before the normal retirement age) is recognised in the income statement when incurred.

The Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

The assets of the plan comply with the recognition criteria established by IFRIC 14 - IAS 19 and the minimum funding requirements established by law or by contract.

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

In accordance with the by-laws of some Group companies, the shareholders approve in the Annual General Meeting a variable remuneration to be paid to the management and employees (bonus), following a proposal made by the Executive Board of Directors. The variable remuneration is charged to the income statement in the year to which it relates.

o) Provisions

Provisions are recognised when: (i) the Group has a present legal or constructive obligation, (ii) it is probable that settlement will be required in the future and (iii) a reliable estimate of the obligation can be made.

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for the electric power plants to cover the cost of restoring the location and land to their original condition. The provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related property, plant and equipment being depreciated on a straight-line basis over the useful life of those assets.

Decommissioning and dismantling provisions are remeasured on an annual basis based on the best estimate of the settlement amount. The unwinding of the discount at each balance sheet date is charged to the income statement.

p) Recognition of costs and revenues

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

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

The invoicing of electricity sales is performed on a monthly basis. Monthly electricity invoices are based on real meter readings or on estimated consumptions based on the historical data of each consumer. Revenues regarding the energy to be invoiced based on actual consumption not yet metered as at the balance sheet date is accrued on the basis of recent average consumptions.

Differences between estimated and actual amounts are recorded in subsequent periods.

q) Financial results

Financial results include interest costs on borrowings, interest income on funds invested, dividend income, foreign exchange gains and losses, realised gains and losses, as well as gains and losses on financial instruments and changes in the fair value of hedged risks, when applicable.

Interest is recognised in the income statement on an accrual basis. Dividend income is recognised on the date the right to receive is established.

Financial results also include impairment losses on available-for-sale investments.

r) Income tax

Income tax recognised in the income statement includes current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

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

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

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

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

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

s) Earnings per share

Basic earnings per share are calculated by dividing consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

t) Share based payments

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

u) Non-current assets held for sale and discontinued operations

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

Immediately before classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS standards. Subsequently, these assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

v) Cash and cash equivalents

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

The Group presents the operational segments based on internal management information.

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and rewards that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and rewards that are different from those of components operating in other economic environments.

x) Tariff adjustments

In regulated activities, the regulator establishes through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Turnover of Electricity and network accesses the effects resulting from the recognition of tariff adjustments, against Debtors and other assets. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

Decree-Law 87/2011 approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against "Debtors and other assets" and "Trade and other payables", in the same terms defined for the electric sector as mentioned above.

y) CO2 licenses and greenhouse effect gas emission

The Group holds CO2 licenses in order to deal with gas emissions resulting from its operational activity and licenses acquired for trading. The CO2 and gas emissions licenses held for own use and attributed free of charge are booked as intangible assets against Deferred Income - Subsidies and are valued at the quoted price in the Bluenext market on the grant date, usually at the beginning of each year. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price on the date of attribution.

Amortisation of Deferred Income - Subsidies is made in the year in which the subsidy is granted. When the emissions of the year exceed the CO2 licenses attributed for free, a provision is booked to cover for the costs of acquiring the necessary additional licenses at the balance sheet date.

The licenses held by the Group for trading purposes are booked under inventories at acquisition cost, subsequently adjusted to the respective fair value, calculated on the basis of the Bluenext market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Cash Flow Statement

The Cash Flow Statement is presented under the direct method, by which gross cash flows from operating, financing and investing activities are disclosed.

The Group classifies cash flows related to interest and dividends paid as financing activities and dividends received as investing activities.

aa) Group concession activities

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

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009. Under the terms of IFRIC 12, this interpretation was applied prospectively considering that the retrospective application was impraticable. The effect of the retrospective application would have a similar effect as a prospective application.

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

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

IFRS require the use of judgement and the making of estimates in the decision process about certain accounting treatments, with impact in total assets, liabilities, equity, costs and income. The actual effects may differ from these estimates and judgements, namely in relation to the effect of actual costs and income.

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how its application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 to these Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Group's financial position and results.

Impairment of available-for-sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value.

Determination of a significant or prolonged decline requires judgement. In making this judgement, the Group assesses, among other factors, the normal share price volatility, assuming as significant a decline of more than 20% in listed shares. In addition, valuations are generally obtained through market prices or determined by external entities, or through valuation models that require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in different impairment losses being recognised with a consequent impact in the Group's income statement.

Fair value of financial instruments

Fair values are based on listed market prices, if available, otherwise fair value is determined either by the price of similar recent transactions under market conditions or determined by external entities, or by pricing models based on net present value of estimated future cash flows techniques considering market conditions, time value, yield curves and volatility factors. These methodologies may require the use of assumptions or judgements in estimating fair values.

Consequently, the use of different methodologies or different assumptions or judgements in applying a particular model, could have produced different financial results from those reported.

Contractual Stability Compensation - CMEC

Following a Portuguese Government decision to extinguish the Power Purchase Agreement (PPA), EDP and REN agreed to the early termination of the PPAs, with effect from 1 July 2007.

As a result of the PPAs termination and in accordance with the applicable legislation, a contractual stability compensation (CMEC) was granted to EDP Group. The mechanism for granting the compensation includes three types of compensation: initial compensation, compensation resulting from the revisable mechanism and final compensation.

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation — Revisable mechanism

The revisable mechanism consists in correcting on an annual basis, for a period of 10 years after termination of the PPAs, the positive and negative variations between the estimates made to calculate the initial stability compensation for a period and the actual amounts occurred in the market for that period. This mechanism gives rise to compensation resulting from the correction of the estimate referred to as CMEC revisable mechanism. In each period, the EDP Group calculates the CMEC considering market prices and the actual quantities sold, using the assumptions defined in the Valorágua model, according to the current legislation. Consequently, the use of different methodologies or assumptions from the model used, could give rise to different financial results from those considered.

Review of the useful life of the assets

In 2010 EDP Gestão de Produção, S.A. reviewed the useful lives of the hydroelectric and thermoelectric generating assets which, consequently, led to a prospective change in the depreciation charge of the period.

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

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

The regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL) issued on 7 February 2012, the Normative Resolution 474, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards.

The implementation of this change in annual depreciation rates led to an increase in the average usefull life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Tariff adjustments

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

Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, the EDP Group booked in the caption Electricity and Gas sales of the period, the effects of the recognition of the tariff adjustment, against Other debtors / Other Creditors. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of deficit of 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009. In September 2011, the EDP Group sold unconditional tariff adjustment for the additional cost of cogeneration for the period 2009-2011.

Spanish Royal Decree Law 6/2009, endorsed on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed.

The Royal Decree Law 14/2010, endorsed in 2010 addressed the correction of the tariff deficit of the electricity sector. Of this decree, the temporal mismatch of the settlement of 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures so that the various industry players contribute to the reduction, including: the establishment of the generation rates, financing plans of energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012 was published the Royal Decree Law 1/2012 establishing a moratorium on adding new facilities in the pre-allocation remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit to reach the limit provided for 2012 in the Royal Decree Law 14/2010.

EDP Group considers, based on the legislation issued, that the requirements for the recognition of tariff deficits as receivables against the income statement are accomplished.

Impairment of long term assets and Goodwill

Impairment tests are performed, whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of the assets.

On an annual basis the Group reviews the assumptions used to assess the existence of impairment in goodwill resulting from acquisitions of shares in subsidiaries. The assumptions used are sensitive to changes in macroeconomic indicators and business assumptions used by management. The goodwill in associates is reviewed when circumstances indicate the existence of impairment.

Considering the uncertainties regarding the recoverable amount of property, plant and equipment, intangible assets and goodwill as they are based on the best information available, changes in the assumptions can result in changes in the determination of the amount of impairment and, consequently, on the Group's results.

Doubtful debts

Impairment losses related to doubtful debts are estimated by EDP based on the estimated recoverable amounts, the date of default, debt write offs and other factors. Certain circumstances and facts may change the estimated impairment losses of doubtful debts, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgement. Changes in the estimates and judgement could change the impairment test results which could affect the Group's reported results.

Revenue recognition

Electricity sales revenue is recognised when the monthly electricity invoices are issued, based on actual meter readings or estimated consumption based on the historical data of each consumer. Revenue relating to electricity to be invoiced, regarding consumption up to the balance sheet date but not measured, is booked based on estimates which take into consideration factors such as consumption in prior periods and analysis relating to the energy balance of the operations.

The use of different estimates and assumptions can affect the Group's revenue and, consequently, its reported results.

Income taxes

The Group is subject to income taxes in several jurisdictions. Certain interpretations and estimates are required in determining the global amount of income tax.

There are several transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Different interpretations and estimates could result in a different level of income taxes, current and deferred, recognised in the period.

In Portugal, the Tax Authorities are entitled to review the EDP, S.A. and its subsidiaries determination of its annual taxable earnings, for a period of five years for annual periods starting from 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods in case of tax losses carried forward. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in the financial statements.

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of the pension, medical plans and other benefits. Changes in the assumptions can materially affect the amounts determined.

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

The EDP Group's business is exposed to a variety of financial risks, including the effect of changes in market prices, foreign exchange and interest rates. The Group's exposure to financial risks arises essentially from its debt portfolio, resulting in interest and exchange rate exposures. The unpredictability of the financial markets is analysed on an on-going basis in accordance with the Group's risk management policy. Derivative financial instruments are used to minimise potential adverse effects, resulting from interest rate and/or foreign exchange rate risks on EDP Group's financial performance.

The management of financial risks of EDP, S.A., EDP Finance, B.V. and other EDP Group entities is undertaken centrally by the Financial Department of EDP S.A., in accordance with policies approved by the Executive Board of Directors. The Financial Department identifies, evaluates and submits to the Board for approval, hedging mechanisms appropriate to each exposure. The Executive Board of Directors is responsible for the definition of general risk management principles and the establishment of exposure limits.

All transactions undertaken using derivative financial instruments require prior approval by the Executive Board of Directors, which defines the parameters of each transaction and approves the formal documents describing their objectives.

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of market risks arising from fluctuation in interest and exchange rates. This management is performed according to the principles/policies set by the EDP Group for this geographical area.

Exchange-rate risk management

EDP, S.A. Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency loans, seeking to mitigate the impact of exchange rate fluctuations on the financial costs of the EDP Group companies and, consequently, on the consolidated results, through exchange rate derivative financial instruments and/or other hedging structures.

The policy implemented by the EDP Group consists of undertaking derivative financial instruments to hedge exchange rate risk with characteristics similar to those of the hedged asset or liability. The operations are revalued and monitored throughout their useful lives and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON) and Zloty (PLN). Currently, the exposure to USD/EUR and PLN/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA and Poland. These investments were financed with debt contracted in USD and PLN, which allows to mitigate the exchange rate risk related to the investments.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries 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 this investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of this assets.

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

Interest rate risk management

The aim of the interest rate risk management policies is to reduce the financial charges and to reduce the exposure to interest rate risk from market fluctuations through the settlement of derivative financial instruments.

In the floating rate financing context, the EDP Group contracts interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans.

Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are contracted, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

All the operations are undertaken on liabilities in the EDP Group's debt portfolio and mainly involve perfect hedges, resulting in a high level of correlation between the changes in the fair value of the hedging instrument and the changes in fair value of the interest rate risk or future cash flows.

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 16 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 48% of the Group's liabilities are fixed rate.

Counterparty credit risk management

The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments are credit institutions with high credit risk rating notation and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

The EDP Group has documented its financial operations in accordance with international standards. Therefore, generally, derivative financial instruments are contracted under ISDA Master Agreements.

Regarding the third-party debt generated by the Group's day-to-day business, the credit risk arises essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exist that have not been recognised as such and provided for.

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 35).

Energy market risk management

In its operations in the non-regulated Iberian electricity market, EDP Group purchases fuel to generate electric energy and sells the electric energy generated by its plants in the organised market (OMEL and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO2) and fuel (coal, brent, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps and forwards of electricity and fuels to fix prices.

The activity of energy management is subject to a series of variables which are identified and classified based on their common uncertainty characteristics (or risk). Such risks include market price evolution risk (electricity and fuel) and hydroelectric production volume risk (price and volume risk), as well as credit risk of the counterparties.

Monitoring the price, volume and credit risks includes their quantification in terms of positions at risk which can be adjusted through market operations. This quantification is made by using specific models that value positions so as to determine the maximum loss that can be incurred, with a given probability and a determined time frame.

Risks are managed in accordance with the strategies defined by the Executive Board of Directors, which are subject to periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the management objectives established.

Risks are monitored by means of a series of actions involving daily monitoring of the different risk indicators, of the operations grouped in the systems and the prudence limits defined by management area and risk component, as well as regular backtesting and supplementary validation of the models and assumptions used. This monitoring not only ensures the effectiveness of the strategies implemented, but also provides elements to enable initiatives to be taken to correct them if necessary.

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered.

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.

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.

5. CONSOLIDATION PERIMETER

During the nine months period ended 30 September 2012, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:
- EDP Inovação, S.A. acquired 30% of the share capital of EIDT - Engenharia, Inovação e Desenvolvimento Tecnológico, S.A., through its subsidiary EDP Ventures, SGPS, S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of Pietragalla Eolico S.R.L. and 85% of the share capital of Sibioara Wind Farm, S.R.L.;
- EDP Renewables Canada, Ltd. acquired 100% of the share capital of the following companies:
  - Eolia Renewable Energy Canada, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm Inc.;
- EDPR-RO-PV, S.R.L. (which was also incorporated in the third quarter of 2012) acquired 100% of the share capital of the following companies:
  - Cujmir Solar, S.R.L.;
  - Potelu Solar, S.R.L.;
  - Studina Solar, S.R.L.;
  - Vanju Mare Solar, S.R.L.;
- EDP Renewables Polska SP. ZO.O. acquired 60% of the share capital of J&Z Wind Farms SP. ZO.O.

Companies liquidated:
- EDP Renewables North America, L.L.C. liquidated Horizon Wind Energy International, L.L.C.;
- EDP Imobiliária e Participações, S.A. liquidated FCTE - Fórum do Comércio, Transacções Electrónicas e Serviços Empresariais On-line, S.A. through its subsidiary Oni Multimédia - Serviços Interactivos, S.A., and also liquidated OPTEP SGPS.

Companies merged:

- EDP Finance Company (Ireland), Ltd. was merged into EDP Servicios Financieros España, S.A.;
- The following companies were merged into Desarrollos Eólicos Promoción S.A.U., which then changed its designation to EDP Renovables España, S. L.:
  - Agrupación Eólica S.L.U.;
  - Desarrollos Eólicos, S.A.;
  - Ceasa Promociones Eólicas S.L.U.;
  - Generaciones Especiales I, S.L.;
  - Neo Catalunya, S.L.;
  - Santa Quiteria Energia, S.L.U.;
  - Sinae Inversiones Eólicas S.A..
- Oni Multimédia - Serviços Interactivos, S.A. was merged into EDP Imobiliária e Participações, S.A.;
- Naturgas Energía Servicios Comunes, S.A. was merged into Naturgas Energía Servicios, S.A.

Companies incorporated:

- Central Eólica Baixa do Feijão I, S.A.;
- Central Eólica Baixa do Feijão II, S.A.;
- Central Eólica Baixa do Feijão III, S.A.;
- Central Eólica Baixa do Feijão IV, S.A.;
- MFW Gryf SP. ZO.O.;
- MFW Neptun SP. ZO.O.;
- MFW Pomorze SP. ZO.O.;
- EDP Renewables Canada LP, Ltd.;
- EDP Renewables Canada GP, Ltd.;
- SBWFI GP, Inc.;
- South Dundas Wind Farm, LP;
- Verde Wind Power, L.L.C. * ;
- 2012 Vento XI, L.L.C.;
- EDPR Wind Ventures XI, L.L.C.;
- Central Eólica Aventura, S.A.;
- EDP Renewables Belgium;
- EDP Renováveis Servicios Financieros, S.L.;
- EDPR-RO-PV, S.R.L.;
- EDP Renewables , SGPS, S.A.;
- Monts du Forez Energie, S.A.S.;
- Monts de la Madeleine Energie, S.A.S.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries legally incorporated in the United States without share capital and that as at 30 September 2012 do not have any assets or liabilities, or any operating activity.

Other changes:

- EDP Energias do Brasil, S.A. made a "stock split", in which its sharesholders received three shares for each one they held. The company's share capital has not changed, as well as the consolidation percentage in the EDP Group.
- Generaciones Especiales I, S.L. sold by 5,531 thousands of Euros all of its interests in the following companies (holders of mini-hydrics in Spain):
  - Hidroeléctrica Fuentermosa, S.L.;
  - Hidroastur, S.A.;
  - Hidroeléctrica Gormaz, S.A.;
  - Hidroeléctrica del Rumblar, S.L.;
- Decrease of the financial interest in Windplus, S.A. from 42% to 31% through dilution, following a share capital increase not fully subscribed by EDP Inovação, S.A.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Electricity and network access	10,640,565	9,798,497	1,281,140	1,424,862
Gas and network access	1,348,448	1,223,868	177,547	151,733
Other	100,953	139,542	107,522	157,888
	12,089,966	11,161,907	1,566,209	1,734,483

Turnover by geographical market, for the Group, is analysed as follows:

	Sep 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	6,050,776	2,390,306	1,806,682	264,710	128,091	10,640,565
Gas and network access	195,204	1,153,244	-	-	-	1,348,448
Other	63,235	27,261	10,266	-	191	100,953
	6,309,215	3,570,811	1,816,948	264,710	128,282	12,089,966

	Sep 2011					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network accesses	5,345,346	2,389,086	1,765,649	214,696	83,720	9,798,497
Gas and network accesses	308,908	914,960	-	-	-	1,223,868
Other	101,898	29,547	7,897	-	200	139,542
	5,756,152	3,333,593	1,773,546	214,696	83,920	11,161,907

During the third quarter of 2012, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net revenue of 1,095,911 thousands of Euros (income in 30 September 2011: 426,365 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

Following the revision of the Commercial Relations Code, from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production acquired under the applicable legislation, buying in the market all the electricity needed to supply its customers. Following this amendment, the prior periods energy purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover by its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 30 September 2012 the energy from special regime producers sold in the market totals 625 million of Euros.

The breakdown of Turnover by segment is presented in the segmental reporting (see note 51).

Cost of electricity and gas and Changes in inventories and cost of raw materials and consumables used are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Cost of electricity	6,128,295	5,377,165	1,259,924	1,330,844
Cost of gas	1,044,847	961,129	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	372,732	281,281	-	-
Gas	363,696	385,648	242,430	266,394
Cost of consumables used	14,349	94,536	-	-
Own work capitalised	-65,403	-79,637	-	-
Other	131,627	59,267	8,134	64,797
	817,001	741,095	250,564	331,191
	7,990,143	7,079,389	1,510,488	1,662,035

On a company basis, Cost of electricity includes costs of 661,302 thousands of Euros (30 September 2011: 727,321 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to external specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts, being analysed as follows:

	Group	
Thousands of Euros	Sep 2012	Sep 2011
Revenue from assets assigned to concessions	285,765	308,839
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-212,436	-230,386
Personnel costs capitalised (see note 10)	-64,628	-67,087
Capitalised interest expense from financial debt (see note 15)	-8,701	-11,366
	-285,765	-308,839
	-	-

The Revenue from assets assigned to concessions by geographical market is analysed as follows:

	Sep 2012			Sep 2011		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	221,765	64,000	285,765	200,590	108,249	308,839
Expenditure with assets assigned to concessions	-221,765	-64,000	-285,765	-200,590	-108,249	-308,839
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Gains on fixed assets	10,261	32,669	1,038	901
Reversal of adjustments	17,014	28,858	23	-
Customers contributions	35,333	21,964	-	-
Income arising from institutional partnerships - EDPR NA	94,225	79,677	-	-
Other operating income	63,016	70,258	9,358	6,776
	219,849	233,426	10,419	7,677

The caption Reversal of Adjustments includes 15,805 thousands of Euros (30 September 2011: 28,257 thousands of Euros) related to impairment for trade receivables and 1,209 thousands of Euros (30 September 2011: 601 thousands of Euros) impairment for Debtors and other assets from commercial activities.

Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 33,606 thousands of Euros (30 September 2011: 19,538 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 30 September 2012, the amortisation for the period amounts to 7,439 thousands of Euros (30 September 2011: 7,670 thousands of Euros).

As at 30 September 2011, Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE").

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Supplies and services				
Consumables and communications	41,054	40,320	8,366	8,319
Rents and leases	83,050	79,525	35,184	34,230
Maintenance and repairs	232,199	226,850	13,442	10,737
Specialised works:				
- Commercial activity	110,030	114,561	3,589	6,181
- IT services, legal and advisory fees	70,393	60,857	24,327	17,555
- Other services	40,231	29,940	8,272	9,870
Provided personnel	-	-	32,037	34,175
Other supplies and services	96,368	98,108	12,461	11,351
	673,325	650,161	137,678	132,418

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Personnel costs				
Board of Directors remuneration	12,228	12,223	3,887	3,932
Employees' remuneration	374,010	364,708	1,067	1,176
Social charges on remuneration	90,500	90,310	299	287
Performance, assiduity and seniority bonus	54,759	57,486	2,894	3,988
Other costs	18,095	23,258	907	827
Own work capitalised:				
- Assigned to concessions (see note 7)	-64,628	-67,087	-	-
- Other	-52,145	-55,277	-	-
	432,819	425,621	9,054	10,210
Employee benefits				
Pension plans costs	21,977	25,355	217	428
Medical plans costs and other benefits	6,557	7,832	97	100
Cost of rationalising human resources	3,744	5,921	-	-
Other	15,790	7,036	42	42
	48,068	46,144	356	570
	480,887	471,765	9,410	10,780

Pension plans costs include 9,405 thousands of Euros (30 September 2011: 16,019 thousands of Euros) related to defined benefit plans (see note 36) and 12,572 thousands of Euros (30 September 2011: 9,336 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 6,557 thousands of Euros (30 September 2011: 7,164 thousands of Euros) related to the net charge of the period. The cost of rationalising human resources results essentially from the project for restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante.

Other employee benefits include costs with medical services of employees in the amount of 5,207 thousands of Euros (30 September 2011: 5,669 thousands of Euros), and insurance costs among other assigned benefits.

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Concession rents paid to local authorities and others	209,063	191,675	-	-
Direct and indirect taxes	83,016	89,368	707	1,118
Impairment losses on doubtful debts and others	53,291	43,031	18	21
Donations	14,895	14,679	7,783	7,718
Other operating costs	62,755	80,237	1,768	2,160
	423,020	418,990	10,276	11,017

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the distribution concession contracts in low tension electricity and rents paid to city councils whose circumscription is covered by the zone of influence of power plants.

12. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Charge for the period	28,827	49,879	6,656	1,461
Write-back for the period	-25,417	-48,146	-9,733	-5,343
	3,410	1,733	-3,077	-3,882

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Property, plant and equipment:				
Buildings and other constructions	11,000	9,660	2,175	546
Plant and machinery	698,355	683,524	19	18
Other	57,886	50,508	8,047	6,352
Impairment loss	8,979	8	-	-
	776,220	743,700	10,241	6,916
Intangible assets:				
Other rights	2,487	3,581	6	6
Concession rights and impairment	58,276	64,177	-	-
Intangible assets related to concessions - IFRIC 12	242,528	266,744	-	-
	303,291	334,502	6	6
	1,079,511	1,078,202	10,247	6,922
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-19,070	-25,281	-	-
	1,060,441	1,052,921	10,247	6,922

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (registered under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

During the first nine months of 2012 an impairment loss of 8,563 thousands of Euros was booked on fixed assets under construction related to wind generation assets in Spain, considering management's decision to postpone the operation start up of those assets, as a result of the regulatory changes recently issued in Spain (see note 17).

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

Gains / (losses) on the sale of financial assets for the Company are analysed as follows:

Thousands of Euros	Sep 2012 Disposal %	Sep 2012 Value	Sep 2011 Disposal %	Sep 2011 Value
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	11.23%	87,945	13.80%	110,362
		87,945		110,362

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, totaling 193,909 thousands of Euros were used as a contribution in kind to subscribe a share capital increase in EDP Investments and Services, S.L. of 281,854 thousands of Euros. In accordance with company's accounting policy, common control transactions are accounted for in company's separate financial statements in accordance with the fair value accounting method, which determined the recognition of a gain of 87,945 thousands of Euros.

On July 2011, EDP closed the process of the secondary public distribution offer of EDP Energias do Brasil, S.A. ordinary shares of 21,911,460 shares corresponding to 13.8% of EDP Brasil's share capital. This sale in the amount of 810.7 million of Reais (corresponding approximately of 363 million of Euros, at a currency rate at liquidation date), generating a gain on a individual basis of 110,362 thousands of Euros.

15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

Thousands of Euros	Group Sep 2012	Group Sep 2011	Company Sep 2012	Company Sep 2011
Financial income				
Interest income from bank deposits and other applications	43,330	57,830	17,907	24,521
Interest income from loans to subsidiaries and related parties	8,349	5,711	317,837	240,878
Interest from derivative financial instruments	102,688	103,995	15,426	23,893
Derivative financial instruments	174,962	177,921	271,045	264,602
Other interest income	41,693	46,833	1,121	1,218
Income from equity investments	5,263	7,128	557,205	464,472
Foreign exchange gains	49,847	63,449	4,701	26,169
CMEC	56,120	60,898	-	-
Other financial income	77,556	67,492	1,663	634
	559,808	591,257	1,186,905	1,046,387
Financial expenses				
Interest expense on financial debt	589,471	572,419	230,146	234,990
Capitalised borrowing costs:				
Assigned to concessions (see note 7)	-8,701	-11,366	-	-
Other	-97,136	-96,548	-	-
Interest from derivative financial instruments	84,491	81,924	13,110	25,113
Derivative financial instruments	196,902	188,207	259,767	280,224
Other interest expense	31,997	33,791	6,221	6,361
Impairment of available for sale financial assets	9,390	54,759	32	-
Foreign exchange losses	67,107	93,515	4,591	6,769
CMEC	13,680	13,478	-	-
Unwinding of liabilities	87,252	104,314	-	-
Unwinding of pension liabilities	34,634	34,141	-	-
Unwinding of medical liabilities and other plans	33,996	32,126	-	-
Other financial expenses	32,395	36,436	18,344	66,215
	1,075,478	1,137,196	532,211	619,672
Financial income / (expenses)	-515,670	-545,939	654,694	426,715

The caption Other financial Income - CMEC totalling 56,120 thousands of Euros includes, 14,232 thousands of Euros related to interest of the initial CMEC (30 September 2011: 14,310 thousands of Euros) included in the annuity for 2012, and 41,888 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 September 2011: 46,588 thousands of Euros).

The caption Other financial income includes essentially an amount of 57,064 thousands of Euros related with interest income of tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2011: 8,514 thousands of Euros) and 4,877 thousands of Euros (30 September 2011: 6,173 thousands of Euros) related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 3,257 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal (30 September 2011: 2,529 thousands of Euros).

Other financial expenses - CMEC, in the amount of 13,680 thousands of Euros (30 September 2011: 13,478 thousands of Euros), relate to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

Capitalised borrowing costs includes the interest capitalised in assets under construction according to the accounting policy described in paragraph 2 h). The interest rates considered for the referred capitalisation are in accordance with market rates.

The caption Impairment of available for sale financial assets in the amount of 9,390 thousands of Euros, refers essentially to impairment with the investments held in BCP in the amount of 5,495 thousands of Euros (30 September 2011: 49,176 thousands of Euros) as a result of the listed price decrease of this share (see note 22).

The Unwinding of liabilities refers essentially to, (i) the unwinding of the dismantling provision for wind generation assets, (ii) the unwinding related to the put option of EDP Renewables Itália, (iii) the financial return in institutional partnership in US wind farms, and (iv) the financial expenses related to the discount of the debt associated with the concessions of Alqueva/Pedrogão, Investco and Enerpeixe.

As at 30 September 2012, the caption Other financial expenses, on a company basis, includes 9,216 thousands of Euros (30 September 2011: 58,619 thousands of Euros) of the net effect related to the increased of impairment losses on equity investments in subsidiaries in the amount of 50,000 thousands of Euros (see note 20) and to the decrease of provision to cover the negative equity of subsidiary companies in the amount of 40,784 thousands of Euros (see note 37).

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered settled by the tax administration the year of 2006. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward is extended from 15 to 18 years.

The Law 64-B/2011 of December 30, (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed to 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective taxable deductible period.

Royal Decree-Law 12/2012, published on March 31, 2012, provides for the implementation of a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% of the adjusted operational profit. The amount of financial expenses incurred with interest which exceed the above mentioned 30% may be deducted in the 18 following years, provided that this limit is not exceeded each year. Additionally, the maximum annual rate of goodwill amortization is established at 1% for the tax years of 2012 and 2013.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 million of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 on the amount of 12.7 million of Euros, which was recorded as an income in the second quarter of 2012.

As at 30 September 2012, the total amount of Municipal surcharge paid in excess in 2008, 2009 and 2011, regarding which EDP is still awaiting for a decision on the administrative and legal procedures, amounts to 20.4 million of Euros.

The Royal Decree-Law 20/2012, wich was approved July 2012, introduces a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carry forward for the years 2012 and 2013:
- Companies whose last year income are between 20 and 60 million of Euros, can only deduct tax losses until the limit of 50% of the taxable income contrary to the former foreseen limit of 75%; and,
- Companies whose last year income exceed 60 million of Euros, can only deduct tax losses until the limit of 25% of the taxable income when compared to the former foreseen limit of 50%.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Current tax	-139,494	-223,304	-6,773	111,644
Deferred tax	-133,639	-18,861	93,345	35,937
	-273,133	-242,165	86,572	147,581

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,183,216	313,552
Tax losses and tax credits	0.7%	33,106	8,773
Dividends	1.2%	54,238	14,373
Tax benefits	-2.0%	-89,740	-23,781
Non deductible provisions and amortisations for tax purposes	-1.2%	-55,506	-14,709
Diferences between tax and accounting gains and losses	0.0%	-2,026	-537
Fair value of financial instruments and financial investments	1.0%	42,996	11,394
Financial investments in associates and subsidiaries	-6.1%	-271,185	-71,864
Autonomous taxation	0.2%	10,906	2,890
State surcharge	1.8%	82,362	21,826
Other adjustments, tax differencial and changes in estimates	1.0%	42,324	11,216
Effective tax rate and total income tax	23.1%	1,030,691	273,133

Law 12-A/2010 issued on 30 June 2010, approved a group of additional measures aimed at the consolidation of public finances in line with the Stability and Growth Pact (PEC), namely the introduction of a State surcharge, corresponding to 2.5% of the taxable income exceeding 2 millions of Euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The Law 64-A/2011 of 30 December, modified the above referred tax, where the State surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 million Euros, and (ii) at a rate of 5% over taxable income exceeding 10 million Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 million of Euros will be 31,5%.

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2011, is analysed as follows:

	Sep 2011		
Thousands of Euros	Rate	Tax basis	Tax
Nominal rate and income tax	26.5%	1,202,144	318,568
Tax losses and tax credits	-5.3%	-239,826	-63,554
Dividends	1.2%	54,555	14,457
Tax benefits	-3.9%	-178,808	-47,384
Non deductible provisions and amortisations for tax purposes	0.8%	36,925	9,785
Differences between tax and accounting gains and losses	0.1%	6,242	1,654
Fair value of financial instruments and financial investments	0.5%	20,600	5,459
Financial investments in associates and subsidiaries	-0.4%	-16,362	-4,336
Autonomous taxation	0.1%	5,321	1,410
State surcharge	1.2%	54,604	14,470
Other adjustments, tax differencial and changes in estimates	-0.7%	-31,562	-8,364
Effective tax rate and total income tax	20.1%	913,833	242,165

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	644,245	170,725
Non deductible provisions and amortisations for tax purposes	2.5%	61,743	16,362
Tax losses and tax credits	-6.2%	-149,785	-39,693
Dividends	-24.0%	-583,611	-154,657
Difference between tax and accounting gains/losses	-3.9%	-95,075	-25,195
Autonomous taxation and tax benefits	0.0%	-230	-61
State surcharge	2.6%	62,136	16,466
Financial investments in associates and subsidiaries	-10.5%	-255,181	-67,623
Other adjustments and changes in estimates	-0.4%	-10,929	-2,896
Effective tax rate and total income tax	-13.4%	-326,687	-86,572

Financial investments in subsidiaries and associated companies includes the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution on the transaction date.

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2011, is analysed as follows:

Thousands of Euros	Sep 2011 Rate %	Sep 2011 Tax basis	Sep 2011 Tax
Nominal rate and income tax	26.5%	459,947	121,886
Non deductible provisions and amortisations for tax purposes	0.1%	1,113	295
Tax losses and tax credits	-17.9%	-310,453	-82,270
Dividends	-26.9%	-466,611	-123,652
Difference between tax and accounting gains/losses	-17.4%	-301,547	-79,910
Autonomous taxation and tax benefits	-0.1%	-1,019	-270
State surcharge	2.5%	43,392	11,499
Other adjustments and changes in estimates	1.1%	18,268	4,841
Effective tax rate and total income tax	-32.1%	-556,910	-147,581

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

Thousands of Euros	Group Sep 2012	Group Sep 2011	Company Sep 2012	Company Sep 2011
Profit before tax	1,183,216	1,202,144	644,245	459,947
Income tax	-273,133	-242,165	86,572	147,581
Effective income tax rate	23.1%	20.1%	-13.4%	-32.1%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group Sep 2012	Group Dec 2011	Company Sep 2012	Company Dec 2011
Cost:				
Land and natural resources	175,094	176,310	74,569	75,026
Buildings and other constructions	528,343	551,944	93,472	95,906
Plant and machinery:				
Hydroelectric generation	8,689,693	8,036,060	254	254
Thermoelectric generation	7,693,049	7,752,912	-	-
Renewable generation	11,101,145	10,899,201	-	-
Electricity distribution	1,341,828	1,990,302	-	-
Gas distribution	1,126,443	1,100,039	-	-
Other plant and machinery	116,356	114,955	182	165
Other	783,649	775,526	110,040	109,323
Assets under construction	3,128,371	2,731,386	20,890	12,432
	34,683,971	34,128,635	299,407	293,106
Accumulated depreciation and impairment losses:				
Depreciation charge	-767,241	-1,019,320	-10,241	-11,154
Accumulated depreciation in previous years	-13,247,584	-12,390,019	-90,522	-81,203
Impairment losses	-8,979	-5,058	-	-
Impairment losses in previous years	-10,566	-5,925	-	-
	-14,034,370	-13,420,322	-100,763	-92,357
Carrying amount	20,649,601	20,708,313	198,644	200,749

The movements in Property, plant and equipment, for the Group, for the nine months period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost:							
Land and natural resources	176,310	2,447	-554	1,736	-6,233	1,388	175,094
Buildings and other constructions	551,944	893	-3,215	4,099	-25,793	415	528,343
Plant and machinery	29,893,469	7,928	-116,698	413,320	-126,340	-3,165	30,068,514
Other	775,526	11,665	-15,673	13,835	-1,679	-25	783,649
Assets under construction	2,731,386	893,991	-2,460	-432,990	-62,506	950	3,128,371
	34,128,635	916,924	-138,600	-	-222,551	-437	34,683,971

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:							
Buildings and other constructions	155,315	11,000	-2,401	-	-5,626	367	158,655
Plant and machinery	12,699,358	706,918	-113,646	-	-23,693	-2,276	13,266,661
Other	565,649	58,302	-13,965	-	-1,500	568	609,054
	13,420,322	776,220	-130,012	-	-30,819	-1,341	14,034,370

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR Europe and EDPR North America during the first nine months of 2012. Additionally, the EDP Brasil subgroup carried out investments related with the construction of the new coal thermoelectric generation center (Porto de Pecém) and the new hydroelectric generation center of Santo Antônio do Jari. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Charge / Impairment losses includes an impairment loss of 8,563 thousands of Euros on wind generation assets under construction in Spain (see note 13).

The movement in Exchange differences in the period results mainly from the appreciation of the Zloty (PLN), the depreciation of the Romenian Leu (RON) and Brazilian Real (BRL) against the Euro, during the nine months period ended at 30 September 2012.

Perimeter Variations / Regularisations includes the effect of the acquisition of Pietragalla Eolico S.R.L. and of J&Z SP. ZO.O., the effect of the sale of the companies holders of the mini-hydrics detained in Spain, which generated a gain of 2,857 thousands of Euros recognised under Gains / (losses) on disposal of financial assets, as well the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during the first nine months of 2012 (see note 5).

Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

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

The movements in Property, plant and equipment, for the Group, for the nine months period ended 30 September 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost:							
Land and natural resources	163,184	2,059	-574	552	-8,959	894	157,156
Buildings and other constructions	502,184	1,153	-2,899	82,085	-40,782	2,284	544,025
Plant and machinery	28,201,221	60,915	-17,570	1,264,378	-299,629	70,784	29,280,099
Other	805,664	11,868	-22,475	27,567	-3,539	-72,178	746,907
Assets under construction	3,210,711	932,305	-19,508	-1,374,582	-87,363	-8,454	2,653,109
	32,882,964	1,008,300	-63,026	-	-440,272	-6,670	33,381,296

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	9,660	-1,705	-	-7,972	2,309	146,558
Plant and machinery	11,818,193	683,524	-8,629	-	-33,211	44,179	12,504,056
Other	596,922	50,516	-17,879	-	-3,849	-43,660	582,050
	12,559,381	743,700	-28,213	-	-45,032	2,828	13,232,664

Perimeter Variations / Regularisations includes the effect of the acquisition of Home Energy II S.A. and the sale of Subgroup Veinco in the first nine months of 2011 by EDP Group.

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL), Polish Zloty (PLN) and the American Dollar (USD) against the Euro, for the period of nine months ended 30 September 2011.

During the second quarter of 2011, EDP Group changed the useful life of wind farms from 20 to 25 years with prospective effect from 1 April of 2011 as described in the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

The movements in Property, plant and equipment, for the Company, for the nine months period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost:						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-2,789	-	355	93,472
Plant and machinery	419	17	-	-	-	436
Other	109,323	1,396	-804	125	-	110,040
Assets under construction	12,432	8,583	-	-125	-	20,890
	293,106	9,996	-4,050	-	355	299,407

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:						
Buildings and other constructions	22,473	2,175	-2,159	-	355	22,844
Plant and machinery	169	19	-	-	-	188
Other	69,715	8,047	-615	-	584	77,731
	92,357	10,241	-2,774	-	939	100,763

The movements in Property, plant and equipment, for the Company, for the nine months period ended 30 September 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost:						
Land and natural resources	46,498	12,478	-304	-	-	58,672
Buildings and other constructions	24,569	12,847	-1,419	78,850	2,131	116,978
Plant and machinery	402	17	-	-	-	419
Other	122,278	3,881	-597	2,184	20	127,766
Assets under construction	82,951	16,211	-	-81,034	-	18,128
	276,698	45,434	-2,320	-	2,151	321,963

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	546	-834	-	1,352	18,458
Plant and machinery	145	18	-	-	-	163
Other	94,054	6,352	-424	-	4	99,986
	111,593	6,916	-1,258	-	1,356	118,607

Transfers of Assets under construction to Buildings and other constructions relates to the new building of EDP Group in Porto, which opened in 13 April 2011.

18. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Cost:				
Concession rights	15,360,907	15,463,265	-	-
CO2 licenses	290,594	359,058	-	-
Other intangibles	96,908	97,157	100	100
Intangible assets in progress	618,827	563,295	-	-
	16,367,236	16,482,775	100	100
Accumulated depreciation and impairment losses:				
Depreciation of concession rights	-300,804	-453,887	-	-
Depreciation of industrial property and other intangibles	-2,487	-3,406	-6	-8
Accumulated depreciation in previous years	-9,524,265	-9,225,004	-84	-76
	-9,827,556	-9,682,297	-90	-84
Carrying amount	6,539,680	6,800,478	10	16

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straightline basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2047, as well as the concession of the public hydric domain for hydroelectric generation.

The concession rights over electricity production in Brazil, namely for Lajeado Energia and Investco, are amortised on a straightline basis over the period of the concession, until 2032.

The movements in Intangible assets during the nine months period ended 30 September 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost:							
Concession rights:							
Distribution and generation Brazil	1,448,562	-	-	-	-58,413	-	1,390,149
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,371,528	20,935	-	-	-	25	1,392,488
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	359,058	131,903	-200,367	-	-	-	290,594
Assigned to concessions (IFRIC 12):							
Intangible assets	12,493,994	27	-22,597	155,759	-198,094	-	12,429,089
Intangible assets in progress	191,760	285,700	753	-237,878	-5,907	-	234,428
Other intangibles	97,157	100	-11	243	-613	32	96,908
Other intangible assets in progress	371,535	14,770	-37	-243	-1,084	-542	384,399
	16,482,775	453,435	-222,259	-82,119	-264,111	-485	16,367,236

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:							
Concession rights	675,011	58,276	-	-	-9,492	-	723,795
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	242,528	-15,053	-	-133,169	-	9,072,548
Other rights	29,044	2,487	-	-	-318	-	31,213
	9,682,297	303,291	-15,053	-	-142,979	-	9,827,556

Transfers of intangible assets assigned to concessions in the amount of 82,119 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the application of revised amortisation rates in the Brasilian electricity sector, as result of the useful lives revision for the assets allocated to concessions by "Agência de Energia Elétrica" (ANEEL), in the amount of 13,265 thousands of Euros (32,572 thousands of Brazilian Reais) during the first nine months of 2012.

Acquisitions / Increases of CO2 Licences as at 30 September 2012 includes 109,026 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 22,877 thousands of Euros of licences purchased at market. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 458 thousands of Euros sold in the market.

In the caption Hydric Portugal, the acquisitions of 20,935 thousands of Euros (30 September 2011: 38,260 thousands of Euros) relates to the power enhancement performed during 2012 in the hydroelectric plant of Alqueva. In 2011, the negative movement in Perimeter variations / Regularisations of 4,618 thousands of Euros relates to the fact that the power enhancements predicted contractually in Pedrogão have not been performed, which implies a revision the amount to be paid of concession rent.

The movements in Intangible assets during the nine months period ended 30 September 2011, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost:							
Concession rights:							
Distribution and generation Brazil	1,254,421	-	-	-	-62,838	-	1,191,583
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,320,346	38,260	-533	-	-	-4,618	1,353,455
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	297,920	-224,941	-	-	-	285,209
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	5,336	-28,752	230,123	-301,323	-	12,214,267
Intangible assets in progress	257,298	303,503	-444	-340,664	-9,119	-	210,574
Other intangibles	93,411	2,399	-22	61	-1,353	755	95,251
Other Intangible assets in progress	340,098	15,976	-567	-61	-1,334	11,891	366,003
	15,935,868	663,394	-255,259	-110,541	-375,967	8,028	15,865,523

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses:							
Concession rights	597,280	64,177	-	-	-12,477	-	648,980
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	266,744	-19,159	-	-190,833	-	8,755,572
Other rights	25,629	3,581	-21	-	-332	42	28,899
	9,321,729	334,502	-19,180	-	-203,642	42	9,433,451

Transfers in the amount of 110,541 thousands of Euros are related with the movement of Financial Assets associated with Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12.

Acquisitions of CO2 Licences as at 30 September 2011 includes 214,782 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The disposals / write-off of CO2 licenses correspond to the licenses consumed during 2010 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros and 44,724 thousands of Euros sold in the market.

19. GOODWILL

Goodwill for the Group, resulting from the difference between the acquisition value and the corresponding share of the fair value of the assets acquired, at the acquisition date, is analysed as follows:

	Group	
Thousands of Euros	Sep 2012	Dec 2011
HC Energia Group	1,915,801	1,916,548
EDP Renováveis Group	1,325,089	1,311,133
EDP Brasil Group	56,043	57,427
Other	42,149	42,149
	3,339,082	3,327,257

The movements in Goodwill during the nine months period ended 30 September 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,916,548	-	-747	-	-	-	1,915,801
EDP Renováveis Group	1,311,133	12,465	-24	-	1,515	-	1,325,089
EDP Brasil Group	57,427	-	-	-	-1,384	-	56,043
Other	42,149	-	-	-	-	-	42,149
	3,327,257	12,465	-771	-	131	-	3,339,082

The movements in Goodwill during the nine months period ended 30 September 2011, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,908,476	1,217	-	-	-	-	1,909,693
EDP Renováveis Group	1,343,294	-	-12,846	-	-8,731	-	1,321,717
EDP Brasil Group	58,991	-	-	-	-2,198	-	56,793
Other	38,418	3,731	-	-	-	-	42,149
	3,349,179	4,948	-12,846	-	-10,929	-	3,330,352

HC Energia Group

During the nine months period ended on 30 September 2012, the goodwill from HC Energia Group decreased by 747 thousands of Euros (30 September 2011: increase of 380 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

As at 30 September 2011, the EDP Group acquired, throught its subsidiary Naturgas Energia Transporte, S.A.U. the remaining shareholding of 50% of Infraestructuras Gasistas de Navarra, S.L. generating a goodwill of 837 thousands of Euros.

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, as at 30 September 2012 and 31 December 2011, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Sep 2012	Dec 2011
Goodwill in EDPR Europe Group	711,353	697,691
Goodwill in EDPR North America Group	612,299	611,882
Goodwill in EDPR Brazil Group	1,437	1,560
	1,325,089	1,311,133

EDPR Europe Group

In the nine months period ended 30 September 2012, the increase in EDPR Europe Group in the amount of 12,465 thousands of Euros is due to the acquition of several companies: Pietragalla Eolico S.R.L., Cujmir Solar S.R.L., Pontelu Solar S.R.L., Studina Solar S.R.L., Vanju Mare Solar S.R.L. and Sibioara Wind Farm S.R.L.

As at 30 September 2011, the decrease in EDP Renováveis Group goodwill in the amount of 12,846 thousands of Euros, results from the redefinition of the final price of the liability related with the put option of Caja Madrid over the non-controlling interest held by this entity over Genesa in the amount of 3,363 thousands of Euros and the sale of Subgrupo Veinco by 9,483 thousands of Euros.

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Sep 2012	Dec 2011
Acquisition cost	10,883,420	10,863,358
Effect of equity method (transition to IFRS)	-902,524	-1,020,632
Equity investments in subsidiaries	9,980,896	9,842,726
Impairment losses on equity investments in subsidiaries	-183,943	-133,943
	9,796,953	9,708,783

On the date of transition to IFRS, EDP, S.A. ceased to apply the equity method of accounting to its investments in its unconsolidated financial statements, having considered this method in the determination of the deemed cost at transition date.

The variation in the caption Investments in subsidiaries on a company basis (88,170 thousands of Euros) results, essentially, from the share capital increase of EDP Investments and Services, S.L. realised through a contribution in kind of 11,23% of the share voting rights over EDP Energias do Brasil (net effect of 87,945 thousands of Euros), from the supplementary capital conceded to EDP Imobiliária e Participações, S.A. (50,000 thousands of Euros) and from the impairment losses on equity investments in EDP Imobiliária (50,000 thousands of Euros).

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53.482.659 ordinary shares, representing 11,23% of the voting rights, in the amount of 193,909 thousands of Euros was used to subscribe a share capital increase in EDP Investments and Services, S.L., through a contribution in kind of the referred shares, evaluated in 281,854 thousands of Euros, having been recognised a gain on the financial statements of EDP, S.A. in the amount of 87,945 thousands of Euros.

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Associated companies:				
Investments in associates	163,417	160,443	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	163,280	160,306	-	-

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Banco Comercial Português, S.A.	24,908	19,665	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	37,399	39,361	37,399	39,361
Tejo Energia, S.A.	29,507	29,507	-	-
Other	79,965	82,780	3,140	3,183
	171,779	171,313	40,539	42,544

As at 30 June 2012, the investment held in Banco Comercial Português, S.A. decreased by 5,495 thousands of Euros, having an impairment loss been recognised in the income statement (see note 15). During the third quarter of 2012, regarding BCP share capital increase, EDP Group subscribed 250,778,389 shares of BCP at 0.04 Euros per share in a total investment of 10,031 thousands of Euros. After this operation, the Group holds 395,370,529 shares, maintaining its actual share of 2.01%, but reducing the share average cost , which in comparison with the securities market value as at 30 September 2012, generated a positive effect of 707 thousands of Euros in fair value reserves (see note 32).

During the nine months period ended 30 September 2012, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., decreased by 1,962 thousands of Euros being the decrease booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 42,801 thousands of Euros (31 December 2011: 37,388 thousands of Euros), as a result of its reinsurance activity.

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 30 September 2012 and 31 December 2011 is analysed as follows:

Thousands of Euros	Sep 2012	Dec 2011
REN - Redes Energéticas Nacionais, S.G.P.S., S.A	11,579	13,541
Tejo Energia, S.A.	23,152	23,152
Other	8,026	6,319
	42,757	43,012

23. DEFERRED TAX ASSETS AND LIABILITIES

The EDP Group records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Balance as at 1 January	511,414	515,332	-954,002	-856,072
Tariff adjustment for the period	2,896	-26,943	-205,647	-60,603
Provisions	-16,703	-15,010	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-27,382	-20,155	-69,935	-45,376
Deferred tax over CMECs in the period	-	-	-62,666	30,162
Tax losses and tax credits	215,569	187,133	-	-
Financial and available for sale investments	-36,981	33,943	63,465	8,406
Fair value of derivative financial instruments	-1,720	16,870	22,293	-1,270
Allocation of fair value adjustments to assets and liabilities acquired	-129	-6,173	24,792	-4,498
Gains from institutional partnerships in USA wind farms	-	-	-25,503	-47,443
Exchange differences and other	-18,777	-31,159	4,366	18,935
Netting of deferred tax assets and liabilities	-306,944	-119,624	306,944	119,624
Balance as at 30 September	321,243	534,214	-895,893	-838,135

On a company basis, EDP, S.A. records the tax effect resulting from temporary differences between the assets and liabilities determined on an accounting basis and on a tax basis, which are analysed as follows:

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Balance as at 1 January	18,344	-	-	-67,926
Tax losses and tax credits	-1,803	74,337	-	-
Provisions	-16,751	16,210	-	-
Financial and available for sale investments	1,515	1,524	67,623	10,204
Fair value of derivative financial instruments	-5,112	-4,914	11,383	5,508
Other temporary differences	254	-848	-90	-4,235
Netting of deferred tax assets and liabilities	78,916	-56,449	-78,916	56,449
Balance as at 30 September	75,363	29,860	-	-

24. INVENTORIES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Merchandise	71,201	90,673	-	-
Finished, intermediate products and sub-products	35,939	39,494	-	-
Raw and subsidiary materials and consumables (coal and fuel)	128,110	124,311	-	-
Nuclear fuel	17,449	15,140	-	-
Other consumables	65,269	76,442	2,251	807
	317,968	346,060	2,251	807

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	931,309	925,710	157,310	159,033
Spain	680,677	730,606	-	-
Brazil	442,419	422,973	-	-
U.S.A.	25,807	31,660	-	-
Other	59,676	33,312	-	-
Public Sector:				
Portugal	99,910	94,859	-	-
Brazil	35,464	30,178	-	-
Spain	86,771	41,545	-	-
	2,362,033	2,310,843	157,310	159,033
Impairment losses	-302,474	-267,172	-9,964	-9,960
	2,059,559	2,043,671	147,346	149,073
Trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	37,381	19,577	-	-
Public Sector:				
Portugal	128,225	132,258	-	-
Brazil	4,805	30,948	-	-
	170,411	182,783	-	-
Impairment losses	-69,275	-74,173	-	-
	101,136	108,610	-	-
	2,160,695	2,152,281	147,346	149,073

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Debtors and other assets from commercial assets - Current:				
Amounts receivable from Spanish tariff expenses	530,960	553,268	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	779,719	374,859	-	-
Receivables relating to other goods and services	163,328	98,871	26,083	61,458
Amounts receivable relating to CMEC	111,831	122,080	-	-
Accrued income relating to energy sales and purchase activity in the market	90,147	117,227	173,787	165,968
Sundry debtors and other operations	292,290	245,189	58,072	34,341
	1,968,275	1,511,494	257,942	261,767
Impairment losses on debtors - Current	-15,197	-15,878	-930	-938
	1,953,078	1,495,616	257,012	260,829
Debtors and other assets from commercial assets - Non-Current:				
Amounts receivable from tariff adjustments - Electricity - Portugal	743,733	424,787	-	-
Amounts receivable relating to CMEC	1,203,093	1,012,330	-	-
Amounts receivable from concessions - IFRIC 12	634,219	581,012	-	-
Sundry debtors and other operations	91,587	93,140	1,609	179
	2,672,632	2,111,269	1,609	179
Impairment losses on debtors - Non current	-2,885	-2,876	-	-
	2,669,747	2,108,393	1,609	179
	4,622,825	3,604,009	258,621	261,008

The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 September 2012, according to the applicable legal framework (see note 3). During the nine months period ended at 30 September 2012, the Spanish Electricity Deficit Amortisation Fund (FADE), launched eleven bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 167,936 thousands of Euros related with tariff adjustments from previous years.

The movement for the period in Amounts receivable from Portuguese tariff adjustments - Electricity (Current and Non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	394,057	29,726
Receipts through the electric energy tariff	-303,605	-
Tariff adjustment of 2010	162,820	54,273
Tariff adjustment for the period	242,126	184,239
Interest income	8,061	453
Securitisation adjustment of cogeneration	-55,463	-83,194
Transfer from Non-Current to Current	22,295	-22,295
Balance as at 30 September 2011	470,291	163,202
Receipts through the electric energy tariff	-102,530	-
Tariff adjustment of 2010	25,212	77,585
Tariff adjustment for the period	-15,705	212,232
Transfer from tariff adjustments payable	2,515	-
Interest income	6,133	6,931
Securitisation adjustment of cogeneration	-18,488	-27,732
Transfer from Non-Current to Current	7,431	-7,431
Balance as at 31 December 2011	374,859	424,787
Receipts through the electric energy tariff	-499,662	-
Tariff adjustment for the period	475,467	690,937
Interest income	30,098	26,966
Transfer from Non-Current to Current	398,957	-398,957
Balance as at 30 September 2012	779,719	743,733

The caption Amounts receivable relating to CMEC totalize 1,314,924 thousands of Euros, includes 1,203,093 thousands of Euros as non-current and 111,831 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 693,976 thousands of Euros as non-current and 31,500 thousands of Euros as current, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2012. The remaining 509,117 thousands of Euros as non-current and 80,331 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation in 2010, 2011 and 2012.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 634,219 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes the effect of the depreciation of Brazilian Real against Euro in the amount of 18,465 thousands of Euros, transfers from intangible assets assigned to concessions in the amount of 82,119 thousands of Euros (see note 18) as well as 7,473 thousands of Euros arising from the transfer of Evrecy Participações Ltda. financial assets to assets held for sale, following the sale of this subsidiary to CTEEP — Companhia de Transmissões de Energia Eléctrica Paulista in May 2012. This transaction is subject to the approval of ANEEL.

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Debtors and other assets - Current:				
Loans to subsidiaries	-	-	2,967,010	1,802,680
Dividends	-	-	-	152,358
Loans to related parties	31,645	122,903	20,226	20,235
Receivables from the State and concessors	58,214	30,565	-	-
Derivative financial instruments	135,571	216,817	223,782	246,766
Subsidiary Companies	-	-	956,947	421,855
Guarantees and linked deposits	8,613	8,181	-	-
Sundry debtors and other operations	99,332	127,228	6,532	1,880
	333,375	505,694	4,174,497	2,645,774
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	5,166,282	4,765,436
Loans to related parties	232,239	133,180	90	90
Guarantees and linked deposits	120,357	142,722	5	3,419
Derivative financial instruments	166,227	104,697	79,722	79,184
Sundry debtors and other operations	41,996	21,426	-	-
	560,819	402,025	5,246,099	4,848,129
	894,194	907,719	9,420,596	7,493,903

28. TAX RECEIVABLE

Tax receivable is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
State and other public entities:				
Income tax	200,555	271,353	52,841	77,246
Value added tax (VAT)	194,569	307,087	108,301	81,876
Turnover tax (Brazil)	35,612	30,598	-	-
Other taxes	34,204	35,781	3,255	3,255
	464,940	644,819	164,397	162,377

On EDP Group basis, the caption Other taxes includes the amount of 25,670 thousands of Euros (31 December 2011: 27,700 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Cash:				
Cash in hand	226	40	14	-
Bank deposits:				
Current deposits	637,838	475,206	31,043	170,629
Term deposits	1,150,335	1,219,813	476,338	490,980
Specific demand deposits in relation to institutional partnerships - EDPR NA	2,820	24,636	-	-
Other deposits	416,028	5,152	-	-
	2,207,021	1,724,807	507,381	661,609
Other short term investments:				
Banks (Euros)	290	6,677	-	-
	290	6,677	-	-
Cash and cash equivalents	2,207,537	1,731,524	507,395	661,609

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 incorporated by shares in which the Portuguese State and other public entities have non-controlling interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to China Three Gorges International (Europe), S.A., through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

In result of this transaction the 780,633,782 shares representing 21.35% of the share capital and voting rights of EDP are directly attributed to China Three Gorges International (Europe), S.A. Accordingly, Parpública has reduced its qualified shareholding in EDP from 25.49% of the respective share capital and voting rights to 4.14%, holding a total amount of 151,517,000 shares in EDP, all of which correspond to class B shares.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each. Of this amount, 3,505,020,715 are class A shares and 151,517,000 are class B shares.

Share capital and Share premium are analysed as follows:

	Group and Company	
Thousands of Euros	Share capital	Share premium
Balance as at 31 December 2011	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 September 2012	3,656,538	503,923

The earnings per share (EPS) attributable to the equity holders of EDP are as follows:

	Group		Company	
	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Net profit attributable to the equity holders of EDP (in Euros)	794,525,951	823,629,775	730,817,414	607,528,120
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	794,525,951	823,629,775		
Weighted average number of ordinary shares outstanding	3,623,926,213	3,624,464,346	3,625,439,213	3,625,977,346
Weighted average number of diluted ordinary shares outstanding	3,624,510,426	3,625,069,823	3,626,023,426	3,626,582,823
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.23		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.23		
Basic earnings per share from continuing operations (in Euros)	0.22	0.23		
Diluted earnings per share from continuing operations (in Euros)	0.22	0.23		

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 2012	Sep 2011	Sep 2012	Sep 2011
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,611, 502	-32,073, 369	-31,098, 502	-30,560, 369
Average number of shares during the period	3,623,926,213	3,624,464,346	3,625,439,213	3,625,977,346
Effect of stock options	584,213	605,477	584,213	605,477
Diluted average number of shares during the period	3,624,510,426	3,625,069,823	3,626,023,426	3,626,582,823

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Book value of EDP, S.A. treasury stock (thousands of Euros)	104,913	111,430	98,818	105,335
Number of shares	32,124,523	32,359,146	30,611,523	30,846,146
Market value per share (in Euros)	2.142	2.391	2.142	2.391
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	68,811	77,371	65,570	73,753

Operations performed from 1 January 2012 to 30 September 2012:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,243,938	-
Purchase price average (in Euros)	2.007	-
Purchase total value (thousands of Euros)	2,497	-
Volume sold (number of shares)	-1,478,561	-
Selling price average (in Euros)	2.138	-
Sold total value (thousands of Euros)	3,162	-
Final position (number of shares)	30,611,523	1,513,000
Highest market price (in Euros)	2.480	-
Lowest market price (in Euros)	1.640	-
Average market price (in Euros)	2.024	-

The volume and the selling prices disclosed above include the effect of the treasury stock atributable to employees, as mencioned in note 45.

The treasury stock held by EDP, S.A., is within the limits established by the Company's articles of association and by the "Código das Sociedades Comerciais" (Companies Commercial Code). The treasury stock is stated at acquisition cost.

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Legal reserve	578,435	539,145	578,435	539,145
Fair value reserve (cash flow hedge)	-126,204	-40,625	-16,147	4,870
Tax effect of fair value reserve (cash flow hedge)	37,582	13,537	3,685	-2,402
Fair value reserve (available for sale investments)	42,757	43,012	7,219	9,166
Tax effect of fair value reserve (available for sale investments)	-1,289	-1,652	1,780	1,051
Exchange differences arising on consolidation	48,866	121,469	-	-
Treasury stock reserve (EDP, S.A.)	98,818	105,335	98,818	105,335
Other reserves and retained earnings	2,581,365	2,155,619	1,315,038	1,238,690
	3,260,330	2,935,840	1,988,828	1,895,855

Legal reserve

In accordance with Article 295 of "Código das Sociedades Comerciais" (Companies Commercial Code) and EDP, S.A.'s articles of association, the legal reserve must be increased by a minimum of 5% of the annual profit until it reaches 20% of the company's share capital. This reserve can only be used to cover losses or to increase share capital.

Fair value reserve (cash flow hedge)

This reserve includes the effective portion of the cumulative net change in the fair value of the cash flow hedging financial derivative instruments.

Fair value reserve (available-for-sale investments)

This reserve includes the accumulated net change in the fair value of available-for-sale investments as at the balance sheet date, net of impairment losses. The changes in this consolidated caption for the period are as follows:

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	622	-181,828
Transfer of impairment to profit or loss	-	52,028
Transfer to the income statement relating to assets sold	-5,947	-
Balance as at 30 September 2011	490,547	-443,143
Changes in fair value	7,038	-8,270
Transfer of impairment to profit or loss	-	8,636
Transfer to the income statement relating to assets sold	-11,796	-
Balance as at 31 December 2011	485,789	-442,777
Changes in fair value	2,119	-9,986
Transfer of impairment to profit or loss	-	7,612
Balance as at 30 September 2012	487,908	-445,151

Changes in fair value reserve attributable to the EDP Group during the nine months period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	707	-5,495
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-1,962
Other	1,412	-2,529
	2,119	-9,986

Exchange differences on consolidation

Exchange differences on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

		Exchange rates at Sep 2012		Exchange rates at Dec 2011		Exchange rates at Sep 2011	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.293	1.281	1.294	1.392	1.350	1.406
Brazilian Real	BRL	2.623	2.456	2.416	2.327	2.507	2.294
Macao Pataca	MOP	10.327	10.023	10.353	10.985	10.837	11.041
Canadian Dollar	CAD	1.268	1.284	1.322	1.376	1.411	1.375
Zloty	PLN	4.104	4.209	4.458	4.121	4.405	4.021
Lei	RON	4.538	4.436	4.323	4.239	4.358	4.207
Pound Sterling	GBP	0.798	0.812	0.835	0.868	0.867	0.871

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.° of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the booking amount of treasury stock held.

Dividends

On 17 April 2012, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 16 May 2012 of the net profit for the year 2011 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,630 thousands of Euros).

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2012	Dec 2011
Non-controlling interests in income statement	115,557	207,316
Non-controlling interests in equity and reserves	3,052,266	3,069,929
	3,167,823	3,277,245

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

	Group	
Thousands of Euros	Sep 2012	Dec 2011
EDP Renováveis Group	1,337,845	1,319,812
Energias do Brasil Group	1,711,753	1,844,400
Other	118,225	113,033
	3,167,823	3,277,245

During the nine months period ended 30 September 2012 EDP Group generated profits of 115,557 thousands of Euros attributable to non-controlling interest (31 December 2011: 207,316 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 27,822 thousands of Euros, and a decrease of the fair value reserve net of taxes of 10,455 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 79,675 thousands of Euros of profits attributable to non-controlling interests, 133,998 thousands of Euros from the negative exchange differences and a decrease of 78,668 thousands of Euros related to dividends paid.

34. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	Sep 2012	Sep 2011
Balance at the beginning of the period	69,142	75,098
Amounts received / (paid) during the period	-11,365	-
Financial charges	1,914	1,456
Balance at the end of the period	59,691	76,554

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	65,113	45,161	65,113	45,161
EDP Finance B.V.	1,106,393	358,445	-	-
EDP Brasil Group	119,078	147,014	-	-
HC Energia Group	1,008	907	-	-
EDP Renováveis Group	130,972	126,041	-	-
EDP Produção - Portugal	8,401	8,021	-	-
Portgás	30,021	33,803	-	-
Others	6,584	4,724	-	-
	1,467,570	724,116	65,113	45,161
Non-convertible bond loans:				
EDP, S.A.	150,000	-	150,000	-
EDP Finance B.V.	773,306	1,621,314	-	-
EDP Brasil Group	31,500	34,175	-	-
	954,806	1,655,489	150,000	-
Commercial paper:				
EDP, S.A.	312,000	311,400	7,189,000	5,641,400
HC Energia Group	2,678	498	-	-
	314,678	311,898	7,189,000	5,641,400
Other loans:				
Investco preference shares	4,518	1,058	-	-
EDP Brasil Group	9,595	9,176	-	-
EDP Renováveis Group	2,884	3,111	-	-
EDP Produção - Portugal	1,231	1,231	-	-
	18,228	14,576	-	-
Accrued interest	238,147	292,619	17,694	13,824
	2,993,429	2,998,698	7,421,807	5,700,385

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,102,950	1,137,824	1,102,950	1,137,824
EDP Finance B.V.	4,680,195	3,972,309	-	-
EDP Brasil Group	808,004	794,732	-	-
HC Energia Group	2,227	3,126	-	-
EDP Renováveis Group	777,763	680,350	-	-
EDP Produção - Portugal	155,354	159,738	-	-
Portgás	38,674	43,278	-	-
	7,565,167	6,791,357	1,102,950	1,137,824
Non-convertible bond loans:				
EDP, S.A.	730,366	630,782	730,366	630,782
EDP Finance B.V.	8,589,393	7,831,887	-	-
EDP Brasil Group	511,290	353,924	-	-
	9,831,049	8,816,593	730,366	630,782
Other loans:				
Investco preference shares	18,741	19,719	-	-
EDP Brasil Group	38,408	46,313	-	-
EDP Renováveis Group	22,773	24,284	-	-
EDP Produção - Portugal	2,534	3,505	-	-
Others	1,162	517	-	-
	83,618	94,338	-	-
	17,479,834	15,702,288	1,833,316	1,768,606
Accrued interest	18,368	11,802	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	154,351	72,321	6,971	8,921
	17,652,553	15,786,411	1,840,287	1,777,527
	20,645,982	18,785,109	9,262,094	7,477,912

EDP Group, at EDP, S.A. level, has short-term credit facilities of 183,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being 182,686 thousands of Euros available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2012. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,100,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 30 September 2012 is totally drawn down.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2012 and 31 December 2011 these loans amounted to 996,351 thousands of Euros and 888,776 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of Bond loans issued and outstanding, as at 30 September 2012, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	773,395	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	773,395	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	99,631	-
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	773,395	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	77,340	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Set/12	Taxa variável (iv)	n.a.	Set/17	750,000	-
					9,458,738	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110.5% do CDI	n.a.	Oct/13	114,364	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	148,673	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	63,539	-
Energias do Brasil	Set/12	105,5% do CDI	n.a.	Fev/14	171,546	-
					498,122	-
					10,856,860	900,000

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan has associated interest rate swaps.
(iv) These issues correspond to private placements.

Financial Debt by maturity, is analysed as follows:

Thousands of Euros	Group Sep 2012	Group Dec 2011	Company Sep 2012	Company Dec 2011
Bank loans and overdrafts:				
Up to 1 year	1,493,267	740,584	66,011	48,146
From 1 to 5 years	6,148,444	5,422,511	645,411	625,655
More than 5 years	1,434,020	1,380,647	457,539	512,169
	9,075,731	7,543,742	1,168,961	1,185,970
Bond loans:				
Up to 1 year	1,165,332	1,924,756	164,953	4,065
From 1 to 5 years	7,089,237	5,753,834	437,337	339,703
More than 5 years	2,897,236	3,135,080	300,000	300,000
	11,151,805	10,813,670	902,290	643,768
Commercial paper:				
Up to 1 year	316,521	318,672	7,190,843	5,648,174
Other loans:				
Up to 1 year	18,309	14,686	-	-
From 1 to 5 years	70,968	61,859	-	-
More than 5 years	12,648	32,480	-	-
	101,925	109,025	-	-
	20,645,982	18,785,109	9,262,094	7,477,912

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

	Sep 2012		Dec 2011	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	2,993,429	2,744,466	2,998,698	2,650,355
Debt and borrowings - Non current	17,652,553	17,118,632	15,786,411	13,939,717
	20,645,982	19,863,098	18,785,109	16,590,072

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements in IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 30 September 2012, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Debt and borrowings - Non current	-	1,492,197	3,571,264	3,202,253	3,146,781	6,240,058	17,652,553
Debt and borrowings - Current	1,387,756	1,605,673	-	-	-	-	2,993,429
	1,387,756	3,097,870	3,571,264	3,202,253	3,146,781	6,240,058	20,645,982

Future payments of capital in debt and interests and guarantees are detailed in note 44.

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Provisions for social liabilities and benefits	921,436	1,003,943	-	-
Provisions for medical liabilities and other benefits	822,513	819,215	-	-
	1,743,949	1,823,158	-	-

Provisions for social liabilities and benefits as at 30 September 2012 include 913,884 thousands of Euros relating to retirement pension defined benefit plans (31 December 2011: 994,661 thousands of Euros) and 7,552 thousands of Euros (31 December 2011: 9,282 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Balance at the beginning of the period	1,003,943	1,104,406	-	-
Charge for the period	44,039	44,619	-	-
Pre-retirements (curtailments)	54	5,541	-	-
Actuarial (gains)/losses	-15,047	-15,096	-	-
Charge-off	-108,909	-120,378	-	-
Transfers, reclassifications and exchange differences	-2,644	1,644	-	-
Balance at the end of the period	921,436	1,020,736	-	-

The components of consolidated net cost of the pensions plans recognised in the period were as follows:

	Sep 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the period				
Current service cost	9,035	425	-55	9,405
Curtailments / Settlements	-	-	54	54
Operational component (see note 10)	9,035	425	-1	9,459
Interest cost	64,443	2,827	22,980	90,250
Expected return on plan assets	-34,166	-	-21,450	-55,616
Financial component (see note 15)	30,277	2,827	1,530	34,634
Net cost for the period	39,312	3,252	1,529	44,093

	Sep 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the period				
Current service cost	10,756	-	-278	10,478
Curtailments / Settlements	5,541	-	-	5,541
Operational component (see note 10)	16,297	-	-278	16,019
Interest cost	70,048	2,873	16,855	89,776
Expected return on plan assets	-41,401	-	-14,234	-55,635
Financial component (see note 15)	28,647	2,873	2,621	34,141
Net cost for the period	44,944	2,873	2,343	50,160

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

	Group		Company	
Thousands of Euros	Sep 2012	Sep 2011	Sep 2012	Sep 2011
Balance at the beginning of the period	819,215	800,473	-	-
Charge for the period	40,553	38,910	-	-
Pre-retirements (curtailments)	-	380	-	-
Actuarial (gains)/losses	-1,534	-2,674	-	-
Charge-off	-30,793	-29,256	-	-
Transfers, reclassifications and exchange differences	-4,928	-3,675	-	-
Balance at the end of the period	822,513	804,158	-	-

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

	Sep 2012			Sep 2011		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the period						
Current service cost	5,017	1,540	6,557	5,353	1,431	6,784
Curtailment	-	-	-	380	-	380
Operational component (see note 10)	5,017	1,540	6,557	5,733	1,431	7,164
Interest cost	27,282	6,714	33,996	27,758	4,368	32,126
Financial component (see note 15)	27,282	6,714	33,996	27,758	4,368	32,126
Net cost for the period	32,299	8,254	40,553	33,491	5,799	39,290

As at 30 September 2012, current service cost, interest cost and expected return on plan assets were determined based on the estimated cost for the period in accordance with the actuarial study as of 31 December 2011, according with the Group accounting policy.

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	71,532	87,143	-	-
Provision for customer guarantees under current operations	16,950	37,867	-	-
Provision for other liabilities and charges	276,494	290,139	27,728	72,172
	364,976	415,149	27,728	72,172

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, have booked provisions of an amount sufficient to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies, includes provisions for litigation in progress and other labour contingencies of 68,158 thousands of Euros (31 December 2011: 79,529 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 16,341 thousands of Euros (31 December 2011: 19,498 thousands of Euros). The requests result from the application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;

ii) The Municipal Council of Póvoa do Varzim has brought up a legal action, which estimated liability amounts to 2,852 thousands of Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund);

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2006 to 2008, in a total amount of 3,826 thousands of Euros. In the second quarter of 2012, and following a final and unfavorable decision relating to the litigations of the years 2004 and 2005 the EDP Group used the provision for litigation in the amount of 6,625 thousands of Euros;

iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

Provisions for customer guarantees under current operations of 16,950 thousands of Euros (31 December 2011: 37,867 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 September 2012, Provision for other liabilities and charges on a consolidated basis includes the following situations:

i) The Group holds a provision of 23,451 thousands of Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it;

ii) Provisions for dismantling of wind farms of 60,700 thousands of Euros (31 December 2011: 57,694 thousands of Euros) to cover the costs of returning the sites to their original state, from which 35,940 thousands of Euros referring to the wind farms of the EDPR North America Group, 23,879 thousands of Euros to the wind farms of the EDPR Europe Group and 881 thousands of Euros to the wind farms of the EDPR Brazil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 30 September 2012, the provision which amounts to 45,195 thousands of Euros (31 December 2011: 43,215 thousands of Euros) and 16,403 thousands of Euros (31 December 2011: 15,608 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

During the second quarter of 2012, the EDP Group reversed a provision in the amount of 16,667 thousands of Euros related to a litigation with Iberdrola for damages and losses for their unjustified opposition to the access of HC Energia to the transportation networks in the community of Valencia during the years 2001 and 2002. On 17 May 2012, HC Energia was notified by the High Court of Valencia of the decision to accept an expert report which strenghtens the HC Energia position. Thus, HC Energia reviewed the contingency associated with this litigation, and considered as remote the possibility of returning to Iberdrola the compensation received following the court decision subject to an appeal by Iberdrola.

As at 30 September 2012, Provision for other liabilities and charges includes the variation of 40,784 thousands of Euros related to a redution on the provision to cover for the negative equity of subsidiary companies, booked against financial results (see note 15).

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 September 2012, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 27,902 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Escelsa is involved in litigation, related with the increase of the electricity tariffs, authorized by DNAEE Amninistratives Orders n. 38 and 45 of 27 February and 4 March of 1986;

iii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional S.G.P.S., related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 September 2012, the amount of this tax contingency totals 221 millions of Euros.

Considering the analysis made and the technical advice received, and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes, as established in article 75, no. 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at present date (actual article 81).

Consequently, EDP Group is currently using all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and tax perspective, being at this moment in the inicial phase of the judicial claim. As a result of the administrative appeal implied dismissing, EDP presented a judicial claim, on 6 June 2012.

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
Thousands of Euros	Sep 2012	Dec 2011
Deferred income related to benefits provided	757,146	773,252
Liabilities arising from institutional partnerships in USA wind farms	978,986	1,010,609
	1,736,132	1,783,861

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

As referred in the note 2 a), EDP Group changed the presentation of Deferred tax equity costs to be deducted to the caption Institutional partnerships in US wind farms. Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, the EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset (see note 27). In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2011 comparative figures to conform to this change in presentation. The Group reclassified 12,948 thousands of Euros as at 31 December 2011 from Other debtors and other assets — Non-current - Sundry debtors and other operations to Institutional partnerships in US wind farms.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Trade and other payables from commercial activities - Current:				
Suppliers	1,030,822	1,110,659	176,230	250,114
Accrued costs related with supplies	393,245	371,858	167,313	180,632
Property, plant and equipment suppliers and accruals	529,867	788,496	2,246	5,342
Holiday pay, bonus and other charges with employees	120,528	154,622	5,828	14,861
CO_2 emission licenses	120,758	185,154	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	26,427	67,473	-	-
Amounts payable for tariff adjustments - Spain	-	39,624	-	-
Other creditors and sundry operations	497,381	578,794	39,573	57,744
	2,719,028	3,296,680	391,190	508,693
Trade and other payables from commercial activities - Non-Current:				
Government grants for investment in fixed assets	533,595	541,850	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	74,539	12,376	-	-
Energy sales contracts - EDPR NA	53,270	61,664	-	-
Deferred income - CMEC	352,715	377,508	-	-
Amounts payable for concessions	251,852	247,933	-	-
Other creditors and sundry operations	49,236	48,105	2,787	3,410
	1,315,207	1,289,436	2,787	3,410
	4,034,235	4,586,116	393,977	512,103

Amounts payable for tariff adjustments - Electricity - Portugal current and non-current, relates to tariff adjustments (see note 3) of the Portuguese Electric System for the regulated companies in Portugal. The movement in this caption (current and non-current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	173,831	61,557
Payment through the electricity tariff	-149,333	-
Interest expense	2,294	235
Transfer from Non-Current to Current	46,168	-46,168
Balance as at 30 September 2011	72,960	15,624
Payment through the electricity tariff	-26,619	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the period	-	12,135
Interest expense	1,474	6
Transfer to tariff adjustments receivable	2,515	-
Transfer from Non-Current to Current	17,143	-17,143
Balance as at 31 December 2011	67,473	12,376
Payment through the electricity tariff	-52,633	-
Tariff adjustment of the period	-	70,493
Interest expense	2,305	952
Transfer from Non-Current to Current	9,282	-9,282
Balance as at 30 September 2012	26,427	74,539

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts under Other operational income (see note 8).

Deferred income - CMEC non-current in the amount of 352,715 thousands of Euros (31 December 2011: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2012 and including unwinding (see note 15).

Amounts payable for concessions refer to the amounts payable non-current related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 160,229 thousands of Euros (31 December 2011: 152,259 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 91,623 thousands of Euros (31 December 2011: 95,674 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2011: 14,317 thousands of Euros).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Other liabilities and other payables - Current:				
Payables to related companies	109,834	128,587	-	-
Derivative financial instruments	75,242	111,857	83,337	75,745
Payables - Group companies	-	-	1,594,110	1,288,583
Amounts payable for acquisition and success fees	233,593	215,524	-	-
Other creditors and sundry operations	3,648	79,109	4,975	29,203
	422,317	535,077	1,682,422	1,393,531
Other liabilities and other payables - Non-Current:				
Payables to related companies	103,114	94,259	-	-
Put options over non-controlling interest liabilities	89,300	89,651	-	-
Derivative financial instruments	138,203	95,719	-	-
Payables - Group companies	-	-	2,404,687	2,436,252
Amounts payable for acquisition and success fees	40,619	48,675	-	-
Other creditors and sundry operations	24,910	32,797	11,062	11,062
	396,146	361,101	2,415,749	2,447,314
	818,463	896,178	4,098,171	3,840,845

The caption Payables - Group companies Current on a Company basis includes 1,478,613 thousands of Euros (31 December 2011: 885,752 thousands of Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 87,252 thousands of Euros, relating to debt financing obtained from EDP Renováveis (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 2,404,687 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the agreement mentioned above, as at 30 September 2012 the caption Amounts payable for acquisitions and success fees (current) includes the amount of 216,469 thousands of Euros (31 December 2011: 214,767 thousands of Euros). Additionally, this caption includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 10,191 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 82,496 thousands of Euros (31 December 2011: 83,244 thousands of Euros) and the put option of Energia in Natura to EDPR Europe for 6.48% of EDPR Italia share capital of 3,421 thousands of Euros (31 December 2011: 3,266 thousands of Euros).

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy, SeaEnergy Renewables InchCape Limited and Elebrás. As at 31 December 2011, this caption includes the contigent price reduction associated with the exercise of the put option held by Energia in Natura to EDPR Europe in the amount of 17,070 thousands of Euros.

41. TAX PAYABLE

Tax payable is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
State and other public entities:				
Income tax	157,377	167,316	60	1,158
Withholding tax	33,824	65,999	196	213
Value added tax (VAT)	95,146	97,835	303	307
Turnover tax (Brazil)	50,276	59,596	-	-
Social tax (Brazil)	31,544	36,952	-	-
Other taxes	112,609	119,108	40	44
	480,776	546,806	599	1,722

As at 30 September 2012, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 43,932 thousands of Euros, Naturgas Group of 30,452 thousands of Euros (31 December 2011: HC Energia Group of 53,539 thousands of Euros and Naturgás Group of 34,656 thousands of Euros) and Energias do Brazil Group of 13,339 thousands of Euros (31 December 2011: 13,437 thousands of Euros).

42. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The criteria for classifying assets and liabilities as held for sale and discontinued operations, as well as their presentation in the EDP Group's consolidated financial statements, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Assets classified as held for sale				
Assets of the business of gas transmission - Naturgas	209,047	201,924	-	-
Assets of the business of electricity transmission - EDP Brasil	11,061	-	-	-
	220,108	201,924	-	-
Liabilities classified as held for sale				
Liabilities of the business of gas transmission - Naturgas	-24,836	-21,329	-	-
Liabilities of the business of electricity transmission - EDP Brasil	-176	-	-	-
	-25,012	-21,329	-	-
	195,096	180,595	-	-

As a result of negociations in progress for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were reclassified to assets and liabilities held for sale. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of their assets and liabilities, in accordance with IFRS 5. The assets of the business of gas transmission relate mostly to tangible fixed assets in operation and in progress.

During the second quarter of 2012, EDP Group celebrated a sale contract of Evrecy Participações Ltda. to CTEEP — Companhia de Transmissões de Energia Eléctrica Paulista, in the amount of 58 millions of Brazilian Reais. This transaction is subject to the approval of "Agência Nacional de Energia Elétrica" (ANEEL), whereby the assets and liabilities of Evrecy were reclassified to assets and liabilities held for sale, as required by IFRS 5.

43. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial instruments portfolio as at 30 September 2012 and 31 December 2011 is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Derivatives held for trading	25,353	77,033	19,909	30,040
Fair value hedge	175,943	97,330	209,939	208,460
Cash-flow hedge	-117,040	-68,232	-9,681	11,705
Net Investment hedge	4,097	7,807	-	-
	88,353	113,938	220,167	250,205

44. COMMITMENTS

Financial, operating and real guarantees assumed by EDP Group, not included in the statement of financial position as at 30 September 2012 and 31 December 2011, are analysed as follows:

Thousands of Euros	Group		Company	
Type	Sep 2012	Dec 2011	Sep 2012	Dec 2011
Financial guarantees				
EDP, S.A.	328,963	268,890	328,963	268,890
HC Energia Group	23,292	33,083	-	-
EDP Brasil Group	737,666	645,811	-	-
EDP Renováveis Group	59,273	5,656	-	-
Other	3,711	3,711	-	-
	1,152,905	957,151	328,963	268,890
Operating guarantees				
EDP, S.A.	749,282	770,668	749,282	770,668
HC Energia Group	332,571	357,709	-	-
EDP Brasil Group	355,415	322,233	-	-
EDP Renováveis Group	1,025,510	1,100,414	-	-
Other	6,692	10,094	-	-
	2,469,470	2,561,118	749,282	770,668
Total	3,622,375	3,518,269	1,078,245	1,039,558
Real guarantees	24,784	19,820	-	-

The financial guarantees contracted include, at 30 September 2012 and 31 December 2011, 1,039,789 thousands of Euros and 743,665 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 146,560 thousands of Euros at 30 September 2012 for loans obtained by Brazilian companies to finance the construction of hydroelectrical power plants, which have counter-guarantees of 58,379 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 September 2012 and 31 December 2011, 429,605 thousands of Euros and 465,989 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 September 2012 and 31 December 2011 these loans amounted to 996,351 thousands of Euros and 888,776 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2012 and 31 December 2011, EDPR's obligations under the tax equity agreements, in the amount of 926,657 thousands of Euros and 942,123 thousands of Euros, are reflected on the balance sheet Institutional Partnerships in US Wind farms.

Real guarantees, as at 30 September 2012, includes 16,485 thousands of Euros related with guarantees provided to projects and loans obtained in Brazil. As at 31 December 2011, these guarantees amounts to 6,482 thousands of Euros.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, as at 30 September 2012 and 31 December 2011, by maturity, as follows:

	Sep 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,940,956	3,515,545	8,518,276	6,889,740	5,017,395
Finance lease commitments	6,680	3,113	3,288	279	-
Operating lease commitments	982,890	54,494	85,293	73,451	769,652
Purchase obligations	27,846,399	4,365,549	7,275,401	4,710,876	11,494,573
Other long term commitments	2,416,323	265,175	519,788	482,741	1,148,619
	55,193,248	8,203,876	16,402,046	12,157,087	18,430,239

	Dec 2011				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	22,275,659	3,478,927	7,230,868	6,106,545	5,459,319
Finance lease commitments	7,882	3,425	4,059	398	-
Operating lease commitments	1,002,777	71,529	101,127	73,131	756,990
Purchase obligations	32,376,753	5,152,650	8,005,283	5,214,648	14,004,172
Other long term commitments	2,419,855	265,182	523,169	485,601	1,145,903
	58,082,926	8,971,713	15,864,506	11,880,323	21,366,384

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy to its customers in the Europe, United States of America and Brazil as well to comply with medium and long term investment objectives of the Group.

The short and long term debt corresponds to the balance of borrowings and related falling due interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period.

Falling due finance lease commitments relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include capital outstanding and interests.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated statement of financial position (note 36).

As at 30 September 2012, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.R.L. holds a put option for 6.48% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renewables Italy build, develop and operate 350 MW in Italy.

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the begining of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The 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.

45. SHARE BASED PAYMENTS

EDP implemented a stock option program applicable to senior management and directors, under the terms approved by the General Meeting, in order to promote the acreation of value added.

EDP Group has the following three stock option plans: i) Plan for the members of the Board of Directors approved in 1999, in which options can be granted for up to 2,450,000 ordinary shares, ii) Plan for the Members of the Board of Directors and Management of the Group subsidiaries, in which options can be granted for up to 16,250,000 ordinary shares, iii) Plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted can be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expire eight years after being granted.

The exercise price of the options is calculated based on the market price of the company's shares at the grant date. The options maximum term is seven years for the first two plans and eight years for the third plan.

The options are granted by the EDP Group's Executive Board of Directors and can only be exercised after two years of service.

The movements in the stock option plans are analysed as follows:

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 30 September 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 30 September 2012	567,201	2.21

Information regarding stock options as at 30 September 2012, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
567,201	2.21	1.30	567,201	391,615

During the nine months period ended 30 September 2012 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

As at 30 September 2012, EDP Group granted treasury stocks to employees (941,383 shares) totalling 2,051 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2012 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	169,732,151	4.64%	4.64%
Parpública Group	151,517,000	4.14%	4.14%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,956,051	3.36%	3.36%
Banco Espírito Santo Group	89,708,375	2.45%	2.45%
Sonatrach	87,007,443	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
EDP Group (Treasury stock)	32,124,523	0.88%	-
Remaining shareholders	1,559,862,429	42.67%	-
	3,656,537,715	100.00%	

Balances and transactions with subsidiaries and associates

The credits and debits over subsidiaries and associates, at Company level and eliminated in the consolidated financial statements are analysed as follows:

Credits

	September 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	14,666	250,000	11,977	276,643
EDP Comercial	72,668	40,000	110,410	223,078
EDP Distribuição	749,969	2,028,125	56,447	2,834,541
EDP Finance BV	-	-	903,694	903,694
EDP Gás -SGPS	5,303	131,400	4,960	141,663
EDP Gestão da Produção	149,913	4,069,223	146,857	4,365,993
EDP Imobiliária e Participações	-	103,200	1,918	105,118
EDP Renováveis	-	45,762	247,456	293,218
Other	46,542	436,847	174,570	657,959
	1,039,061	7,104,557	1,658,289	9,801,907

	December 2011			
Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	7,796	255,000	12,691	275,487
EDP Comercial	48,371	40,000	96,364	184,735
EDP Distribuição	170,354	2,028,125	52,562	2,251,041
EDP Finance BV	-	116,561	349	116,910
EDP Gás - SGPS	25,541	107,400	3,561	136,502
EDP Gestão da Produção	1,327	3,825,275	256,409	4,083,011
EDP Imobiliária e Participações	-	177,700	775	178,475
EDP Renováveis	-	-	237,918	237,918
Hidroeléctrica del Cantábrico	1,494	87,173	47,083	135,750
Other	26,112	45,502	111,908	183,522
	280,995	6,682,736	819,620	7,783,351

Debits

	September 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,828,586	59,620	3,888,206
EDP Gestão da Produção	-	-	209,702	209,702
EDP Renováveis	-	87,252	4,165	91,417
EDP Serviço Universal	111,757	-	135,939	247,696
Other	14,464	28,244	114,511	157,219
	126,221	3,944,082	523,937	4,594,240

Thousands of Euros	December 2011 Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,288,505	34,686	3,323,191
EDP Gestão da Produção	-	-	255,870	255,870
EDP Renováveis	-	198,714	9,872	208,586
EDP Serviço Universal	-	-	115,617	115,617
Naturgás	-	145,187	-	145,187
Other	7,819	23,755	143,943	175,517
	7,819	3,656,161	559,988	4,223,968

Expenses and income related to intra-Group transactions, at Company level, eliminated on consolidation are analysed as follows:

Expenses

Thousands of Euros	September 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	139,216	3,718	142,934
EDP Gestão da Produção	333	-	688,944	689,277
Hidroeléctrica do Guadiana	-	-	18,432	18,432
Naturgas Comercializadora	-	-	16,674	16,674
Other	115	5,664	69,662	75,441
	448	144,880	797,430	942,758

Thousands of Euros	September 2011 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	130,961	3,367	134,328
EDP Gestão da Produção	647	-	829,687	830,334
EDP Renováveis	-	478	42,699	43,177
Hidroeléctrica do Guadiana	-	-	29,886	29,886
Hidroeléctrica del Cantábrico	-	-	33,396	33,396
Other	327	2,171	68,259	70,757
	974	133,610	1,007,294	1,141,878

Income

Thousands of Euros	September 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	1,319	1,236	415,212	417,767
EDP Distribuição	8,612	97,411	30,225	136,248
EDP Gás.Com	-	-	183,204	183,204
EDP Gestão da Produção	632	182,028	31,624	214,284
Other	979	25,406	176,231	202,616
	11,542	306,081	836,496	1,154,119

Thousands of Euros	September 2011 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	228	1,829	350,907	352,964
EDP Distribuição	10,286	52,485	29,393	92,164
EDP Gás.Com	-	-	154,027	154,027
EDP Gestão da Produção	629	157,371	44,567	202,567
Hidroeléctrica del Cantábrico	-	-	43,267	43,267
Other	450	17,180	91,995	109,625
	11,593	228,865	714,156	954,614

Assets, liabilities and transactions with related companies, for the Group and eliminated in the consolidated financial statements are analysed as follows:

Assets and liabilities

	September 2012		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	242,910	3,769	239,141
Jointly controlled entities	26,300	16,433	9,867
	269,210	20,202	249,008

	December 2011		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	236,714	3,834	232,880
Jointly controlled entities	25,212	12,249	12,963
	261,926	16,083	245,843

Transactions

	September 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	11,451	8,025	-2,466	-48
Jointly controlled entities	41,752	4,717	-19,973	-392
	53,203	12,742	-22,439	-440

	September 2011			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	5,549	4,935	-2,211	-5
Jointly controlled entities	47,697	5,823	-17,820	-344
	53,246	10,758	-20,031	-349

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 September 2012 and 31 December 2011 is analysed as follows:

	Group Sep 2012			Group Dec 2011		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	171,779	171,779	-	171,313	171,313	-
Trade receivables	2,160,695	2,160,695	-	2,152,281	2,152,281	-
Debtors and other assets from commercial activities	4,622,825	4,622,825	-	3,604,009	3,604,009	-
Other Debtores and other assets	592,396	592,396	-	586,205	586,205	-
Derivative financial instruments	301,798	301,798	-	321,514	321,514	-
Financial assets at fair value through profit or loss	10,404	10,404	-	212	212	-
Cash and cash equivalents	2,207,537	2,207,537	-	1,731,524	1,731,524	-
	10,067,434	10,067,434	-	8,567,058	8,567,058	-
Financial liabilities						
Financial debt	20,645,982	19,863,098	-782,884	18,785,109	16,590,072	-2,195,037
Property, plant and equipment suppliers and accruals	1,560,689	1,560,689	-	1,899,155	1,899,155	-
Institutional Partnerships in USA Wind Farms	1,736,132	1,736,132	-	1,783,861	1,783,861	-
Trade and other payables from commercial activities	2,473,546	2,473,546	-	2,686,961	2,686,961	-
Other liabilities and other payables	605,018	605,018	-	688,602	688,602	-
Derivative financial instruments	213,445	213,445	-	207,576	207,576	-
	27,234,812	26,451,928	-782,884	26,051,264	23,856,227	-2,195,037

Considering that the EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates.

The market value of loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term.

48. SUBSEQUENT EVENTS

ANEEL approves an 11.45% tariff increase at EDP Bandeirante's annual tariff readjustment process

On 17 October 2012, the Brazilian electricity regulator, ANEEL, approved an 11.45% annual tariff readjustment index for EDP Bandeirante, for the period from October 23rd 2012 to October 22nd 2013.

In October 2011, ANEEL postponed EDP Bandeirante's Tariff Review for the regulatory period 2011-15 which implied the tariff freeze for the period from October 23rd 2011 to October 22nd 2012. This financial adjustment which amounts to 78 million Reais will be returned by EDP Bandeirante in three annual installments, with the first one included in this tariff readjustment and the remaining in the following annual tariff readjustments.

On 2 October 2012, ANEEL approved EDP Bandeirante's tariff review for the regulatory period 2011-15, defining the gross Regulatory Asset Base at 3 billions of Reais and the net Regulatory Asset Base at 1.545 billions Reais.

Bank of China signs loan of 800 millions of Euros with EDP

On 22 October 2012, EDP and EDP Finance BV signed a 800 millions of Euros Multicurrency Term Facility Agreement with Bank of China. The loan is senior and unsecured, with a 3 year tenor and a margin of 350 bps over 3-month Libor.

This loan is intended for general corporate purposes and it reinforces the Group's liquidity position.

49. 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:

• IFRS 7 (Amended) - Financial instruments: Disclosures for transfer transactions of financial assets.

No significant impact in the Group resulted from the adoption of this standard.

The Group has also decided against the early application of the following standards and interpretations endorsed by the European Union:

• IAS 1 (Amended) - Presentation of Financial Statements, effective from 1 July 2012;
• IAS 19 (Amended) - Employee Benefits, effective from 1 January 2013.

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

• IFRS 7 (Amended) - Financial Instruments: Disclosures - Offseting Financial Assets;
• IFRS 9 - Financial Instruments;
• IFRS 10 - Consolidated Financial Statements;
• IFRS 11 - Joint Arrangements;
• IFRS 12 - Disclosure of Interests in Other Entities;
• IFRS 13 - Fair Value Measurement;
• IAS 27 (Amended) - Separate Financial Statements;
• IAS 28 (Amended) - Investments in Associates and Joint Ventures;
• IAS 32 (Amended) - Financial Instruments: Offsetting Financial Assets and Financial Liabilities;
• Improvements to IFRSs (2009-2011).

50. EDP BRANCH IN SPAIN

The aim of "EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España" is to manage and coordinate the energy interests of subsidiaries depending from EDP Group in Spain, organised through managing and monitoring structures, in order to ensure the maximum synergy and value creation in the operations and activities in Spain, also assuming itself as an organizational platform to lead the Iberian integration of shared and support services (back and middle offices). On this basis, the majority interests in EDP Renováveis, S.A., EDP Servicios Financieros España, S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect majority interest in NG Energia (Naturgás Energia Grupo S.A.), are directly allocated to the assets of EDP Sucursal.

The Spanish branch of EDP has offices in Madrid and Oviedo. From a formal and legal point of view, the representation of the Spanish branch of EDP before third parties is ensured through the permanent representatives, which are members of the Executive Board of Directors of EDP, mandated for that purpose.

The structure of direction, coordination, management and representation of the Spanish branch of EDP is composed of an Executive Committee, a Management Committee and a Coordination Committee.

The Executive Committee of EDP is composed of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Generation, Distribution, Trading and Gas Coordination Committees are composed and chaired by the respective Directors from the Board of Executive Directors of EDP in order to ensure synergies with Spain and eliminate inefficiencies and redundancies.

The condensed statement of financial position of the Branch as at 30 September 2012 and 31 December 2011 is analysed as follows:

	EDP Branch	
Thousands of Euros	Sep 2012	Dec 2011
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	482,695	481,695
Other	60	60
Deferred tax assets	68,289	70,114
Other debtors and others assets	80,235	79,794
Total Non-Current Assets	5,552,966	5,553,350
Trade receivables	19,479	13,573
Debtors and other assets	610,762	387,595
Tax receivable	17,264	37,306
Cash and cash equivalents	357	11,649
Total Current Assets	647,862	450,123
Total Assets	6,200,828	6,003,473
Equity	2,170,262	2,269,465
Trade and other payables	2,404,687	2,436,252
Deferred tax liabilities	4,255	4,255
Total Non-Current Liabilities	2,408,942	2,440,507
Trade and other payables	1,621,269	1,293,150
Tax payable	355	351
Total Current Liabilities	1,621,624	1,293,501
Total Liabilities	4,030,566	3,734,008
Total Equity and Liabilities	6,200,828	6,003,473

51. SEGMENTAL REPORTING

A business segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services within a particular economic environment which is subject to risks and returns that are different from those of components operating in other economic environments.

The Group develops a set of 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 in Brazil).

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

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia
- Liberalised Activities in Iberia
- Regulated Networks in Iberia
- EDP Renováveis
- EDP Brasil

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation)
- Energin, S.A.
- Soporgen, S.A.
- EDP Produção Bioléctrica, S.A.
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A. (liberalised generation)
• Empresa Hidroeléctrica do Guadiana, S.A.
• Electrica de la Ribera del Ebro, S.A.
• Hidroeléctrica Del Cantábrico, S.L.
• Central Térmica Ciclo Combinado Grupo 4, S.A.
• Patrimonial de La Ribera del Ebro, S.L.
• EDP Comercial - Comercialização de Energia, S.A.
• Hidrocantábrico Energia, S.A.U.
• EDP Soluções Comerciais, S.A.
• Naturgás Comercializadora, S.A.

The Regulated Networks segment corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

• EDP Distribuição de Energia, S.A.
• EDP Serviço Universal, S.A.
• Fuerzas Electricas Valencianas, S.A.
• Electra de Llobregat Energía, S.L.
• HDC Explotacion Redes
• Hidrocantábrico Distribucion Eléctrica, S.A.U.
• Portgás - Soc. de Produção e Distribuição de Gás, S.A.
• EDP Gás Serviço Universal, S.A.
• Naturgás Energia Transporte, S.A.U.
• Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDP Renewables Europe, EDPR North America and EDPR South America subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

The EDP Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil, S.A. and all its subsidiaries, with the exception of EDP Renováveis Brasil which is included in the EDP Renováveis segment. As in the EDP Renováveis segment, this segment includes all the adjustments for the companies composing this segment, including consolidation adjustments.

The Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centers.

The Adjustments segment includes the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter and the elimination of transactions between companies of the same segment.

The statement of financial position captions of each subsidiary and business unit are determined based on the amounts booked directly in the companies that compose the segment, including the elimination of balances between companies of the same segment, and excluding the allocation in the segments of the adjustments between segments.

The income statement captions for each business segment are based in the amounts booked directly in the companies financial statements and related business units, adjusted by the elimination of transactions between companies of the same segment.

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants — allocated to the Long Term Contracted Generation — and the liberalised generation plants — allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In 2012, the EDP Group changed the reported segments, as well as the information disclosed in the Segmental Reporting, according to the mentioned above criteria. To be comparable, the information as of 30 September 2011 has been restated to reflect the changes occurred in 2012.

52. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I

EDP Group Activity by Business Segment
30 September 2012

Thousands of Euros	Iberia: LT Contracted Generation	Iberia: Liberalised Activities	Iberia: Regulated Networks	EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
Turnover									
Electricity and network accesses	1,103,301	4,614,103	4,448,733	852,119	1,788,368	456	-	(2,166,516)	10,640,564
Gas and network accesses	-	1,304,291	304,282	-	-	-	-	(260,124)	1,348,449
Other	47,235	147,972	12,916	4,758	10,265	21,148	199,655	(342,996)	100,953
	1,150,536	6,066,366	4,765,931	856,877	1,798,633	21,604	199,655	(2,769,636)	12,089,966
Cost of electricity	(40,838)	(3,773,145)	(3,304,322)	(13,201)	(1,151,304)	(456)	-	2,154,971	(6,128,295)
Cost of gas	-	(1,139,457)	(43,985)	-	-	-	-	138,595	(1,044,847)
Change in inventories and cost of raw materials and consumables used	(376,447)	(548,984)	(5,833)	(1,666)	(120)	(7,394)	(69)	123,512	(817,001)
	(417,285)	(5,461,586)	(3,354,140)	(14,867)	(1,151,424)	(7,850)	(69)	2,417,078	(7,990,143)
	733,251	604,780	1,411,791	842,010	647,209	13,754	199,586	(352,558)	4,099,823
Other operating income / (expenses)									
Other operating income	7,944	7,468	72,259	114,542	17,859	14,016	25,586	(39,825)	219,849
Supplies and services	(60,340)	(196,303)	(315,915)	(183,459)	(129,636)	(6,314)	(130,084)	348,726	(673,325)
Personnel costs and employee benefits	(53,337)	(75,774)	(126,786)	(46,836)	(94,340)	(6,948)	(83,948)	7,082	(480,887)
Other operating expenses	(19,033)	(59,824)	(232,095)	(51,574)	(43,735)	(6,348)	(11,567)	1,156	(423,020)
	(124,766)	(324,433)	(602,537)	(167,327)	(249,852)	(5,594)	(200,013)	317,139	(1,357,383)
	608,485	280,347	809,254	674,683	397,357	8,160	(427)	(35,419)	2,742,440
Provisions	(1,156)	2,156	(944)	-	(6,216)	12	2,738	-	(3,410)
Depreciation, amortisation and impairment	(151,524)	(193,704)	(242,150)	(342,283)	(110,121)	(654)	(14,865)	(24,210)	(1,079,511)
Compensation of amortisation and depreciation	1,517	233	1,996	11,497	3,797	48	3	(21)	19,070
	457,322	89,032	568,156	343,897	284,817	7,566	(12,551)	(59,650)	1,678,589
Gain/(losses) on the sale of financial assets	-	-	-	2,857	-	-	87,945	(87,945)	2,857
Financial results	(38,718)	(136,736)	(97,549)	(200,696)	(76,625)	(629)	556,572	(521,289)	(515,670)
Share of profit in associates	328	-	119	4,258	(1,350)	10,779	-	3,306	17,440
Profit/(loss) before income tax	418,932	(47,704)	470,726	150,316	206,842	17,716	631,966	(665,578)	1,183,216
Current tax	(44,237)	7,554	92,820	(50,436)	(75,472)	(84)	(48,967)	(20,672)	(139,494)
Deferred tax	(78,736)	(6,081)	(227,124)	(672)	2,354	(2,067)	165,889	12,798	(133,639)
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Equity holders of EDP	296,534	(35,148)	336,357	92,574	76,328	15,581	763,803	(751,503)	794,526
Non-controlling interests	(575)	(11,083)	65	6,634	57,396	(16)	(14,915)	78,051	115,557
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Total assets	6,770,969	5,343,834	8,011,991	13,118,474	5,347,868	112,749	20,407,847	(17,030,396)	42,083,336
Total liabilities	3,391,643	5,381,122	6,493,506	7,592,123	2,822,779	82,464	14,106,223	(9,064,751)	30,805,109
Increase of the period:									
Property, plant and equipment	28,569	329,443	78,438	268,652	189,194	502	21,602	524	916,924
Intangible assets	58,358	109,436	220,683	4	64,563	2	417	(28)	453,435
Goodwill	-	-	-	12 465	-	-	-	-	12,465

EDP Group Activity by Business Segment
30 September 2011

Thousands of Euros	Iberia: LT Contracted Generation	Iberia: Liberalised Activities	Iberia: Regulated Networks	EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
Turnover									
Electricity and network accesses	983,205	4,740,008	3,850,126	691,956	1,753,177	-	-	(2,219,975)	9,798,497
Gas and network accesses	-	1,157,777	290,595	-	-	-	46	(224,549)	1,223,869
Other	45,493	179,631	12,866	14,162	7,897	20,914	223,820	(365,242)	139,541
	1,028,698	6,077,416	4,153,587	706,118	1,761,074	20,914	223,866	(2,809,766)	11,161,907
Cost of electricity	(31,464)	(3,840,796)	(2,754,250)	(4,828)	(957,236)	-	-	2,211,409	(5,377,165)
Cost of gas	-	(1,066,338)	(38,435)	-	-	-	-	143,644	(961,129)
Change in inventories and cost of raw materials and consumables used	(251,427)	(560,604)	(7,607)	(12,122)	1,687	(6,299)	(4,293)	99,570	(741,095)
	(282,891)	(5,467,738)	(2,800,292)	(16,950)	(955,549)	(6,299)	(4,293)	2,454,623	(7,079,389)
	745,807	609,678	1,353,295	689,168	805,525	14,615	219,573	(355,143)	4,082,518
Other operating income / (expenses)									
Other operating income	10,283	12,867	125,269	105,114	9,849	12,001	18,365	(60,322)	233,426
Supplies and services	(63,086)	(190,078)	(327,185)	(164,541)	(130,499)	(6,411)	(147,228)	378,867	(650,161)
Personnel costs and employee benefits	(58,475)	(76,079)	(126,481)	(42,389)	(86,906)	(6,622)	(91,928)	17,115	(471,765)
Other operating expenses	(12,006)	(76,979)	(225,332)	(39,039)	(43,648)	(6,519)	(14,633)	(834)	(418,990)
	(123,284)	(330,269)	(553,729)	(140,855)	(251,204)	(7,551)	(235,424)	334,826	(1,307,490)
	622,523	279,409	799,566	548,313	554,321	7,064	(15,851)	(20,317)	2,775,028
Provisions	(1,718)	12,739	(2,810)	303	(14,730)	4	(3,995)	8,474	(1,733)
Depreciation, amortisation and impairment	(146,453)	(182,684)	(261,037)	(320,683)	(118,941)	(701)	(11,001)	(36,702)	(1,078,202)
Compensation of amortisation and depreciation	1,480	172	1,818	11,432	10,117	263	-	(1)	25,281
	475,832	109,636	537,537	239,365	430,767	6,630	(30,847)	(48,546)	1,720,374
Gain/(losses) on the sale of financial assets	-	-	-	10,046	-	-	113,342	(113,108)	10,280
Financial results	(51,653)	(47,410)	(102,296)	(176,475)	(94,566)	(349)	503,229	(576,419)	(545,939)
Share of profit in associates	448	-	57	3,691	(1,097)	10,631	-	3,699	17,429
Profit/(loss) before income tax	424,627	62,226	435,298	76,627	335,104	16,912	585,724	(734,374)	1,202,144
Current tax	(134,127)	(31,214)	11,174	(36,360)	(111,278)	(355)	103,821	(24,965)	(223,304)
Deferred tax	14,248	(482)	(106,712)	21,136	9,394	(1,587)	31,062	14,080	(18,861)
Net profit/(loss) for the period	**304,748**	**30,530**	**339,760**	**61,403**	**233,220**	**14,970**	**720,607**	**(745,259)**	**959,979**
Equity holders of EDP	304,205	42,105	339,803	62,573	187,400	14,970	720,607	(848,033)	823,630
Non-controlling interests	543	(11,575)	(43)	(1,170)	45,820	-	-	102,774	136,349
Net profit/(loss) for the period	**304,748**	**30,530**	**339,760**	**61,403**	**233,220**	**14,970**	**720,607**	**(745,259)**	**959,979**
Total assets	6,970,120	6,982,418	7,327,784	13,044,929	5,693,903	127,074	54,279,339	(53,157,938)	41,267,629
Total liabilities	3,816,039	5,092,770	5,721,506	7,591,203	2,962,526	159,766	41,531,522	(36,994,482)	29,880,850
Increase of the period:									
Property, plant and equipment	46,011	212,646	79,171	512,231	116,759	4,166	55,258	(17,942)	1,008,300
Intangible assets	122,225	233,700	199,710	9	112,354	56	(237)	(4,423)	663,394
Goodwill	-	3,732	837	-	-	-	379	-	4,948

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The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade